



Market Update

Global Asset Allocation Viewpoints

11 March 2025

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The S&P 500 has fallen nearly 9% from its February highs, with the technology-heavy Nasdaq officially in correction territory, while markets outside the U.S. continue to outperform. At the heart of the sell-off is the uncertainty and a somewhat chaotic approach the U.S. has taken toward tariffs causing investors to recalibrate expectations on Trump's second term.

Rising Uncertainty on "Transition Period"

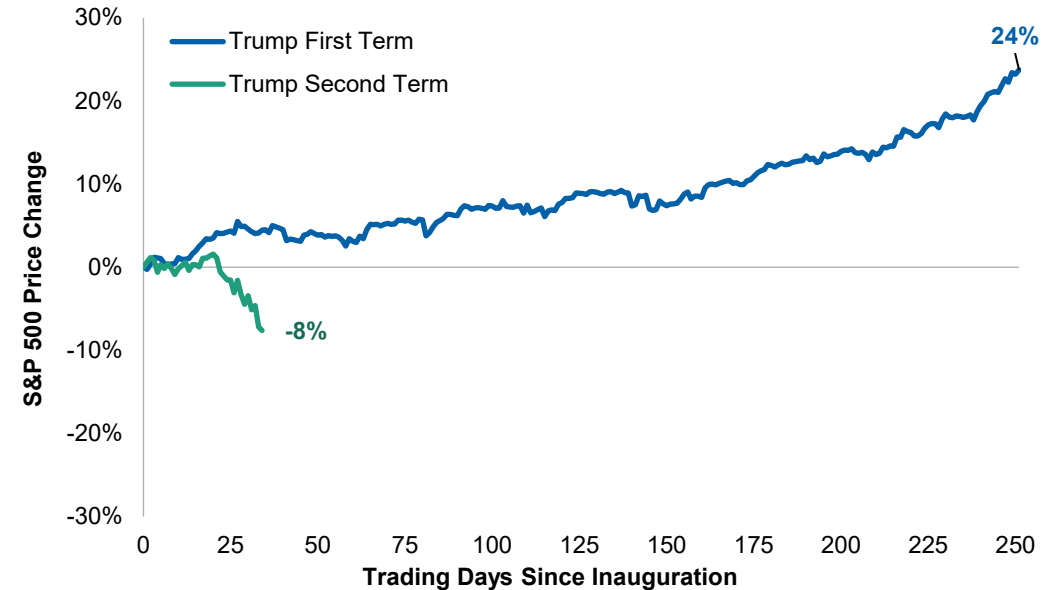
- What started with a decline in expensive tech stocks, including many of the Mag-7, has given way to a broad-based equity sell-off as the looming threat of extended trade wars and softer economic data has stoked fears of recession.
- While it seemed investors had largely believed tariffs would be used as an initial tool to bring trading partners to the table and reach agreements to satisfy U.S. demands, recent comments by the administration signaling that they are willing to experience short-term economic pain in the pursuit of longer-term goals has rattled investors trying to adjust to this "transition period."
- Elevated stock market valuations, notably in the U.S. are being questioned, while at the same time, economic activity, both consumer and corporate are showing signs of softening, and is likely to lead to postponement on spending and hiring decisions.

Investor Implications

- Taking President Trump at his word, we expect this uncertainty to persist over the near-term as his administration continues to take aggressive policy actions to achieve longer-term goals, which will likely weigh on growth and market sentiment, and possibly reignite inflation.
- During Trump's first term, trade negotiations with China lasted approximately 19 months, and while volatile, the markets largely responded positively to progress on negotiations. This time, however, seems different with the larger goals in mind.
- While volatility may persist, we do believe the Fed and other central banks will likely step in to stabilize growth if the economy and labor markets deteriorate more quickly, with inflation possibly taking a backseat. As a result, in this risk-off environment, bonds could continue to offer support as yields may decline further, near-term.
- Importantly, diversification away from previously narrow markets is providing support in the sell-off and we're closely monitoring the markets as dislocation typically creates opportunities.

Tale of Two Terms: S&P 500 Price Change since Inauguration Day

As of 11 March 2025



Performance data quoted represents past performance which is not a guarantee or a reliable indicator of future results.

Data shown in USD. Source: Bloomberg Finance, LP. Please see Additional Disclosures page for relevant index data provider legal notices & disclaimers for this Standard & Poor's sourcing information.

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The Magnificent 7 ("Mag 7") is Apple, Alphabet, Amazon, Meta, Microsoft, NVIDIA, and Tesla.

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