MONTHLY MARKET REVIEW – April 2025

	Apr 2025	YTD	1-Year	3-Years	5-Years	10-Years
U.S. Large Cap Equities S&P 500	-0.68%	-4.92%	12.10%	12.18%	15.61%	12.32%
U.S. Small Cap Equities Russell 2000	-2.31%	-11.57%	0.87%	3.27%	9.88%	6.32%
Energy Infrastructure Equities Alerian U.S. Midstream	-8.57%	-1.35%	30.78%	23.30%	31.02%	7.74%
U.S. Real Estate Equities Dow Jones U.S. Select REIT	-2.76%	-1.62%	15.20%	-0.76%	8.57%	4.86%
Global Equities MSCI All Country World Index	0.93%	-0.40%	11.84%	10.27%	13.07%	8.63%
Int'l Developed Equities MSCI EAFE	4.58%	11.76%	12.57%	10.07%	11.37%	5.45%
Emerging Market Equities MSCI Emerging Markets	1.31%	4.28%	9.02%	3.85%	6.35%	3.07%
U.S. Taxable Fixed Income Bloomberg U.S. Aggregate	0.39%	3.19%	8.02%	1.95%	-0.67%	1.54%
U.S. Tax-Exempt Fixed Income Bloomberg Municipal Aggregate	-0.81%	-1.03%	1.66%	2.21%	1.17%	2.10%
High Yield Fixed Income Bloomberg U.S. Corp High Yield	-0.02%	0.98%	8.69%	6.25%	6.35%	4.88%
Floating Rate Loans Morningstar LSTA U.S. Loan	-0.05%	0.43%	6.16%	7.12%	8.00%	4.88%
Collateralized Loan Obligations JP Morgan Collateralized Loan Index	0.23%	1.30%	6.48%	6.84%	6.39%	4.11%

- Markets were especially volatile in April as the implications of global trade policy impacted equities, bonds and currencies; the VIX measure of implied market volatility rose to 60 (historical average 20).
- U.S. large and small cap stocks declined, with "growth" outperforming "value" by 5.8%.
  - "Mag 7" stocks have declined 12.2% year-to-date, while ex-Mag 7 stocks have declined 0.5%.
- International and emerging markets stocks gained despite heightened tariff uncertainty.
  - Non-U.S. equities have been supported by lower multiples and a weakened U.S. dollar.
  - Year-to-date the U.S. dollar trade weighted index declined 9%.
- Fixed income returns were mixed, but mostly negative; investment grade bonds performed best.
  - The yield curve spread between 2-year and 10-year Treasuries widened to 0.55%. Nominal 10-year treasury yields were 4.2%, with inflation at 2.6% (PCE), producing positive real yields.
- High yield bonds yielded 7.8%; spread of 368 basis points; below the average of 511 basis points.
- Floating rate loans appeared relatively less attractive on a risk adjusted basis, despite offering a higher 9.3% yield.
- Securitized Collateralized Loan Obligations, or CLOs, offer yield pickup versus similarly rated corporate bonds and loans with built-in protection against credit loss.

Sources: eVestment, JP Morgan, xe.com, Trading Economics, MacroTrends, StatisticsCanada, Bloomberg, bea.gov, U.S. Dept of Labor/Bureau of Labor Statistics, Bank of Canada, Reuters, Bureau of Economic Analysis

Category	Comments
Growth	Preliminary reports suggest the U.S. economy contracted by 0.3% in the first quarter of 2025.
Profits	The 1Q25 earnings season is underway with 38% of market cap reporting: • Pro forma Earnings Per Share (EPS) of $61.89; representing an increase of 9.6% y/y and negative 5.9% q/q; 73% of companies beat estimates. • Driven by Sales growth (4.6%), Margins (6.1%) and Shares count (-1.1%) • Technology contributed most of the EPS beat.
Jobs	The April jobs report exceeded consensus at 177,000: • Hiring fell slightly from the revised 185,000 in March, but increased above economist projections of 135,000. • The unemployment rate remained at 4.2%.
Inflation	March Personal Consumption Expenditures Index (PCE): • Headline and Core PCE price indices slowed from their respective increases in February; Headline and Core increased 2.3% and 2.6%, y/y.
Interest Rates	The FOMC policy rate is expected to be unchanged in May; range of 4.25%-4.50%: • The FOMC 2025 median year-end estimated policy rate is 3.9%. • Fed Funds futures are pricing in 3.4%.

CANADA:

- The U.S. dollar index (DXY) ***decreased*** 4.5% in April and ***decreased*** 5.3% over the past year (see chart below), while the U.S. dollar ***weakened*** 4.1% (YTD) against the Canadian dollar to end the month with an exchange rate of **1.38**.
- The Bank of Canada reduced its policy interest rate from 3.00% to 2.75% on March 12th.
- The BoC held its policy rate steady when it met in April.
- Inflation has decreased, with total CPI falling 0.3% m/m to 2.3%.
- Core CPI, referred to as “CPI-trim,” was 2.8% at month-end, a 0.1% m/m decrease.
- According to Reuters, the Canadian economy contracted by 0.2% in February, and most likely expanded by 0.1% in March. Per Statistics Canada, the softer results were attributable to decreases in mining, quarrying, oil and gas extraction and warehousing.

Sources: eVestment, JP Morgan, xe.com, Trading Economics, MacroTrends, StatisticsCanada, Bloomberg, Financial Post, bea.gov, U.S. Dept of Labor/Bureau of Labor Statistics, Bank of Canada, Reuters, Morningstar, RBC.

OIL:

- **The price of crude oil was $58.21 per barrel (WTI).**
- Oil prices decreased $13.26 per barrel, or 18.6%, in April.
- The sharp price decline was predominately attributable to abundant supply, with Saudi Arabia expected to push for a three-fold increase. Chinese demand for oil has simultaneously decreased.
- **Oil is forecasted to trade between $50 and $70 per barrel over the next 12 months.**

Year	Ave. Price	High	Low	% Change
2025	$69.34	$80.04	$57.31	-19%
2024	$75.83	$87.01	$66.37	1%
2023	$77.64	$93.84	$66.74	-11%
2022	$94.53	$123.70	$71.59	7%
2021	$68.17	$84.65	$47.62	55%
2020	$39.68	$63.27	$11.26	-21%
2019	$56.99	$66.24	$46.31	35%
2018	$65.23	$77.41	$44.48	-25%
2017	$50.80	$60.46	$42.48	12%
2016	$43.29	$54.01	$26.19	45%
2015	$48.66	$61.36	$34.55	-31%
2014	$93.17	$107.95	$53.45	-46%

COPPER:

- **The price of copper was $4.55 USD per pound.**
- Copper prices decreased $0.48 per pound, or 9.5%, in April.
- Copper prices declined sharpy to $4.10 before recovering amid improved U.S.-China trade relations. The price decline was attributable to weaker U.S. economic data and recession concerns.
- **Copper is forecasted to trade between $4.50 and $5.30 per pound over the next 12 months.**

Year	Ave. Price	High	Low	% Change
2025	$4.60	$5.23	$4.02	13%
2024	$4.23	$5.10	$3.68	3%
2023	$3.86	$4.28	$3.57	2%
2022	$4.00	$4.94	$3.23	-14%
2021	$4.24	$4.76	$3.52	27%
2020	$2.80	$3.63	$2.10	26%
2019	$2.72	$2.97	$2.53	6%
2018	$2.93	$3.30	$2.56	-20%
2017	$2.81	$3.30	$2.49	32%
2016	$2.20	$2.69	$1.94	17%
2015	$2.49	$2.94	$2.02	-25%
2014	$3.11	$3.38	$2.83	-17%

ALUMINUM:

- **The price of aluminum was $2,397 USD per tonne.**
- Aluminum prices decreased $117.75 per tonne, or 4.7%, in April.
- The price decline was attributable to downgraded global growth forecasts for the U.S. and Canada. Goldman Sachs reduced its forecast for Aluminum to an average of $2,000 in Q3, recovering to $2,300 by year-end.
- **Aluminum is forecasted to trade between $2,000 USD/tonne and $2,350 over the next 12 months.**

Year	Ave. Price	High	Low	% Change
2025	$2,574	$2,729	$2,340	-6%
2024	$2,458	$2,768	$2,159	7%
2023	$2,288	$2,662	$2,122	0%
2022	$2,711	$3,966	$2,103	-15%
2021	$2,486	$3,198	$1,954	42%
2020	$1,732	$2,068	$1,427	9%
2019	$1,811	$1,936	$1,706	-2%
2018	$2,115	$2,556	$1,817	-19%
2017	$1,979	$2,272	$1,686	34%
2016	$1,610	$1,784	$1,450	12%
2015	$1,679	$1,978	$1,436	-18%
2014	$1,984	$2,107	$1,840	0%

Sources: eVestment, JP Morgan, xe.com, Trading Economics, MacroTrends, StatisticsCanada, Bloomberg, Financial Post, bea.gov, U.S. Dept of Labor/Bureau of Labor Statistics, Bank of Canada, Reuters, Morningstar, RBC.

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MARKET UPDATE

April 30, 2025

By Thomas Grugan, Director & Senior Investment Strategist

High Level Summary

April was a volatile month for U.S. equities, precipitated by the U.S. administration's announcement of broader and more punitive tariff policies.

Stocks recovered later in April, although U.S. equities underperformed both developed international and emerging markets equities. U.S. growth stocks performed especially well, following the announcement of a 90-day pause in the implementation of reciprocal tariffs, and the delay on tariffs for key electronics goods imported from China. In April, growth stocks outperformed value stocks by 5.8%, following a 13.6% decline in the energy sector. However, value maintained a 3.1% advantage over growth on a year-to-date basis, as the technology and consumer discretionary sectors, which represented 41% of the S&P 500 Index, fell 11.2% and 14.1%, respectively.

U.S. bond markets fared better in April, with the exception of municipals, which declined 0.8%. In terms of relative valuation, municipal-to-treasury ratios ended the month favorable, and the asset class appeared more attractive due to elevated starting yields. While rates have fallen across most of the yield curve, spreads have widened across most sectors, resulting in absolute yields that appear attractive vs. the past ten years.

When reviewing returns in 2025, the key observation has been atypically high asset correlation. Historically speaking, bonds have served as a ballast to equities in diversified investment portfolios. In the first two decades of the 21st century, stock and bond correlations were consistently negative, and investors were able to rely on their fixed income allocation to provide protection when equity markets declined. The more recent trend has shown stock and bond prices moving in the same direction. This was particularly evident in 2022, when the S&P 500 Index and Bloomberg U.S. Aggregate Bond Index declined 18.1% and 13.0%, respectively, as the Fed raised short-term interest rates from historically low levels.

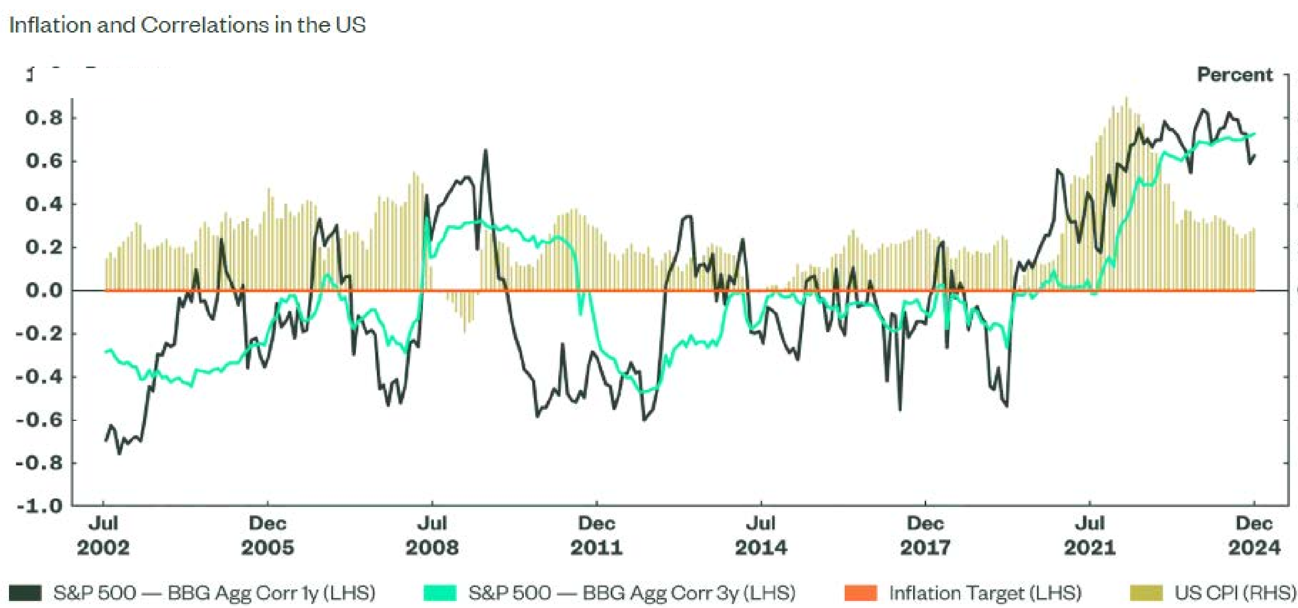
In this memo we explore the correlation between stocks and bonds, consider if bonds are still the preeminent source of downside protection and discuss "alternative" sources of equity ballast.

Historical Context

When considering the U.S. stock-bond correlation, data shows that higher inflation almost always corresponds to a positive correlation (prices move up together). In Figure 1, we show the 20-year period since January 2000, when inflation was fairly benign. This tepid period for inflation coincided with negative stock-bond correlation. However, inflation increased significantly as the pandemic froze supply chains, and as markets began to focus on higher inflation, correlations shifted to positive. Total stock and bond returns have moved together and have been consistently positive and/or negative in all calendar years since, aside from 2021.

Normally, investors would be pleased when stock and bond prices move together when the trajectory is upwards. But the recent trend of positive correlation creates concern if markets remain volatile, especially when considering bonds failed to provide downside protection in 2022.

Figure 1



Source: State Street

Diversify Your Diversifiers

Historically, equity and fixed income markets have demonstrated same-side sensitivities to inflation. If we see a sustained rise in inflation, which could occur amid the ever-changing global tariff negotiations, we could witness a higher correlation between stocks and bonds. **The solution for investors to increase diversification and improve risk adjusted returns could be to introduce or add alternatives, including private investments and real assets.**

Alternatives have become an increasingly important component of well diversified portfolios over the past decade, especially following the more recent introduction of semi-liquid evergreen funds, which offer slightly lower long-term targeted returns while offering appealing liquidity provisions.

Alternative investments rely less on broad market trends and more on the strength of each underlying investment, which can lower portfolio volatility. They can enhance long-term returns by broadening the universe of investments and strategies, and they can offer higher and more predictable income. Real assets can offer inflation protection. Alternatives have also demonstrated a lower correlation to stock and bond markets, which has resulted in many institutional portfolios targeting allocations of up to 20%-50%.

Tactical Positioning

Stocks and bonds, long thought of as highly uncorrelated public asset classes, have recently demonstrated their price movements may move in tandem. In up markets, this benefits most investors, but it can also lead to periods of steep negative returns, such as 2022.

Adding or increasing the exposure to alternative investments, especially semi-liquid evergreen funds, can help shelter investors in negative market conditions. Real assets can also provide income support and inflation protection. In many cases, returns can actually increase while adding downside protection.

Please refer to the next page for our tactical positioning table.

Asset Class	Opportunity	UW	N	OW	Comments
Main Asset Classes	Equities				Concentration risk favors diversification; valuation favors value; corporate tax cuts and higher revenue growth; tariff uncertainty risk; lower business Capex
	Duration				Lower duration; increased inflation risk
	Credit				Up-in-quality bias; bonds trading at discount to par; prioritize securitized credit
	Cash				~4% yield; good source of short-term dry powder
Equities	U.S. Large Cap				Broadening earnings growth in non-tech sectors
	U.S. Small Cap				Support from possible corporate tax cuts; vulnerable to higher cost of financing
	U.S. Mid Cap				Favorable to U.S. small cap
	“Value”				Valuations below historical average (discount)
	“Growth”				Valuations above historical average (premium)
	Non-U.S.				Tariff uncertainty tail risk; USD weakness and lower valuations
	Emerging Mkts				Cheap valuations, but heightened China concentration risk; risk of tariffs and retaliation
Fixed Income	Treasuries				Attractive short-to-intermediate term yield; reinvestment risk in short-term
	Corporate IG				Higher quality attractive
	Corporate HY				Healthy balance sheets, but rising default risk
	Bank Loans				Floating rates remain attractive; debt coverage remains adequate, but higher default risk; favor investment grade/BB CLOs
Private	Credit				Structural/Strategic allocation
	Infrastructure				Structural/Strategic allocation
	Equity				M&A activity; IPO market reopening
	Real Assets				Increased transaction volumes; attractive entry valuations

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Sources: eVestment, AQR, Russell, Morgan Stanley, JP Morgan, Morningstar, Mercer, State Street