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Market Stats & Commentary

Market Vital Signs as of 3/31/2025

Stock Indexes	March	YTD	1 Year
S&P 500	-5.63%	-4.27%	8.25%
Dow Jones Industrial Average	-4.06%	-0.87%	7.40%
NASDAQ Composite	-8.21%	-10.42%	5.62%
Russell Mid Cap Index	-4.63%	-3.40%	2.59%
Russell 2000 Small Cap Index	-6.81%	-9.48%	-4.01%
MSCI EAFE Developed Int'l Index	-0.40%	6.86%	5.00%
MSCI Emerging Markets Index	0.63%	2.93%	8.39%
Bond Indexes			
BBgBarc US Aggregate Bond Index	0.04%	2.78%	4.88%
BBgBarc US Corp High Yield Bond Index	-1.02%	1.01%	7.61%
Interest Rates	3/31/25	12/31/24	3/31/24
Fed Funds Target Range	4.25%-4.50%	4.25%-4.50%	5.25%-5.50%
10 Yr U.S. Treasury Rate	4.21%	4.57%	4.20%

Data Courtesy of Raymond James

Markets have been moving so fast that it hardly seems worth spending too much time on how the month of March went but here goes…

As you can see, March went poorly for most indexes, with only emerging markets bucking the trend. March performance also pushed all the U.S. stock indexes into the red for the year. Tough month all the way around!

The bond market was mixed, with the aggregate index being helped by lower interest rates and the high yield index being hurt by brewing recession fears.

It’s Been an Interesting April So Far…

As I write this, equity markets are one day removed from both being in bear market territory (S&P 500 down 20% from the high) in the morning ***and*** finishing the day with the largest daily percentage gain since 2008. Not exactly a typical Wednesday.

Oddly enough, it was not the stock market that forced the administration’s hand – it was the U.S. Treasury market. For those that are unanointed in the bond market, the U.S. Treasury market is the largest and most liquid market on the planet and its importance cannot be overstated. As the tariff selling began on Thursday April 3rd, there was a rush to U.S. Treasury bonds, as there is in most times of uncertainty. This was expected and pushed bond prices up and Treasury yields down. The 10 yr U.S. Treasury yield actually went below 4% for the first time in a while and the mortgage refi market was starting to lick its chops.

Then something changed at the beginning of this week. Treasury yields started going ***higher***, which is counterintuitive in volatile times. On Tuesday, the yield on the U.S. 10 yr bond started spiking and rumors began circulating of Japan and China being aggressive sellers in the market. There were not enough buyers to soak up all the selling, which created a vacuum in the market. Left unaddressed, this would be the economic equivalent of pulling the emergency brake in a car while travelling at 80 mph. In the world of economic levers to pull to retaliate or make a point, this would be considered the nuclear option. Had the administration not backed off on the tariffs when it did, the Fed would have been forced to intervene in the Treasury market in short order, something only done in times of real global crisis.

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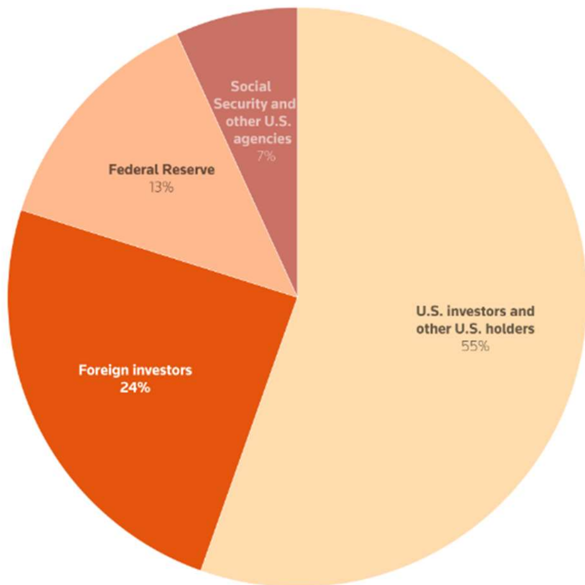
Since We're Talking About the U.S. Treasury Market…

Given the preceding discussion of the U.S. Treasury market and the DOGE inspired focus on the national debt, it seems reasonable to have a quick primer on the size and structure of the debt of the U.S. Treasury. Spoiler alert – it is big (roughly $36 trillion) but probably looks different than what most people think.



Data as of Q3 2024

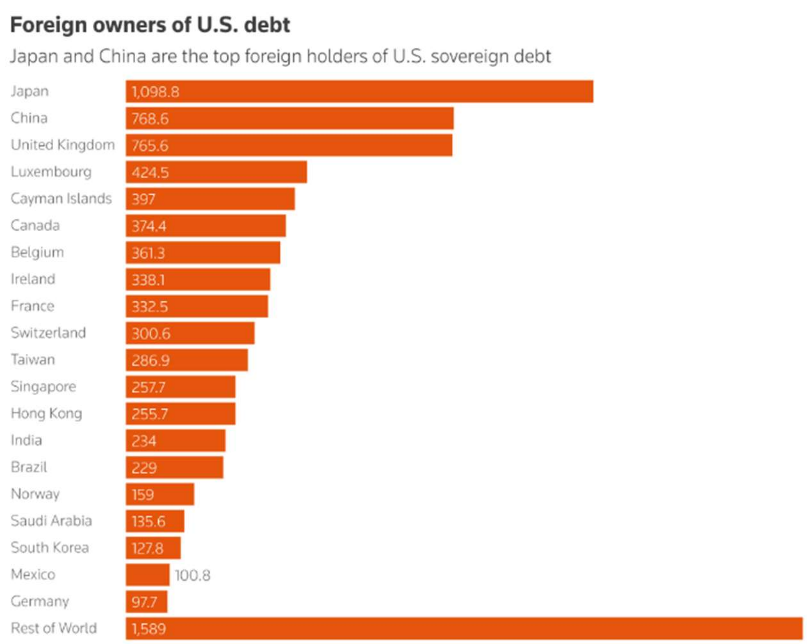
By Tom Westbrook • Source: Federal Reserve Bank of St Louis, U.S. Department of Treasury, Bureau of the Fiscal Service

Roughly 20% of the U.S. National Debt is held by government agencies (assuming you classify the Federal Reserve as a government agency). Now, if it makes your head hurt when you think about the fact that our own government own $7+ trillion of our national debt – don't feel bad – it makes mine hurt too. If debt is owned by the issuer, is it really debt? That's a tough question, best contemplated over a stiff drink.

Another 55% of the national debt is owned by domestic investors / funds / institutions.

And then you have foreign investors, mainly foreign governments, owning roughly a quarter of our national debt.

Now let's focus on the foreign investor / owner piece of the pie…



Note: As of November 2024.

By Tom Westbrook • Source: U.S. Department of Treasury from data primarily collected from U.S.-based custodians.

Source: Reuters https://www.reuters.com/markets/us/who-owns-us-debt-

Most people will probably be surprised to learn that Japan owns more U.S. Treasury bonds than China does. Japan currently owns roughly 3% of our national debt ($1.09T / $36T) and China owns roughly 2.1% ($768B / $36T).

In the past, as an experiment, I have asked clients what percentage of our national debt was owned by China. Most of the answers ranged from 40% to 70% and clients were always surprised to hear the real number. The last time I included these numbers in a commentary was 2020 when I wrote a piece entitled "How Are We Going to Pay for All This?". At the time, China and Japan both owned roughly 5% of our national debt. But since then, China has pared back, Japanese holdings have stayed stable while the overall size of the debt has gone up significantly.

So, no, we are not completely indebted to China, or really any other single country. However, the are a handful of countries that can put real stress on our Treasury Bond market if they feel backed into a corner.

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Where Do Markets Go from Here?

I think that in the short term, the path forward depends on too many “ifs” to make any kind of forecast with any real conviction. If trade deals are inked quickly, if all this volatility doesn’t spook consumers too much, how many days it takes to get the Treasury market settled down and operating normally… That’s several “ifs” and one “when”.

There was a great line in Tavis McCourt’s weekly equity strategy note last weekend that I think applies here: **Beware of confident predictions during unique events.** I like that line…

U.S. consumers seem to have slowed down over the past couple months. Some of that may be due to an especially bad flu season and snowstorms in places that don’t normally get snowstorms. Some of it was probably from tariff uncertainty. The big question is – does the typical seasonal spring uptick take place? If not, a market problem has become an economic problem.

David

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Index Descriptions

S&P 500: Representing approximately 80% of the investable U.S. equity market, the S&P 500 measures changes in stock market conditions based on the average performance of 500 widely held common stocks. It is a market-weighted index calculated on a total return basis with dividend reinvested.

Dow Jones Industrial Average Total Return: The Dow Jones Industrial Average is a composite of 30 stocks spread among a wide variety of industries, such as financial services, industrials, consumer services, technology, health care, oil & gas, consumer goods, telecommunications, and basic materials. The index represents approximately 23.8% of the U.S. market, and is price weighted (component weightings are affected by changes in the stocks' prices). Maintained by the Averages Committee, components are added and deleted on an as-needed basis.

Russell Midcap: A subset of the Russell 1000 index, the Russell Midcap index measures the performance of the mid-cap segment of the U.S. equity universe. Based on a combination of their market cap and current index membership, includes approximately 800 of the smallest securities which represents approximately 31% of the total market capitalization of the Russell 1000 companies. The index is created to provide a full and unbiased indicator of the mid-cap segment.

Russell 2000: Based on a combination of their market cap and current index membership, this index is comprised of approximately 2,000 of the smaller securities from the Russell 3000. Representing approximately 10% of the Russell 3000, the index is created to provide a full and unbiased indicator of the small cap segment.

NASDAQ: The NASDAQ composite is an unmanaged index of securities traded on the NASDAQ system.

MSCI EAFE (Europe, Australasia, Far East) Index: A free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada. As of June 2, 2014, the index consists of 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom.

MSCI Emerging Market Index: A free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. As of June 2, 2014, the index consists of the following 23 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey, and the United Arab Emirates.

Bloomberg Barclays U.S. Aggregate (BCAG): A representation of SEC-registered, taxable, and dollar denominated securities. The index covers the U.S. investment grade fixed rate bond market, with index components for asset-backed securities, government and corporate securities, and mortgage pass-through securities. Must be rated investment grade (Baa3/BBB- or higher) by at least two of the following rating agencies: Moody's, S&P, Fitch; regardless of call features have at least one year to final maturity, and have an outstanding par value amount of at least $250 million.

Bloomberg Barclays U.S. Corporate High Yield: Covers the universe of fixed rate, non-investment grade debt which includes corporate (Industrial, Utility, and Finance both U.S. and non-U.S. corporations) and non-corporate sectors. The index also includes Eurobonds and debt issues from countries designated as emerging markets (sovereign rating of Baa1/BBB+/BBB+ and below using the middle of Moody's, S&P, and Fitch) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included. Original issue zeroes, step-up coupon structures, 144-As and pay-in-kind bonds (PIKs, as of October 1, 2009) are also included. Must publicly issue, dollar-denominated and non-convertible, fixed rate (may carry a coupon that steps up or changes according to a predetermined schedule), and be rated high-yield (Ba1 or BB+ or lower) by at least two of the following: Moody's, S&P, and Fitch. Also, must have an outstanding par value of at least $150 million and regardless of call features have at least one year to final maturity.

U.S. government bonds and Treasury notes are guaranteed by the U.S. government and, if held to maturity, offer a fixed rate of return and guaranteed principal value. U.S. government bonds are issued and guaranteed as to the timely payment of principal and interest by the federal government. Treasury notes are certificates reflecting intermediate term (2-10 years) obligations of the U.S. government. There is an inverse relationship between interest rate movements and bond prices. Generally, when interest rates rise, bond prices fall and when interest rates fall, bond prices generally rise.

International investing involves special risk, including currency fluctuations, differing financial accounting standards, and possibly political and economic volatility.

Investing in emerging markets can be riskier than investing in well established foreign markets.