



The Dow Group Newsletter

1st Quarter Summary - 2025

Kenneth Dow, MBA, CFP®, CIMA®

Managing Partner, The Dow Group

1901 Butterfield Road, Suite 100

Downers Grove, IL 60515

630.716.8100

kenneth.dow@raymondjames.com

www.raymondjames.com/thedowgroup

March Market Review:

The equity market remained turbulent through March, with the S&P 500 dipping into correction territory – 10% off its February peak – largely spurred by tariff policy uncertainty and related fears of potentially rising inflation and dwindling growth. "The extreme optimism that was embedded in US equity valuations at the start of the year has reversed, with sentiment turning decidedly more negative following the recent correction," said Raymond James Chief Investment Officer Larry Adam. "However, with more attractive valuations and more reasonable expectations, equities are now better positioned to rise moving forward. The key catalyst is likely to be greater policy clarity, especially concerning tariffs, which remains elusive so far."

At its March meeting, the Federal Open Market Committee (FOMC) left target interest rates unchanged, raising inflation expectations for 2025 and lowering growth forecasts through 2027. Chairman Jerome Powell indicated that if growth falters, rate cuts would not be delayed.

Tariff concerns steered the ship: One common thread was observed across the major indices through March: Tariffs were a main driver of contraction. The combination of unknowns surrounding the tariffs themselves as well as their imminent impact could be similarly seen across industry data, such as the ISM Manufacturing Index and construction spending. Tariffs also contributed to the largest US trade deficit in traded goods since at least 1992, as producers pre-stocked inventories.

Positive signs beneath the surface: Despite the fog of policy uncertainty, there are still positive factors at play. With clarity, those factors may bubble to the surface. The economy is poised to remain resilient with a healthy earnings outlook, an expected easing of Fed policy, and evidence that inflation will not likely get out of control despite remaining sticky today.

Before we dive into more details, here's where the major indices stand:



	12/31/24 Close	3/31/25 Close*	Change Year to Date	% Gain/Loss Year to Date
DJIA	42,544.22	42,001.76	-542.46	-1.28%
NASDAQ	19,310.79	17,299.29	-2,011.50	-10.42%
S&P 500	5,881.63	5,611.85	-269.78	-4.59%
MSCI EAFE	2,259.60	2,451.36	+191.76	+8.49%
Russell 2000	2,230.16	2,011.91	-218.25	-9.79%
Bloomberg Aggregate Bond	2,189.03	2,244.71	+55.68	+2.54%

*Performance reflects index values as of market close on March 31, 2025. Figures for the MSCI EAFE and Bloomberg Aggregate Bond reflect the market close on March 28, 2025.

Bond rates flat as treasury nears debt limit deadline: Treasury yields were largely unmoved in March, with municipal yields edging closer to long-term averages. The larger story is the federal government's impending inability to pay back its bills as soon as August should the current debt limit remain intact. The Treasury has resorted to creative accounting maneuvers in order to avoid breaching the \$36 trillion debt ceiling. Treasury Secretary Scott Bessent assured lawmakers that the US will not default on its debt under his watch.

Have we mentioned tariffs yet? While individual tariffs typically wouldn't have the widespread effects we're seeing, President Donald Trump's trade agenda comprises multiple types of tariffs across various sectors that combine to produce the levels of volatility we observed last month. Global reciprocal tariffs, sector-specific tariffs and the rollback of exemptions on USMCA-compliant goods from Mexico and Canada are all looming threats to economic growth in the short term. Timing continues to be a source of anxious uncertainty, but the Mexico and Canada tariffs could be resolved with a claimed "victory" over border issues surrounding immigration and fentanyl.

Oil prices touch six-month lows: Some of the more encouraging economic news for consumers to come out of the month of March has been the price of oil, which touched six-month lows before slightly bouncing. Cheaper oil is making its way to the fuel pump, with energy prices posting their sixth decline in the last seven months. US market weakness related to tariffs and record EV sales in China are likely contributors. Despite the drop in the oil market, energy stocks are doing well. Of the 11 economic sectors tracked by separate S&P 500 indices, only Energy finished March in positive territory.

(Continued)

A historic shift for German debt policy: The big news last month among international markets was Germany's sudden pivot away from a longstanding conservative approach to fiscal policy. The decision to reform the "debt brake," which capped the national deficit at 0.35% of gross domestic product, passed with a two-thirds supermajority, sending waves across European financial markets already in flux over the gradual and uncertain peace process in Ukraine.

The bottom line: Turbulence is expected to continue until the markets have a chance to adjust to policy changes, which will require clarity from the administration. Time will tell if tariffs will stand as indicated, or if they will be lessened or removed amid ongoing negotiations with the countries and industries affected. Equities may continue moving sideways as the market reacts to headlines and eventually settles at a historically normal bottom for pullbacks of this nature.

If you have any questions, please do not hesitate to reach out. As always, I wish you and your family well. Thank you for your continued trust in our guidance.

- Ken -

Investing involves risk, and investors may incur a profit or a loss. All expressions of opinion reflect the judgment of the Raymond James Chief Investment Officer and are subject to change. There is no assurance the trends mentioned will continue or that the forecasts discussed will be realized. Past performance may not be indicative of future results. Economic and market conditions are subject to change. The Dow Jones Industrial Average is an unmanaged index of 30 widely held stocks. The NASDAQ Composite Index is an unmanaged index of all common stocks listed on the NASDAQ National Stock Market. The S&P 500 is an unmanaged index of 500 widely held stocks. The MSCI EAFE (Europe, Australasia and Far East) index is an unmanaged index that is generally considered representative of the international stock market. The Russell 2000 is an unmanaged index of small-cap securities. The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. An investment cannot be made in these indexes. The performance mentioned does not include fees and charges, which would reduce an investor's returns. Investing in the energy sector involves special risks, including the potential adverse effects of state and federal regulation, and may not be suitable for all investors. A credit rating of a security is not a recommendation to buy, sell or hold the security and may be subject to review, revision, suspension, reduction or withdrawal at any time by the assigning Rating Agency. Bond prices and yields are subject to change based upon market conditions and availability. If bonds are sold prior to maturity, you may receive more or less than your initial investment. Income from municipal bonds is not subject to federal income taxation; however, it may be subject to state and local taxes and, for certain investors, to the alternative minimum tax. Income from taxable municipal bonds is subject to federal income taxation, and it may be subject to state and local taxes. Investing in commodities is generally considered speculative because of the significant potential for investment loss. Their markets are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising. International investing involves special risks, including currency fluctuations, differing financial accounting standards, and possible political and economic volatility. The companies engaged in the communications and technology industries are subject to fierce competition and their products and services may be subject to rapid obsolescence. The Consumer Price Index is a measure of inflation compiled by the US Bureau of Labor Studies. The Leading Economic Index (LEI) provides an early indication of significant turning points in the business cycle and where the economy is heading in the near term. This is not a recommendation to purchase or sell the stocks of the companies pictured/mentioned. Investing in small-cap stocks generally involves greater risks, and therefore, may not be appropriate for every investor. The prices of small company stocks may be subject to more volatility than those of large company stocks. The Nikkei 225 is a stock market index for the Tokyo Stock Exchange (TSE). It is the most widely quoted average of Japanese equities. Material created by Raymond James for use by its advisors.