

# PDS WEALTH MANAGEMENT



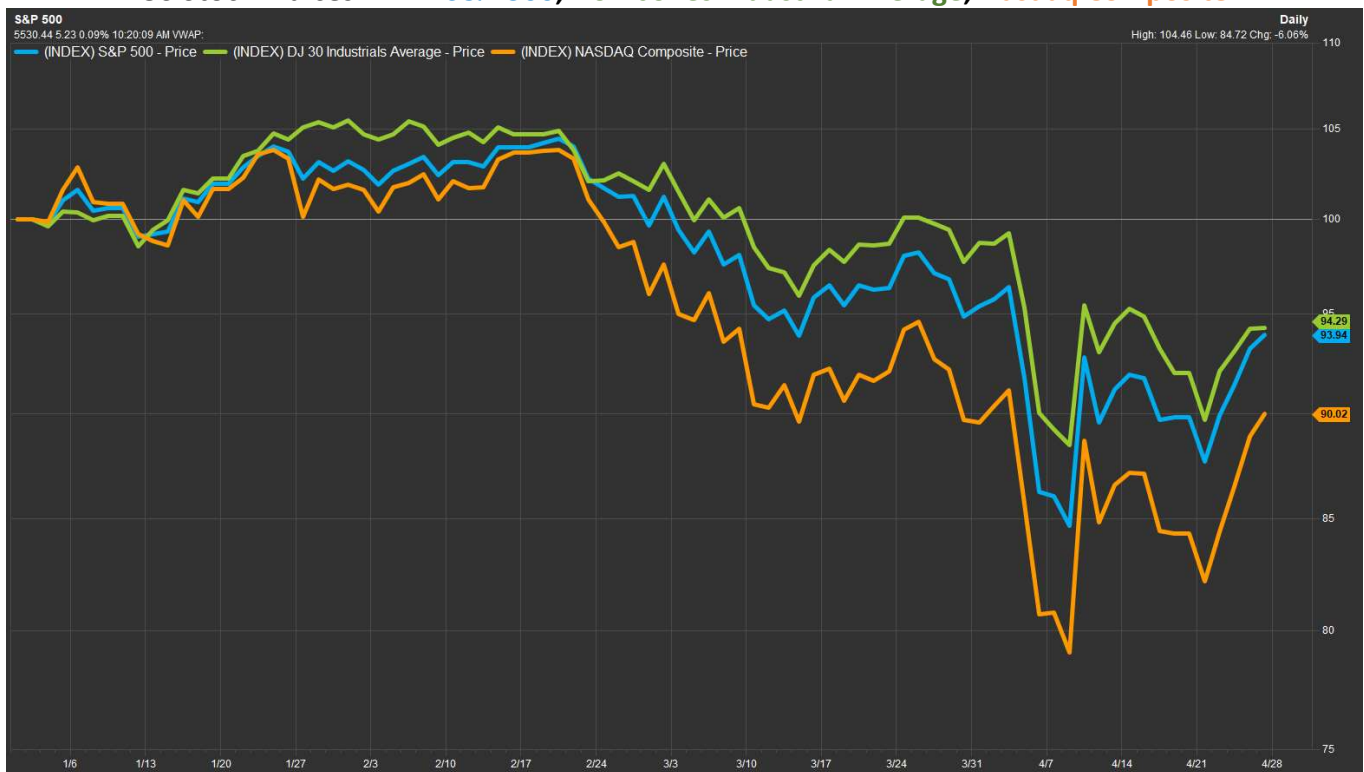
## Quarterly Investment Report – Q1 2025

With news headlines on tariffs and trade deals coming fast and furious, this report may be completely irrelevant by the time it hits your inbox. Nonetheless, we will do our best to recap the first quarter of 2025, along with an update on the recent chaos gripping the markets.

### Markets

#### Stocks

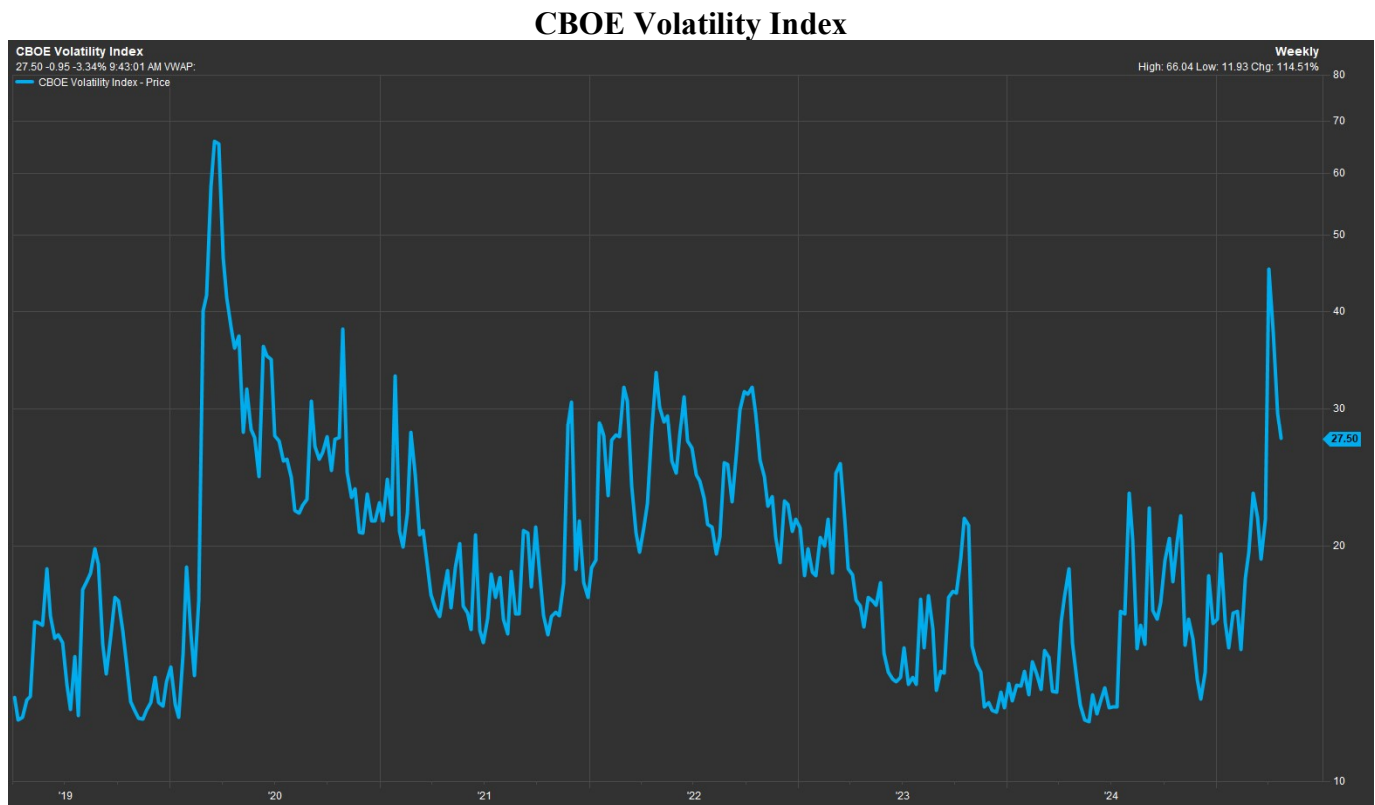
#### US Stock Indices YTD – S&P 500, Dow Jones Industrial Average, Nasdaq Composite



Source: FactSet; as of April 25, 2025

After a strong January, stocks lost ground in February and March. Through the end Q1, the Dow Jones Industrial Average declined 1.5%, the S&P 500 lost 4.3%, and the Nasdaq fell 10.3%. As evidenced by the chart above,

markets have experienced significant volatility thus far in April following the administration's tariff announcements and subsequent delays. At the recent lows, the S&P 500 was down over 20% from the highs seen just a few weeks prior. Stocks have recovered some of those losses but are still ~10% off their highs. The below chart of volatility (the "fear index") just reached levels not seen since the COVID lockdowns in March 2020.



Source: FactSet; as of April 24, 2025

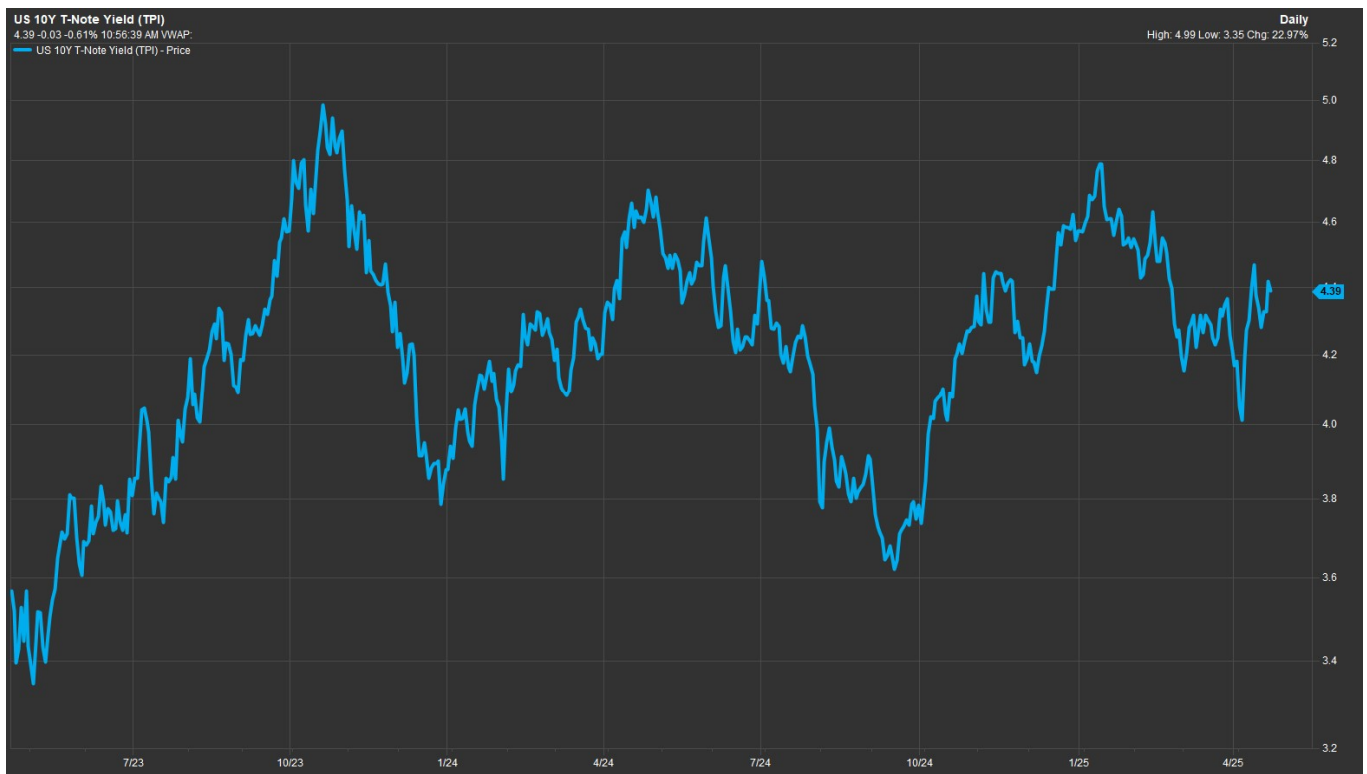
In a reversal of last year's performance, defensive and value sectors have outperformed growth sectors thus far in 2025. Energy was the best performer in Q1 with a 10.2% gain, followed by 5-6% gains for Utilities, Consumer Staples, and Healthcare. Materials, Financials and Real Estate all gained 3-4% while Industrials were flat. On the negative side of the ledger, Communication Services lost 6% while Technology and Consumer Discretionary each dropped ~13%.

International stocks provided relative outperformance in the first quarter following years of underperformance - the MSCI EAFE Index gained 2.2% in the quarter.

## Bonds

With a risk-off tone pervading most of the first quarter, bond prices rose and yields declined. The yield on the 10-year Note dropped 37bps in Q1 and ended March at 4.2%. Bond markets have swung wildly thus far in Q2, initially catching a bid following the tariff tantrum, but then being sold as investors seek liquidity. A lack of progress on the fiscal deficit and a deluge of the national debt maturing in 2025 may also be weighing on longer-dated bonds.

### 10-Year US Government Note Yields



Source: FactSet; as of April 22, 2025

The US Aggregate Bond Index delivered a 2.78% total return in Q1. The S&P 500 Bond Index (investment-grade corporate bonds) added 2.2%, and the S&P 500 High Yield Corporate Bond Index returned 1.8%.

Spreads for corporate bonds, which often rise with economic uncertainty, have increased modestly but remain low compared to historical levels. If the outlook for the economy and corporate health is deteriorating, it will likely show up here in the form of higher spreads.

### BBB US Corporate Bond Option-Adjusted Spread

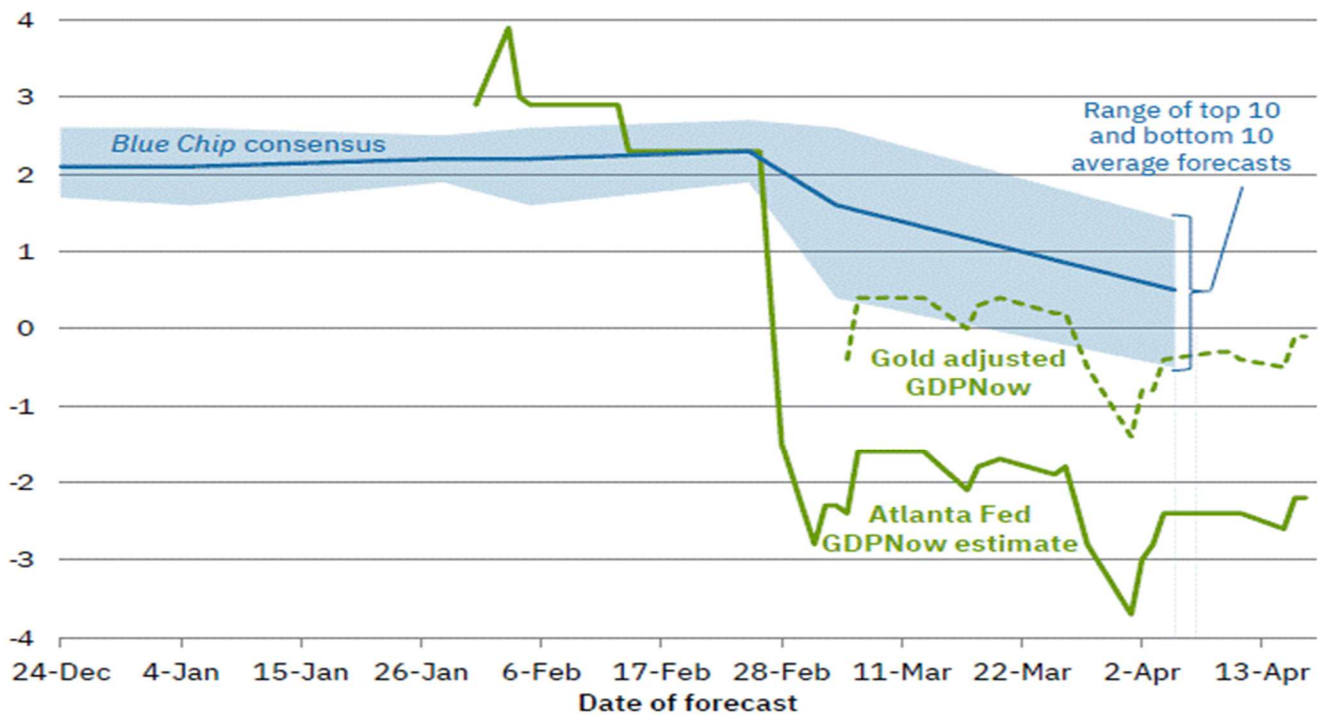


Source: St. Louis Federal Reserve; as of April 22, 2025

## Economics

For the first time in recent memory, forecasts for Q1 GDP are near flat, as shown below in the Atlanta Fed's "GDP Now" forecast.

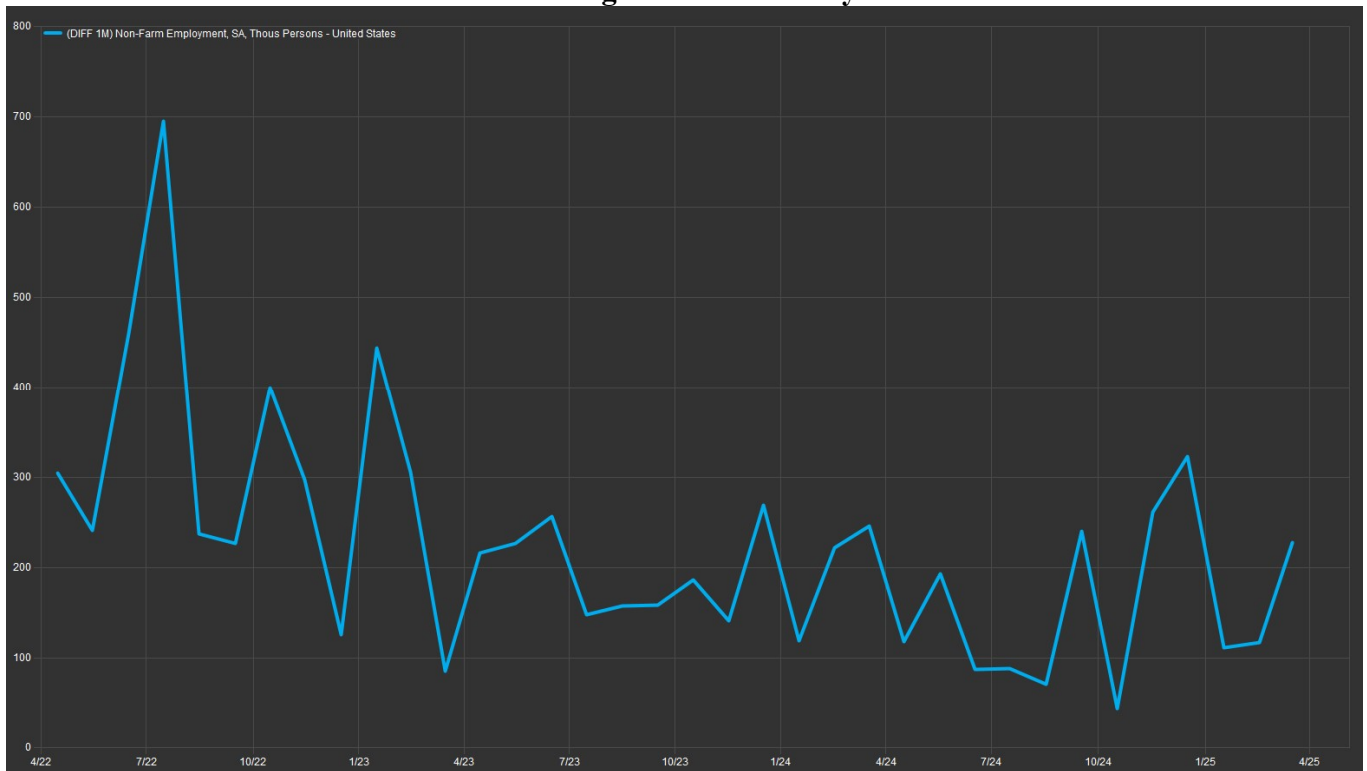
### Evolution of Atlanta Fed GDPNow real GDP estimate for 2025: Q1 Quarterly percent change (SAAR)



Source: Federal Reserve Bank of Atlanta; as of April 17, 2025

But weakness has yet to appear in the job numbers, though there have been some pockets of layoffs, especially from the government sector.

### M/M Change in Nonfarm Payrolls

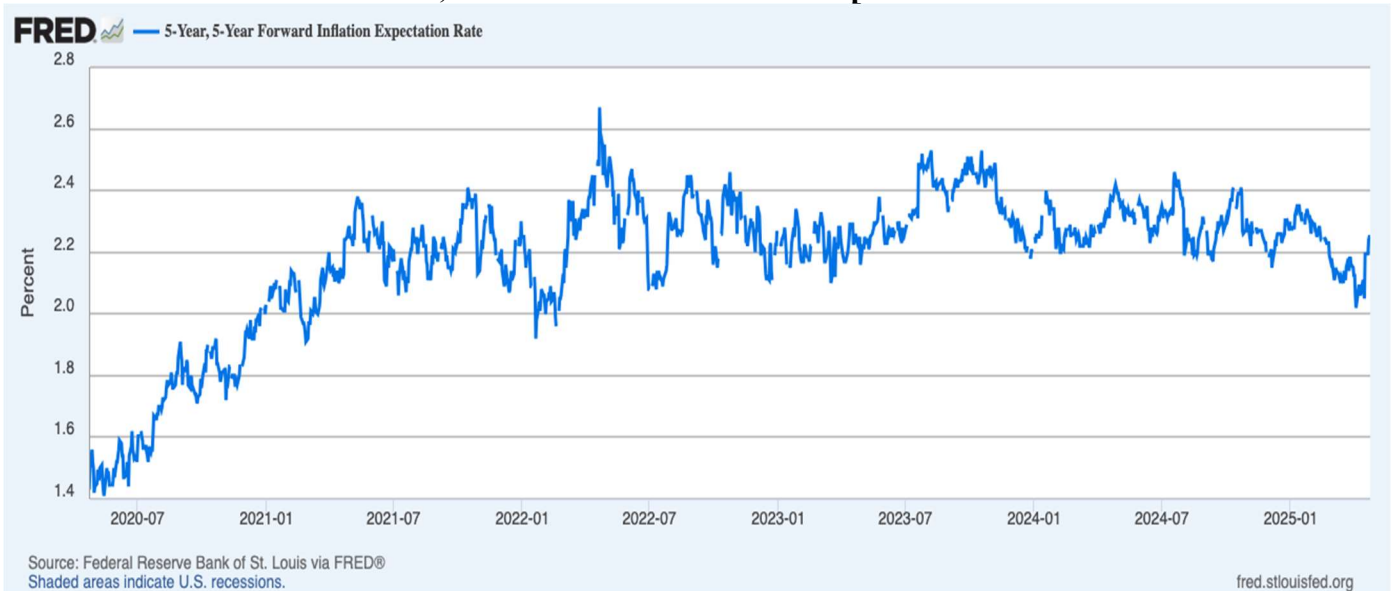


Source: FactSet; as of April 4, 2025

....and thus, the Fed Reserve Bank's focus remains on inflation, which has been holding in the 2-3% range. Longer-run inflation expectations have also ticked up post the tariff drama.



## 5-Year, 5-Year Forward Inflation Expectation Rate



Source: St. Louis Federal Reserve; as of April 24, 2025

Despite the haranguing from the White House, the Fed and Chair Powell have been steadfast in maintaining their focus on holding long-run inflation expectations in check, especially with the labor market still strong. Current expectations forecast a 58% probability of a 25bp cut at the Fed's June meeting.

## Conclusion

These are wild times indeed. And while we can't predict what the next headline will be, human nature and emotions around investing have not changed. Feelings of vulnerability and helplessness are not uncommon during periods of market stress. Please reach out to us if we can talk you through the turmoil.

We are here for you and appreciate your trust and confidence.

Paul Spencer, CFA®

Director

*PDS Wealth Management is a group comprised of investment professionals registered with Hightower Advisors, LLC, an SEC registered investment adviser. Some investment professionals may also be registered with Hightower Securities, LLC, member FINRA and SIPC. Advisory services are offered through Hightower Advisors, LLC. Securities are offered through Hightower Securities, LLC. This is not an offer to buy or sell securities. No investment process is free of risk, and there is no guarantee that the investment process or the investment opportunities referenced herein will be profitable. Past performance is neither indicative nor a guarantee of future results. The investment opportunities referenced herein may not be suitable for all investors. All data or other information referenced herein is from sources believed to be reliable. Any opinions, news, research, analyses, prices, or other data or information contained in this presentation is provided as general market commentary and does not constitute investment advice. PDS Wealth Management and Hightower Advisors, LLC or any of its affiliates make no representations or warranties express or implied as to the accuracy or completeness of the information or for statements or errors or omissions, or results obtained from the use of this information. PDS Wealth Management and Hightower Advisors, LLC assume no liability for any action made or taken in reliance on or relating in any way to this information. The information is provided as of the date referenced in the document. Such data and other information are subject to change without notice. This document was created for informational purposes only; the opinions expressed herein are solely those of the author(s) and do not represent those of Hightower Advisors, LLC, or any of its affiliates.*