TruePlan℠
Benefit and Retirement Advisors

Retirement Market Recap

THE START OF 2025

Bumpy ride for U.S. investors, relatively smooth sailing for European markets

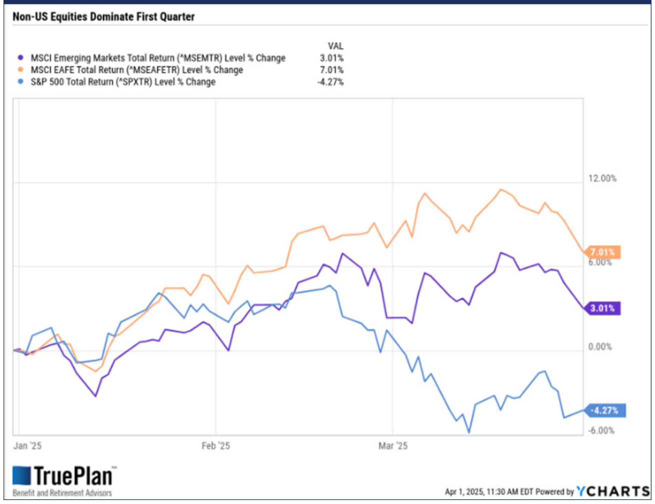
Moving into 2025, U.S. equity markets seemed optimistic and positioned to build on the prior two years of robust performance. While the first quarter started off strong, U.S. investors faced a bumpier ride than initially expected in the latter half of Q1, with the S&P 500 moving into correction territory on March 13. At the close of the quarter, the S&P 500 saw a decline of 4.27% in Q1, driven by a myriad of geopolitical, economic and tariff concerns.

Additionally, the cadence of the Federal Reserve's (the Fed's) rate cuts remained cloudy at best, with conflicting opinions both within the Federal Open Market Committee and among industry professionals. This may drive further volatility for U.S.-centric equity investors.

As noted, performance for the U.S. equity market in Q1 was weak and the outlook for the asset class is uncertain in the short to medium term. The key question investors are asking is: What are the direct effects of the Trump administration's tariffs and trade policies? The answer is unclear, but it is clear earnings expectations are being affected by this uncertainty. As Caroline Valetkevitch of *Reuters* explains, "Analysts are turning more cautious on corporate earnings for the first quarter of the year…with S&P 500 forecasts [for Q1 have] fallen by 4.5 percentage points since January 1, the largest downward revision since Q4 2023."[1]

While tariffs have dominated the news cycle, according to Sameer Samana, senior global market strategist, Wells Fargo Investment Institute, "Really, it's a broad economic slowdown that is the one thing that would be very difficult for companies to contend with."[2] An economic slowdown could have negative effects on consumer demand and company earnings, especially since the fight against inflation has not been decisively won. While inflation has declined significantly from its June 2022 peak, it is still above the Fed's 2% target.

FIGURE 1



Contrary to the U.S. equity market, non-U.S.-equities performed robustly in Q1, with the MSCI EAFE gaining 6.86%) and the MSCI Emerging Markets gaining 2.93%) (Figure 1).[3] The reversal in relative performance between U.S. and non-U.S. equities has been short lived compared to the S&P 500's outperformance of the MSCI EAFE and the MSCI EM over longer periods, such as the trailing five- and 10-year periods.[4]

The European dominance in Q1 surprised many, due to "Former European Central Bank president Mario Draghi's downbeat assessment of European competitiveness just six months ago"[5] and negative sentiment around European future growth prospects and innovation.

CONTINUED

[1] Valetkevitch, Caroline. (March 24, 2025) First-quarter US earnings outlook looks less rosy with tariff worries in focus. *Reuters.*

[2] Ibid.

[3] MSCI Emerging Markets Total Return, MSCI EAFE Total Return, S&P 500 Total Return. YCharts.

[4] S&P 500, MSCI EAFE and MSCI EM cumulative returns trailing five- and 10- year period as of March 31, 2025: 135.6% &226.30%, 78.71% & 77.55%, 49.56% & 49.61%. Past Performance is not a guarantee of future results. Data retrieved from YCharts.

[5] Friesen, Garth. (March 31, 2025) European Stocks Surge Ahead of S&P 500 in Q1 2025. *Forbes.*

Statistics are attributed to Morningstar.

FOR MORE INFORMATION:

Ryan L. McWalter, CAIA

SENIOR DIRECTOR, INVESTMENTS

rmcwalte@trueplanadvisors.com | 800.388.1963

TruePlan's experienced team of professionals adheres to rigorous ethical, organizational, operational and performance guidelines as the foundation for our business relationships. We promote and maintain the highest standards of professional competence, integrity and judgment as the foundation on which our business is built. TruePlan Benefit and Retirement Advisors® is a marketing name of Healthcare Community Securities Corp., member FINRA/SIPC, and an SEC Registered Investment Advisor.

© 2025 Healthcare Community Securities Corp.

The recent European equity rally is comprised of several factors. It is hard to ignore the stretched valuations in the U.S. equity market compared to Europe, "As of March 30, the MSCI Europe Index trades at a forward P/E ratio of just 14.6x, compared to the S&P 500's 20.8x."[6]

Furthermore, the "America First" focus of the new administration has focused on lessening the U.S. role as the global hegemon of security. This potential gap has made European nations consider bolstering infrastructure and their own prospects via fiscal stimulus, as Holger Schmieding, chief economist at Berenberg explained to *Bloomberg*, "In more than 30 years in markets, I've rarely seen such a sharp turn in Euro-optimism."[7] However, this optimism may be short-lived, with Goldman Sachs projecting the region's economy could enter into a "technical" recession this year. The brokerage forecasts 'little' growth for the rest of 2025, with non-annualized growth of 0.1%, 0.0%. and 0.2% in Q2, Q3 and Q4, respectively.[8]

With the uncertainty in Q1 driven by tariffs and potential trade wars, it was a welcome sight to see U.S. fixed income outperform equities, not just in terms of relative outperformance, but in generating a material 2.78% gain (Bloomberg US Aggregate Bond Index).

This reverses a trend in recent years that saw broader stock and bond markets tending to decline in unison and against historical norms.

Moreover, alternative safe havens, such as gold, continued to perform well in 2025, gaining more than 19.00% in Q1. Gold has experienced a resurgence of interest in recent years with concerns over the U.S. dollar's status due to the reserve currency facing opposition from BRICS nations. Notably, high-yield corporate bonds, one of the strongest performing asset classes within fixed income in recent years, underperformed on a relative basis in Q1, gaining 1.00%. This is unsurprising, as high-yield fixed income tends to have higher beta (sensitivity) to equity markets.

Clearly, Q1 was not a preferred outcome for U.S. equity investors. The underlying U.S. economy continues to be resilient despite tariffs. While the risk of recession in the U.S. has risen over the previous few months, it still appears to be an unlikely scenario. Notably, Goldman Sachs, "Raised the probability of a US recession to 35% from 20% and expects more rate cuts by the Federal Reserve."[9]

Historically, it is difficult to predict capital markets' performance and political policy, and this market cycle is no different. As additional economic data and further clarity around policy decisions become available, investors may be able to better understand these risks and provide stronger forecasts. Until then, it may continue to be a bumpy ride.

[6] Ibid.
[7] Ibid.
[8] Jose, Joel and S. Siddarth. (March 31, 2025) Goldman raises odds of US recession to 35%. *Reuters.*
[9] Ibid.

Certain information contained in this presentation has been obtained from third parties. While such information is believed to be reliable for purposes used herein, no representations are made as to the accuracy or completeness thereof and TruePlan does not take any responsibility for such information. Certain information contained in this presentation discusses general market activity, industry or sector trends, or other broad-based economic, market or political conditions and should not be construed as research or investment advice.

There can be no assurances that any of the trends described herein will continue or will not reverse. Past events and trends do not imply, predict or guarantee, and are not necessarily indicative of, future events or results.

Any model, graph or chart used has inherent limitations on its use and should not be relied upon for making any investment decisions. The information contained herein has been prepared solely for informational purposes and does not represent a specific offering. Nothing contained herein should be construed as a recommendation to buy or sell any security or economic sector.

The opinions expressed in this article are those of TruePlan Benefit and Retirement Advisors. This content is provided for informational purposes only and is not intended to be a recommendation or offer of financial products or services. Readers are encouraged to consult with a qualified financial advisor to discuss their specific financial situation.

EQUITY AND RETIREMENT INDICES	3 MO	1 YR	3 YR	5 YR	10 YR
S&P 500 TR USD	-4.27%	8.25%	9.06%	18.59%	12.50%
Russell 3000 TR USD (Broad Market)	-4.72%	7.22%	8.22%	18.18%	11.80%
Russell 1000 TR USD (Large Cap)	-4.49%	7.82%	8.65%	18.47%	12.18%
Russell Midcap TR USD	-3.40%	2.59%	4.62%	16.28%	8.82%
Russell 2000 TR USD (Small Cap)	-9.48%	-4.01%	0.52%	13.27%	6.30%
MSCI EAFE NR USD (Int'l Equity)	6.86%	4.88%	6.05%	11.77%	5.40%
MSCI Emerging Markets NR USD (E.M. Equity)	2.93%	8.09%	1.44%	7.94%	3.71%
S&P United States REIT TR USD (Real Estate)	0.94%	9.86%	-0.63%	11.26%	5.16%
Morningstar Lifetime Mod. TR 2020	1.09%	5.79%	2.20%	6.68%	5.12%
Morningstar Lifetime Mod. TR 2040	-0.12%	5.94%	4.35%	11.91%	7.33%

FIXED INCOME INDICES	3 MO	1 YR	3 YR	5 YR	10 YR
ICE BofA 3M US Trsy Note TR USD	1.06%	4.93%	4.24%	2.56%	1.89%
ICE BofA 1-3YR US Trsy TR USD	1.59%	5.43%	2.84%	1.16%	1.50%
BBgBarclays Long Term US Trsy TR USD	4.67%	1.26%	-7.21%	-7.89%	-0.57%
BBgBarclays US Aggregate Bond TR USD	2.78%	4.88%	0.52%	-0.40%	1.46%
BBgBarclays US Treasury US TIPS TR USD	3.04%	6.98%	3.24%	4.10%	2.84%
BBgBarclays High Yield Corp TR USD	1.00%	7.69%	4.98%	7.29%	5.01%
BBgBarclays Global Aggregate TR USD (Global Bond)	2.64%	3.05%	-1.63%	-1.38%	0.61%

ICE BofAML – Intercontinental Exchange Bank of America Merrill Lynch; BBgBarc – Bloomberg Barclays; S&P 500 – Standard & Poors; MSCI – Morgan Stanley Capital International
Sources: Morningstar as of Dec. 31, 2024

TruePlan Benefit and Retirement Advisors® is a marketing name of Healthcare Community Securities Corp., member FINRA/SIPC, and an SEC Registered Investment Advisor. This material has been prepared for informational purposes only and is not intended to provide, and should not be relied on for, tax, legal or accounting advice. Past performance is not indicative or a guarantee of future returns. The information in this piece is not a recommendation to invest nor should it be relied upon as instruction to invest. . Please visit our website: trueplanadvisors.com/legal/indices_disclosures for further explanation and detail surrounding the indices referenced within.

This content has been partially generated from an AI language model, which may not always be exhaustive or tailored to individual circumstances. We encourage you to contact one of our experts for more information. We assume no liability arising from any use of this content.

© 2025 Healthcare Community Securities Corp.

MAIN OFFICE
ONE EMPIRE DRIVE O: 518.431.7600
RENSSELAER, NY 12144 F: 518.431.7601

SATELLITE OFFICE
3 HUNTINGTON QUAD, STE. 301S O: 631.417.5913
MELVILLE, NY 11747 F: 518.431.7601

trueplanadvisors.com | 800.388.1963