Your Weekly Investment
Insights
April 14, 2025

Key **Takeaways:**

- Markets rattled by intense volatility.
- VIX index surges over 240%.
- Volatility can be painful and cause investor anxiety.
- Median return 1YR later for S&P 500 suggests staying invested.
- Volatility can swing both ways, so it is important to not get emotional.

Putting Recent Volatility into Perspective

On April 2nd, President Trump announced his tariff policies on a country-by-country basis, widely referred to as "Liberation Day." On April 9th, Trump announced a 90-day pause on most of these countries to leave room to negotiate the duties. Global equity and bond markets have seen wild swings as a result of the increased geopolitical uncertainty. Major equity averages in the U.S. have either fallen into, or have flirted with bear market territory (i.e., a loss of at least 20% from recent highs). U.S. Treasury markets have also been whipsawed by the trade rhetoric with the 10 year U.S. Treasury yield rising ~50 bps in one week's time. As a result of the recent turbulence, we compiled a chart showing other periods in history when we saw similar volatility that did not always coincide with a recession.

We analyzed six different market events in history. Looking at peak-to-trough pullbacks for the S&P 500 Index during these periods, we found the median drawdown was 17.7%. In the most recent pullback, from peak-to-trough, the S&P 500 lost 18.9%, slightly above the historical median.

Similar to history, volatility has surged in recent weeks. The VIX Index, which tracks volatility for the S&P 500, jumped 242.7% during the most recent drawdown. This was the most volatile period for the Index since March 2020, and greater than the median of ~184%. The MOVE Index, which tracks volatility in the Treasury market, also increased by 66.8%, the most since COVID.

The Bottom Line:

Volatility in markets can be painful and anxiety levels are understandably high. It is important to understand that we have seen wild swings in the markets before and they have typically created good long term buying opportunities. In fact, the median return one-year later for the S&P 500 over the six previous periods analyzed is ~26%. In addition, it is important to remember that volatility can swing both ways and if you let emotions override your investment discipline, it is easy to miss the moves higher. According to JPMorgan's analysis, an investor that stays invested in the market receives an average return of 9.7% over a 20 year period, compared to somene who sells on weakness and misses the 10 best days in the market, resulting in only 5.5% return. If you miss the 20 best days that return drops to 2.8%.[1]

	Start Date	End Date	Change in S&P 500	Change in US 10YR Yield (bps)	Change in VIX	Change in Gold	Change in MOVE	Change in S&P 500 1YR Later
1987	8/26/1987	12/4/1987	-33.51%	15	-	4.72%	-	21.39%
1998	4/3/1998	8/28/1998	-12.00%	-38	81.48%	-10.44%	32.66%	31.26%
2010	4/23/2010	7/5/2010	-15.99%	-87	81.23%	4.68%	3.52%	30.83%
2011	5/2/2011	10/3/2011	-19.39%	-152	184.24%	6.46%	38.53%	16.18%
2015	5/21/2015	8/25/2015	-12.35%	-12	197.44%	-5.46%	5.79%	16.32%
2020	2/20/2020	3/23/2020	-33.92%	-76	295.82%	-3.26%	94.52%	74.78%
2025	2/19/2025	4/8/2025	*-18.90%*	*-26*	*242.70%*	*1.84%*	*66.80%*	?
Average			***-21.19%***	***-58.3***	***168.04%***	***-0.55%***	***35.00%***	***31.79%***
Median			***-17.69%***	***-57***	***184.24%***	***0.71%***	***32.66%***	***26.11%***

Source: FactSet Research Systems, Verdence Capital Advisors
All values shown represent the change in the respective data points between the start and end dates shown, using closing market values on each day.

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Past performance is not indicative of future returns.

Weekly Economic Recap –

Consumer Sentiment Plummets; Inflation Cools

Small business optimism as tracked by the NFIB declined by the most since June 2022 amid increased concerns over business conditions given Trump's tariff policies. The share of owners expecting better business conditions over the next six-months recorded the steepest slide (16 points) since December 2020.

The minutes from the Federal Reserve's March meeting pointed to the risk of stagflation in the economy. The minutes stated, "risks to inflation [are] tilted to the upside and risks to employment [are] tilted to the downside." Officials have been vocal in their concerns over slowing economic growth and the prospect for persistent inflation amid Trump's tariff policies.

The headline Consumer Price Index increased at the slowest annualized pace in nine months (2.4%). The headline Index also declined for the first time in nearly five years. A sharp decline in gasoline prices contributed to the headline dropping. Shelter prices advanced at the smallest annualized pace since November 2021. CPI Core, which excludes volatile food and energy prices, increased at the slowest pace since March 2021 (2.8%) led by a steep decline in airfare prices.

Consumer sentiment, as tracked by the University of Michigan, fell to the lowest reading since June 2022 and the second lowest in the survey's history (50.8). Year-ahead inflation expectations hit the highest level since 1981 (6.7%).

Key Takeaways:

- Fed officials see stagflation as a risk amid fiscal policies.
- Headline inflation cools on lower energy prices.
- Consumer sentiment continues to weaken.
- U.S. equities surge driven by tech trade.
- Treasury yields whipsawed by trade rhetoric.
- Commodities higher driven by flock to safe havens.

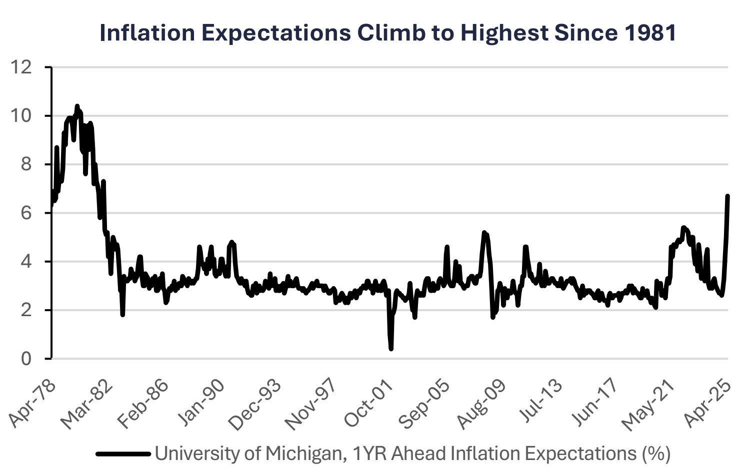
Weekly Market Recap –

Global Equities Rally Despite Increased Volatility

Equities: The MSCI AC World Index was higher for the first time in three weeks and by the most since August 2024. Global markets notched some of their best trading days in history last week after Trump announced a 90-day pause to tariff measures from "Liberation Day." All major U.S. averages were higher as investors moved back into beaten down growth areas of the market, including technology. The tech-heavy Nasdaq was higher by the most since November 2022.

Fixed Income: The Bloomberg Aggregate Index posted its worst one week decline since March 2020. Treasury yields surged due to deleveraging needs and inflation uncertainty. The U.S 10YR yield finished ~50bps higher at roughly 4.5%. All sectors of fixed income were lower. Investment grade corporate bonds fell the most.

Commodities/FX: The Bloomberg Commodity Index was higher for the fifth time in six weeks. Gold prices were higher by the most since March 2020 as investors flocked to safe-haven assets to hedge against the market volatility.



Footnotes: Data is as of April 2025.
Data Source: FactSet Research Systems, Verdence Capital Advisors.

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Equities Rebound; Bonds Decline

U.S. Equities	Current	1WK	1MO	3MO	1YR	YTD
Dow Jones Industrial Average	40,213	5.0%	-2.8%	-3.7%	6.4%	-5.0%
S&P 500	5,363	5.7%	-3.6%	-7.6%	4.5%	-8.5%
Russell 1000 Growth	3,529	7.6%	-3.4%	-11.8%	4.5%	-12.6%
Russell 1000 Value	1,735	3.4%	-4.2%	-3.6%	3.1%	-4.3%
Russell 2500	3,301	2.7%	-6.7%	-13.1%	-6.7%	-14.1%
Russell 2000	1,860	1.8%	-7.9%	-14.7%	-7.7%	-16.3%
Nasdaq	16,724	7.3%	-4.0%	-12.6%	2.5%	-13.2%

International Equities	Current	1WK	1MO	3MO	1YR	YTD
MSCI AC World (USD)	791	3.5%	-4.2%	-4.8%	3.6%	-5.6%
MSCI EAFE (USD)	2,298	0.8%	-5.5%	3.2%	2.7%	2.4%
MSCI Europe ex UK (USD)	2,612	1.7%	-5.7%	6.4%	3.8%	6.7%
MSCI Japan (USD)	3,757	0.3%	-5.0%	-0.8%	-3.8%	-3.5%
MSCI UK (USD)	1,238	-0.3%	-5.1%	4.4%	8.5%	3.0%
MSCI EM (USD)	1,045	-3.8%	-5.5%	-0.6%	1.5%	-2.2%
MSCI Asia ex Japan (USD)	673	-5.1%	-6.8%	-1.8%	3.7%	-4.0%

Fixed Income	Current Yield	1WK	1MO	3MO	1YR	YTD
U.S. Aggregate	4.9%	-2.5%	-1.2%	2.1%	5.3%	1.1%
U.S. Govt/Credit	4.7%	-2.5%	-1.2%	1.9%	5.0%	1.0%
U.S. 10 Year Treasury	4.5%	-3.5%	-1.1%	3.5%	5.0%	2.1%
U.S. TIPS (1-10YR)	4.3%	-1.6%	-0.2%	2.7%	6.5%	2.5%
U.S. High Yield	8.6%	-0.7%	-2.7%	-1.5%	6.1%	-1.4%
EM Bonds (USD)	7.0%	-2.4%	-3.0%	-0.1%	5.6%	-0.6%
Municipal Bonds	4.3%	-4.0%	-3.7%	-2.1%	-0.4%	-2.8%

Commodities	Current	1WK	1MO	3MO	1YR	YTD
Bloomberg Commodity Index	248	1.9%	-2.9%	0.1%	4.0%	4.0%
Crude Oil (USD/bbl)	$61.5	-0.8%	-4.8%	-15.1%	-23.5%	-10.2%
Gold ($/oz)	$3,237.6	6.6%	11.0%	20.4%	36.5%	23.4%
Copper	$452.3	2.7%	-4.6%	5.1%	6.3%	12.3%
Wheat	$570.3	5.1%	-0.3%	2.8%	-10.3%	0.1%
U.S. Dollar	100	-2.8%	-3.2%	-8.7%	-4.9%	-7.7%
VIX Index	37.6	-17.1%	39.5%	92.2%	151.9%	116.5%

Footnotes: Data is as of April 11, 2025.
Source: Bloomberg Finance LP, Verdence Capital Advisors.

1. *https://foolwealth.com/hubfs/one-pager/timing-the-market.pdf?hsLang=en*

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