

Monthly Market Review

Multi-Asset Class | May 2025

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U.S. Equity

- Domestic equity markets, as represented by the S&P 500 Index (S&P) and the Russell 3000, returned -0.68% and -0.67% respectively in April.
- Within the S&P, five of the 11 sectors posted positive returns. The Information Technology sector was the best performer for the month, returning 1.62%. The second-best performing sector was Consumer Staples, which posted a return of 1.23%, while Energy was the worst performing sector, returning -13.65%.
- Negative returns were seen across all capitalizations, with small-caps (Russell 2000) returning -2.31%, mid-caps (Russell Mid Cap Index) returning -1.03%, and large-caps (Russell 1000 Index) returning -0.60%. Growth stocks outperformed value stocks across all capitalizations during the month in a reversal from last month's flight to value.
- According to FactSet Earnings Insight as of April 25, 2025, the blended year-over-year (YoY) earnings growth for the S&P 500 in Q1 was 10.1%. If this estimate holds, it will mark second straight quarter of double-digit earnings. For Q2, analysts are projecting more moderate earnings growth of 6.4%. For calendar 2025, analysts are projecting YoY earnings growth of 9.7%.

Non-U.S. Equity

- Non-U.S. equity markets, represented by the MSCI ACWI ex-U.S. Index, returned 3.61% in April. Developed markets, represented by the MSCI EAFE Index, returned 4.58% as Europe (MSCI Europe Index) returned 4.37% during the month. Emerging markets (EM), as represented by the MSCI Emerging Markets Index, returned 1.31% as China (MSCI China Index) and India (MSCI India Index) returned -4.27% and 4.81%, respectively.
- The U.S. dollar weakened during the month as uncertainty about U.S. policymaking led to a flight out of U.S. Dollars and Treasuries. This devaluation was a tailwind for international equity returns.
- Within the ACWI ex-U.S. Index, 10 out of 11 sectors posted positive returns. Utilities were the best performing sector for the month, returning 8.57%, while the Consumer Staples sector was the second-best performer, returning 7.92%. Energy was the worst performing sector, posting a return of -5.74%.

Fixed Income

- Treasury yields in the short to intermediate range fell during the month while the long-end rates rose, with the 2- and 5-year yields dropping 28 and 22 basis points (bps) respectively as tariff announcements added to inflation uncertainty. The yield on the 10-year also fell 5 bps in April, while the 30-year U.S. Treasury rose 11 bps.
- The Bloomberg U.S. Aggregate Index returned 0.39% in April. Investment-grade (IG) credit returned 0.06%, AAA-rated bonds

returned 1.00%, AA-rated bonds returned 0.20%, A-rated bonds returned 0.16%, and BBB-rated bonds returned -0.21%. High-yield corporates, as represented by ICE BofA U.S. High Yield Index saw a return of -0.02% during the month, while the Broad Treasury Index returned 0.55%.

Diversifying Assets

- During April, real estate investment trusts (REITs), as represented by the MSCI U.S. REIT Index and the FTSE NAREIT Index returned -2.63% and -2.68% respectively. The Diversified sector was the only sector that saw positive performance in April, while the Industrial sector was the most challenged. Listed Infrastructure, represented by the MSCI World Core Infrastructure Index, returned 2.87% for the month.

Items to Watch

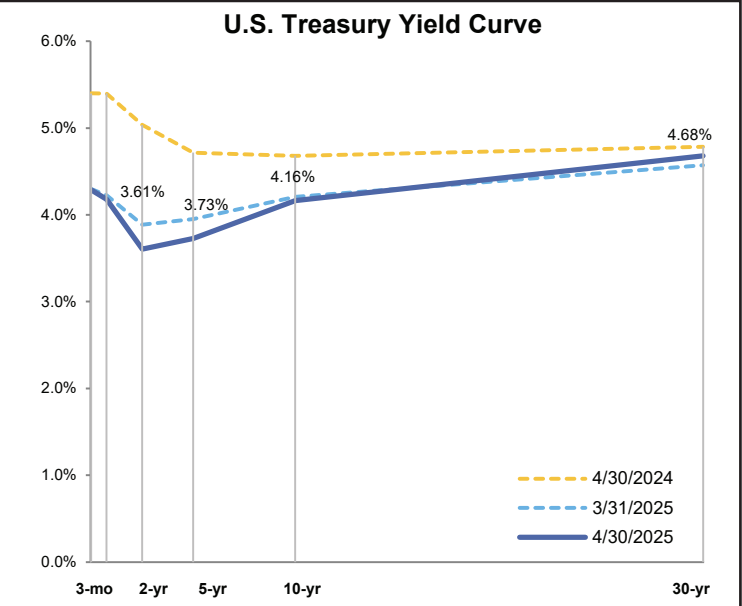
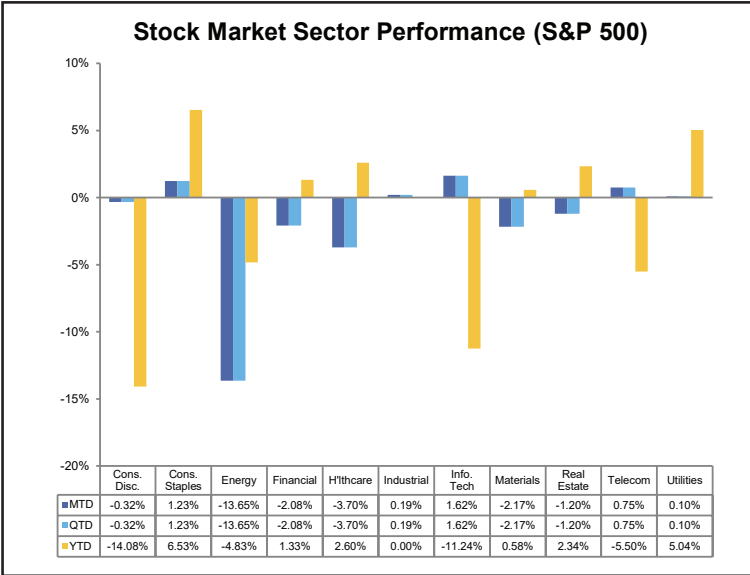
- U.S. gross domestic product (GDP) contracted marginally in the first quarter, with the preliminary estimate placed at an annualized rate of -0.3%. This was in line with market expectations and significantly lower than the 2.4% gain in Q4, however this negative reading is not as adverse as it may initially appear. Much of the contraction was a result of the trade balance, as companies seeking to avoid potential tariffs dramatically increased imports, leading to the highest ever drag on GDP from net exports, -4.8%. Consumer spending continued to support growth, with real personal consumption expenditures rising 1.8%.
- Cooling has also appeared in the PMI indicators, with the ISM Manufacturing Index falling further into contraction, down 0.3% from March to 48.7 in April. New orders fell for a third month and prices rose further. Manufacturers underlined the ongoing trade uncertainty as adding pressure on production.
- Job openings fell 288k to 7.19 million in March, while the Job Openings to Unemployed Persons Ratio ticked down to 1.02. This points to a continuation of the cooler but steady labor market; however, this remains closely watched as the impact of the April tariff decisions has yet to be seen in these figures.
- Reverberations of the Administration's new trade policy are being felt around the globe. As just one example, Canada's newly elected prime minister, Mark Carney, ran on a successful platform of sovereignty over trade relations with the U.S. Currently, trade deals are being negotiated with a variety of countries during the 90-day pause in tariffs and the evolving landscape remains a focus for investors.

Sources

- <https://www.federalreserve.gov/monetarypolicy/files/fomcminutes20250129.pdf>
- <https://www.bls.gov/news.release/pdf/empst.pdf>
- <https://www.bls.gov/news.release/pdf/cpi.pdf>

Total Return of Major Indices				
Domestic Equity	MTD	QTD	YTD	1 YR
S&P 500	-0.68%	-0.68%	-4.93%	12.07%
Russell 3000	-0.67%	-0.67%	-5.37%	11.39%
Russell 2000	-2.31%	-2.31%	-11.58%	0.86%
Russell 1000	-0.60%	-0.60%	-5.06%	11.92%
International Equity	MTD	QTD	YTD	1 YR
MSCI ACWI ex-U.S.	3.61%	3.61%	9.03%	11.92%
MSCI EAFE	4.58%	4.58%	11.76%	12.57%
MSCI Emerging Markets	1.31%	1.31%	4.28%	9.03%
Fixed Income	MTD	QTD	YTD	1 YR
Bloomberg Barclays U.S. Agg	0.39%	0.39%	3.18%	8.02%
Bloomberg Barclays Global Agg	2.94%	2.94%	5.65%	8.82%
Bloomberg Barclays U.S. HY	0.00%	0.00%	0.95%	8.69%
Alternatives and Diversifying	MTD	QTD	YTD	1 YR
MSCI U.S. REIT	-2.63%	-2.63%	-1.90%	14.22%
FTSE NAREIT Index	-2.68%	-2.68%	-1.79%	15.07%
MSCI World Core Infrastructure	2.87%	2.87%	10.67%	21.77%
Bloomberg Commodity	-4.81%	-4.81%	3.64%	4.08%

Economic Indicators		
Domestic	Current	Previous Month
Unemployment Rate (%)	4.2%	4.1%
Initial Jobless Claims (4 week average)	225 K	225.3 K
CB Leading Economic Indicators	-0.7	-0.2
Capacity Utilization	77.8%	78.2%
GDP (annual growth rate)	-0.3%	2.4%
University of Michigan Consumer Confidence	52.2	57.0
New Home Starts	724 K	674 K
Existing Home Sales	4 MM	4.3 MM
Retail Sales (YoY)	4.9%	3.9%
U.S. Durable Goods (MoM)	9.2%	0.9%
Consumer Price Index (YoY)	2.4%	2.8%
Producer Price Index (MoM)	-1.3%	0.2%
Developed International*	12/31/2024	9/30/2024
Market GDP (annual rate)	1.5%	1.2%
Market Unemployment	4.6%	4.6%



Source: Bloomberg. Data as of April 30, 2025, unless otherwise noted.

*Developed market data is calculated with respect to the weightings in the MSCI World ex-U.S. Index. Most current data is as of December 31, 2024 due to release dates of numerous countries.

**P/E ratios are calculated based on one-year-forward estimates and adjusted to include only positive earning results for consistency.

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