

March 2025

DeMarche Dashboard

A Flash Report on Markets and the Economy



Data and Commentary for the Period Ended 03/31/2025

Global Overview

During March, global markets were heavily influenced by rising inflation concerns, trade tensions, and shifting monetary policy expectations. U.S. equities declined sharply as new tariffs sparked fears of an economic slowdown, while bonds showed signs of stress despite modest gains in core indexes. Internationally, economic data from Europe and Asia showed mixed improvement, with Japan signaling an end to deflation and China implementing new stimulus measures. In the news, the U.S. government signaled a targeted shift from public to private spending to combat the growing public deficit over recent years.

U.S. Markets & Economy

In March, U.S. Equity markets experienced heightened volatility driven primarily by the Trump administration's implementation of new tariffs on imports from key trading partners including China, Canada, and Mexico. The new policy sparked investor fears about rising inflation, slowing economic growth, and the potential for a broader recession. As a result, domestic equity indexes broadly posted negative returns for the month. Technology stocks were hit particularly hard as the tech-heavy NASDAQ and Russell 1000 Growth Indexes had negative returns of 8.2% and 8.4%, respectively. The VIX, which tracks the 30-day implied volatility of the S&P 500, doubled in March to 82.7, surpassing the peak of 80.7 set in November of 2008. Similarly, the Conference Board Consumer Confidence Index fell for the fourth straight month in March, declining from 98.3 to 92.9 points. ISM Manufacturing PMI fell again in February from 50.3 to 49.0 indicating contraction in the U.S. manufacturing sector. Initial Jobless Claims stabilized throughout March, decreasing from February's 242,000 published number to around 222,500, indicating a positive outlook despite the external pressures. Other economic indicators continued to point towards uncertainty, as investor sentiment is likely to remain fragile amid changing tariff policy and its impact on economic growth. Similar to February, value outperformed growth in March. This was highlighted in the large cap space as the Russell 1000 Value and Russell 1000 Growth had negative returns of 2.8% and 8.4%, while in the small cap space the Russell 2000 Value and Russell 2000 Growth had negative returns of 6.0% and 7.6%, respectively.

The U.S. bond market also showed signs of stress amid rising concerns about inflation and economic uncertainty, with a steepening yield curve, widening credit spreads, and underperformance in lower-rated debt. At its March meeting, the Federal Reserve kept its target policy rate unchanged at 4.25% to 4.50%, citing persistent inflationary pressures and an increasingly uncertain economic outlook. Despite the headwinds faced by the market, the Bloomberg Aggregate, Bloomberg U.S. Government Credit, and Bloomberg U.S. Government Credit intermediate Indexes all had slightly positive returns for the month. The longer part of the curve and sub-investment-grade indexes struggled as the Bloomberg U.S. Government Credit Long and Bank of America U.S. High Yield indexes both declined by more than 1% in the month.

International Markets & Economy

The EU composite PMI rose to 50.9 in March from 50.2 in February, partially driven by U.S. buyers' frontloading imports ahead of tariffs. The 25% U.S. tariff on automobiles is expected to impact the broader European economy as the U.S. is the biggest export destination for the EU auto industry. European automakers exported \$56b to the U.S. in 2023. Germany and Italy may lose up to 7.1% and 6.6% of their exports due to the automobile tariffs. German manufacturing PMI rose to 48.3 in March from 46.5 in February, reaching a two year high. New orders in Germany also ticked up for the first time in three years, with domestic sales increasing as customers began restocking inventories. French manufacturing and services PMI in March rose to 48.5 and 47.9, from 45.8 and 45.3 in February, showing the longer-term downward trend in both sectors eased last month. Japan is preparing to officially declare an end to long-term

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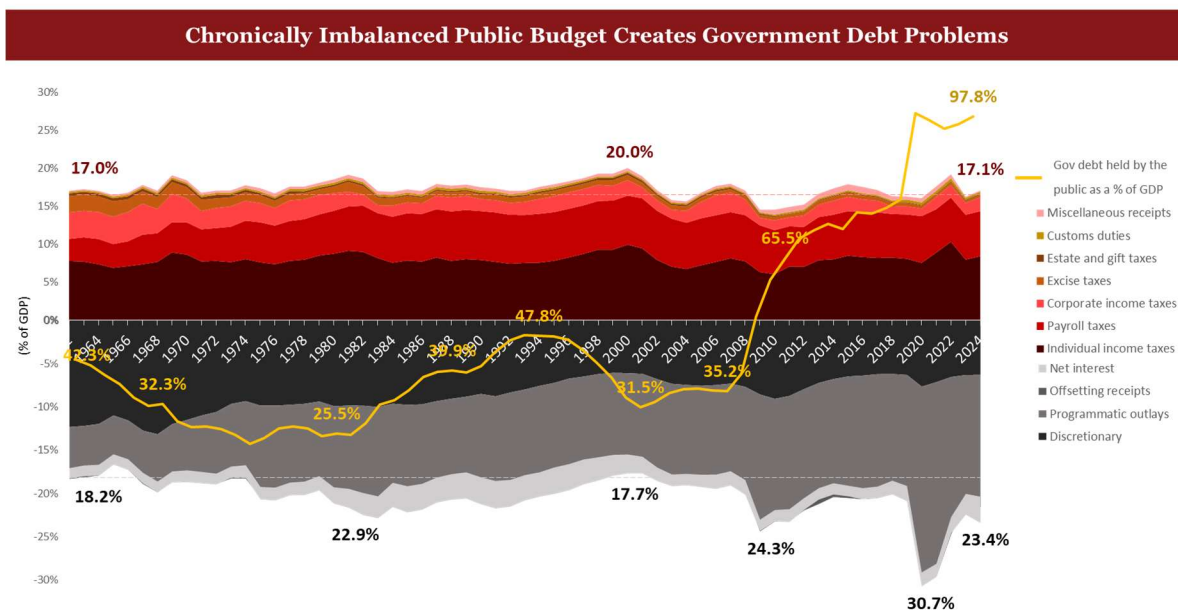
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deflation, according to Economy Minister Ryosei Akazawa. This marks a significant shift in the government's economic outlook and could influence the timing of the BOJ's next interest rate hike. Four indicators that Japanese authorities use for assessing deflation, including consumer prices, GDP deflator, unit labor costs and the output gap, have all turned positive. Inflation has stayed above the BOJ's 2% target for nearly three years. In China, profits at major industrial firms dipped 0.3% in the first two months the year, flashing a worrying sign for the economy as businesses continue to navigate deflationary pressure and rising global trade tensions. Retail sales in China were up 4% in January and February compared to last year, industrial production rose 5.9% on a year-over-year basis. China's manufacturing and service PMI separately rose to 50.5 and 50.8 in March from 50.2 and 50.4 in February. In March, the Chinese government outlined steps to stimulate domestic consumptions. These policies include creating low-cost funding for important consumption areas, supporting development of high value added industries, and providing subsidies to local government to boost auto and appliance sales. Despite the negative 0.4% performance for the MSCI EAFE index for the month, it still outperformed U.S. equities to start the year with a 6.9% quarterly return. Similarly, the MSCI Emerging Markets posted positive returns for both the month and quarter of 0.6% and 2.9%, respectively.

In the News

Treasury Secretary Scott Bessent stated last month that the Trump administration is working to move the economy away from public spending to private spending. The former hedge fund manager said the market and the economy have become addicted to government spending and reversing the reliance on public spending requires "a detox period." The new administration aims to get the federal budget deficit down to 3% of GDP, well below the Congressional Budget Office's (CBO's) expectation of 7% in 2024, and 6.5% in 2025. Total public spending (including federal, state and local) accounted for 34.9% of the GDP in 2024, slightly lower than the average level of 36.1% over the past 50 years. This means the government paid for one third of the economy last year. Federal expenditures accounted for 23.4% of GDP in 2024, higher than the 50 years average of 21.1% and thus contributes to the higher federal deficit. The consistency of the data shows there has not been a significant change in either government spending or revenue patterns in relation to GDP in recent years. However, the structural imbalance of the public deficit since the 1930s has created a chronic debt burden, which has turned worse due to the long term accumulation of debts and increasing portion of short term Treasury bill issuance in recent years. By the end of 2024, government debt held by the public was 97.8% of U.S. GDP, compared to 73.3% ten years ago, and 33.7% in 2000.

Chart of the Month



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Capital Markets Overview

	TRAILING			ANNUALIZED				
	1-Mo	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	
Broad Market	MSCI World NR USD	(4.45)	(1.79)	(1.79)	7.04	7.58	16.13	9.50
	Bloomberg US Agg Bond TR USD	0.04	2.78	2.78	4.88	0.52	(0.40)	1.46
	Russell 3000 TR USD	(5.83)	(4.72)	(4.72)	7.22	8.22	18.18	11.80
	DJ Industrial Average TR USD	(4.06)	(0.87)	(0.87)	7.40	8.75	16.20	11.43
	NASDAQ Composite PR USD	(8.21)	(10.42)	(10.42)	5.62	6.75	17.57	13.44
	MSCI EAFE NR USD	(0.40)	6.86	6.86	4.88	6.05	11.77	5.40
	FTSE Treasury Bill 3 Mon USD	0.37	1.10	1.10	5.17	4.42	2.69	1.90
	Bloomberg Commodity TR USD	3.93	8.88	8.88	12.28	(0.77)	14.51	2.77
Domestic Equities	S&P 500 TR USD	(5.63)	(4.27)	(4.27)	8.25	9.06	18.59	12.50
	S&P MidCap 400 TR	(5.47)	(6.10)	(6.10)	(2.71)	4.42	16.91	8.43
	S&P SmallCap 600 TR USD	(6.14)	(8.93)	(8.93)	(3.38)	0.71	15.09	7.52
	Russell 1000 TR USD	(5.79)	(4.49)	(4.49)	7.82	8.65	18.47	12.18
	Russell 1000 Growth TR USD	(8.42)	(9.97)	(9.97)	7.76	10.10	20.09	15.12
	Russell 1000 Value TR USD	(2.78)	2.14	2.14	7.18	6.64	16.15	8.79
	Russell Mid Cap TR USD	(4.63)	(3.40)	(3.40)	2.59	4.62	16.28	8.82
	Russell Mid Cap Growth TR USD	(7.41)	(7.12)	(7.12)	3.57	6.16	14.86	10.14
	Russell Mid Cap Value TR USD	(3.68)	(2.11)	(2.11)	2.27	3.78	16.70	7.62
	Russell 2000 TR USD	(6.81)	(9.48)	(9.48)	(4.01)	0.52	13.27	6.30
International Equities	MSCI ACWI Ex USA NR USD	(0.23)	5.23	5.23	6.09	4.48	10.92	4.98
	MSCI EAFE NR USD	(0.40)	6.86	6.86	4.88	6.05	11.77	5.40
	MSCI EAFE Growth NR USD	(3.24)	2.13	2.13	(2.63)	2.35	8.54	5.46
	MSCI EAFE Value NR USD	2.33	11.56	11.56	12.85	9.69	14.77	5.06
	MSCI Japan NR USD	0.15	0.34	0.34	(2.10)	5.28	8.81	5.25
	MSCI AC Asia Ex Japan NR USD	0.03	1.81	1.81	11.34	1.79	7.21	4.23
	MSCI Europe NR USD	(0.30)	10.48	10.48	6.87	7.33	13.15	5.67
	MSCI United Kingdom NR USD	0.70	9.70	9.70	14.42	7.95	13.80	4.88
	MSCI EAFE Small Cap NR USD	0.53	3.69	3.69	3.10	0.88	9.89	5.34
	MSCI EM NR USD	0.63	2.93	2.93	8.09	1.44	7.94	3.71
Fixed Income	Bloomberg US Govt/Credit TR USD	0.05	2.70	2.70	4.66	0.45	(0.34)	1.58
	Bloomberg US Govt/Credit Interm TR USD	0.44	2.42	2.42	5.65	2.18	0.86	1.81
	Bloomberg US Govt/Credit Long TR USD	(1.13)	3.57	3.57	1.72	(4.51)	(3.74)	1.01
	ICE BofA US High Yield TR USD	(1.07)	0.94	0.94	7.60	4.84	7.21	4.92
	Credit Suisse HY USD	(1.22)	0.69	0.69	6.79	4.81	7.35	4.83
	Morningstar LSTA US LL Index TR USD	(0.31)	0.48	0.48	6.86	7.21	8.96	4.98
	FTSE WGBI NonUS USD	1.02	2.33	2.33	0.32	(4.89)	(4.01)	(0.86)
	Bloomberg Gbl Agg Ex USD TR USD	1.11	2.53	2.53	1.46	(3.47)	(2.35)	(0.18)
REITs	FTSE Nareit All REITs TR	(2.40)	2.87	2.87	8.71	(1.85)	9.61	5.46
	Wilshire US REIT TR USD	(3.55)	1.01	1.01	10.23	(0.84)	11.15	5.33

USD - US dollar priced index TR - Total Return PR - Price Return LCL - Local Currency Priced Index NR - Return includes reinvested net dividends

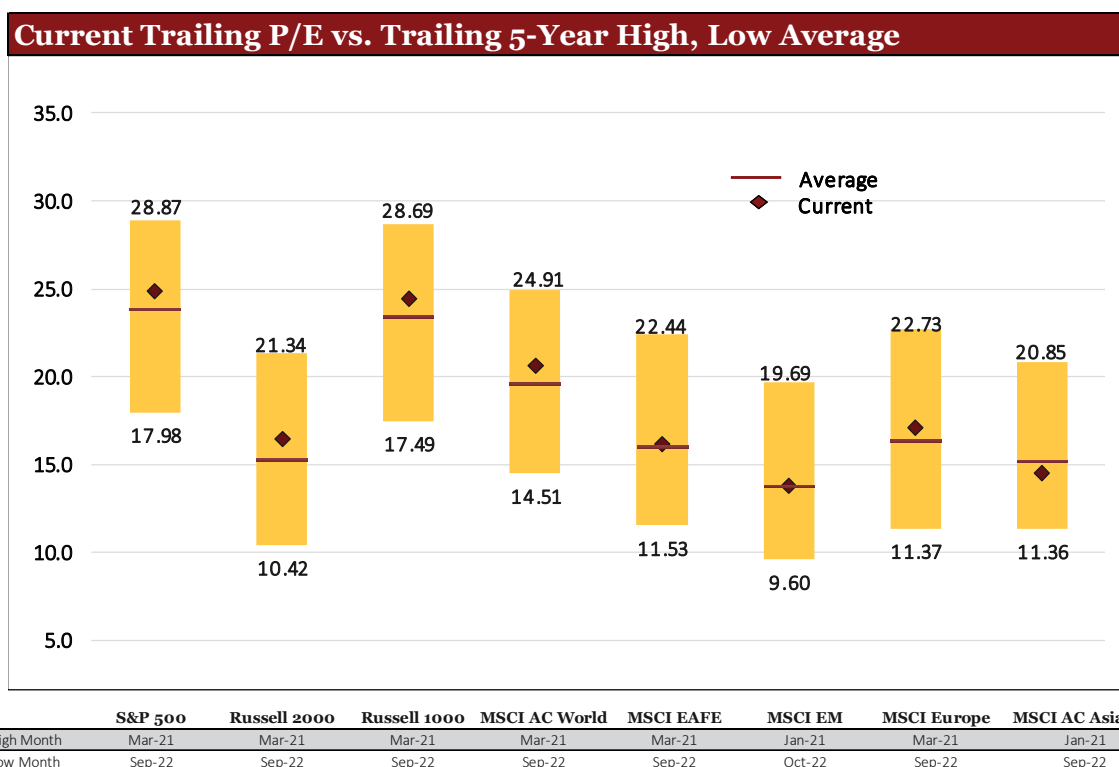
Source: Morningstar

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Source: Morningstar; Data as of 03/31/2025

Economic Indicators

	GDP			Unemployment Rate	Interest Rates	Exchange Rates ³ per US \$		Inflation ²
	Latest ¹	2025 ¹	2026 ¹	(Most recently available)	Sovereign Bonds, 10 Year	Current	1 Year Ago	(Most recently available)
United States	2.40	2.20	1.60	4.20	4.23	-	-	2.80
China	1.60	4.80	4.40	5.40	1.88	7.26	7.23	-0.70
Japan	0.60	1.10	0.20	2.40	1.49	150.26	151.35	3.70
United Kingdom	0.10	1.40	1.20	4.40	4.69	1.29	1.26	2.80
Euro Area	0.00	1.30	1.50	6.10	3.24	1.08	1.08	2.20
Germany	-0.20	0.40	1.10	6.30	2.74	1.08	1.08	2.20
France	-0.10	0.80	1.00	7.30	3.45	1.08	1.08	0.80
Italy	0.10	0.70	0.90	5.90	3.86	1.08	1.08	2.00
Canada	0.60	0.70	0.70	6.70	3.00	1.43	1.35	2.60
India	1.60	6.40	6.60	8.20	6.59	87.06	82.95	3.61
Mexico	-0.60	-1.30	-0.60	2.50	9.34	20.42	16.61	3.77
Brazil	0.20	2.10	1.40	6.80	15.03	5.77	5.00	5.06

Sources: (Most recently available data) St. Louis Federal Reserve, The Wall Street Journal, OECD, Trading Economics

1. Latest GDP is seasonally adjusted annualized rate. 2025 & 2026 is forecasted data from OECD

2. In terms of Core CPI

3. Euro Area and U.K. exchange rates quoted in market standard format (USD/Non-USD currency)

4. Germany, France, and Italy currency exchange rates are taken at the Euro Area exchange rates

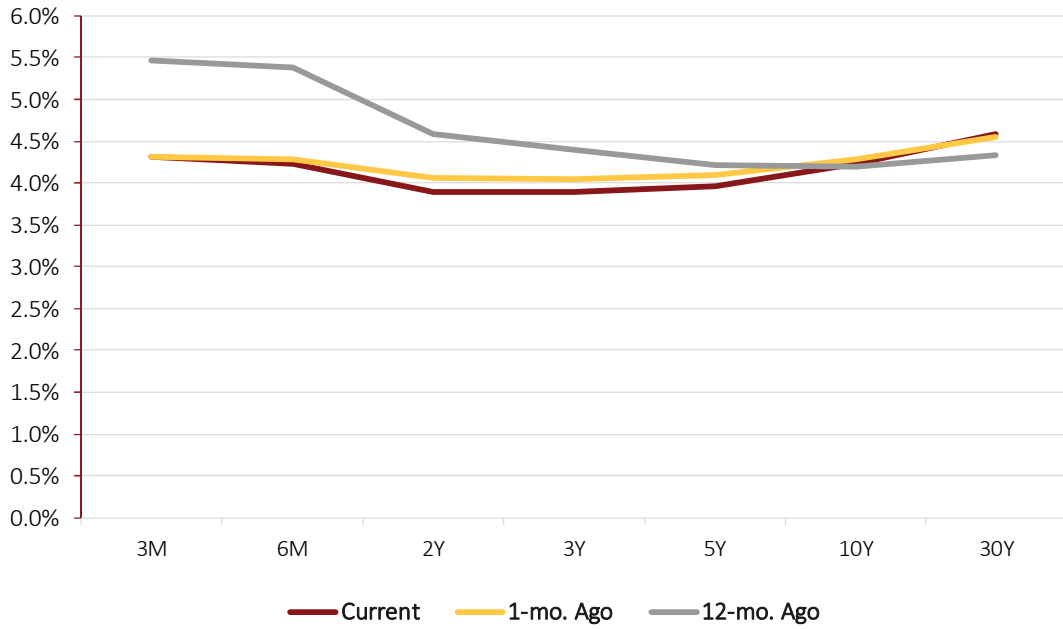
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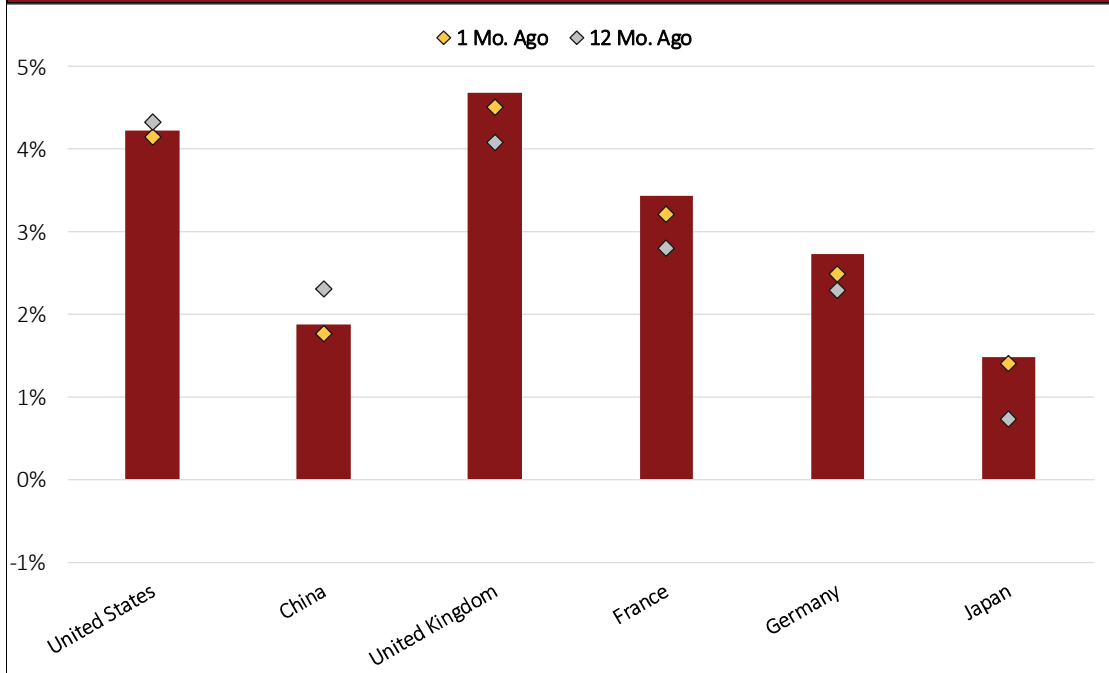
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U.S. Treasury Yield Curves



Source: Federal Reserve Bank; Data as of 03/31/2025

10-Year Sovereign Yields



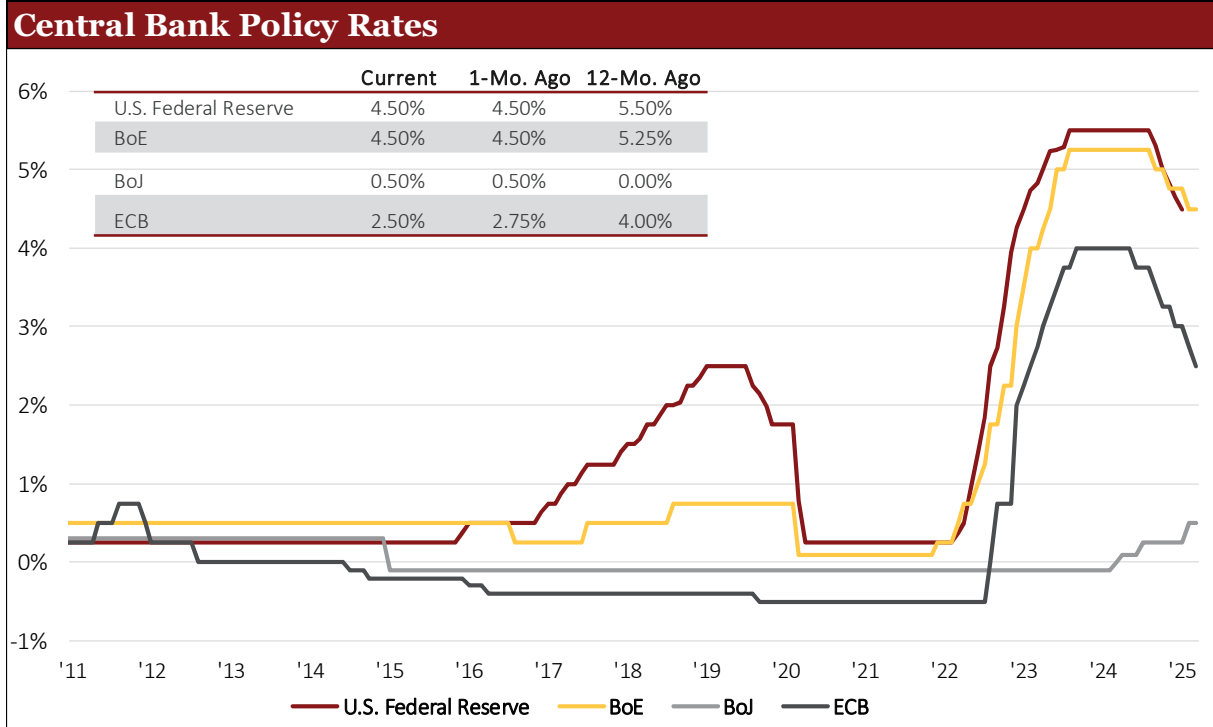
Source: Trading Economics; Data as of 03/31/2025

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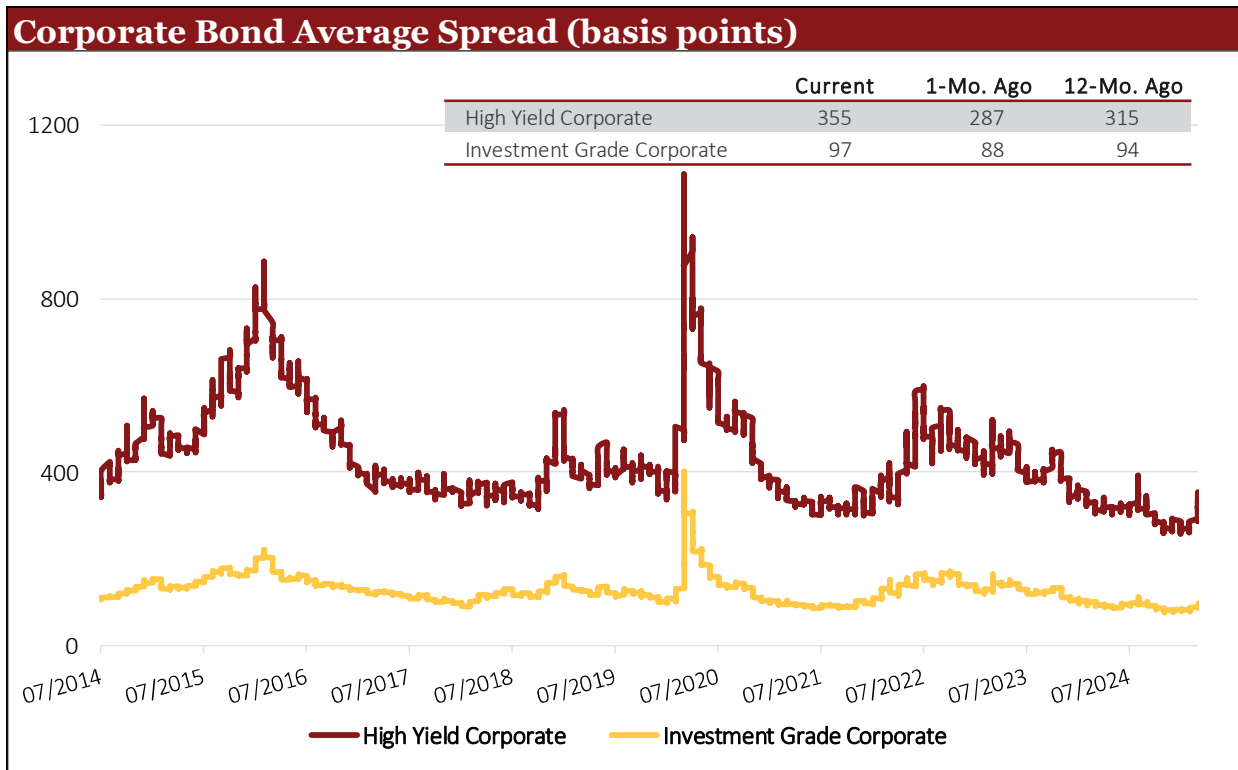
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Source: Federal Reserve Bank, Bank of England, European Central Bank, Trading Economics; Data as of 03/01/2025



Source: Federal Reserve Bank, Bank of America; Data as of 03/31/2025