Global Market Commentary – A Rough March

Global Markets Struggle in March

March was a rough month for the stock market, with most major equity indices posting considerable losses. Market volatility spilled into March and a complex mix of factors – including persistent inflation, a hawkish Federal Reserve, renewed tariff threats, uneven corporate earnings, and disappointing economic data – made it difficult to pinpoint a single market driver.

Economic indicators throughout March painted a grim picture of the broader landscape. Consumer sentiment and consumer confidence both dropped dramatically; retail sales slowed; the housing market showed signs of significant strain; and hot inflation data added fuel to the fire.

Adding to the uncertainty was the erratic nature of trade policy, with on-again, off-again tariff threats clouding the outlook for global commerce. The unpredictable rhetoric created an atmosphere of anxiety on Wall Street and if there's one thing markets universally dislike, it's uncertainty – and this back-and-forth on tariffs served as a persistent drag on Wall Street.

For the month of March:

- The DJIA dropped 4.2%;
- The S&P 500 lost 5.8%;
- NASDAQ declined 8.2%; and
- The Russell 2000 pulled back 7.0%.

In March, developed markets outside the U.S. delivered weak results too, with 34 of the 37 MSCI-tracked indices posting losses. In contrast, emerging markets performed notably better as 34 out of 46 of those indices advanced.

Volatility surged across the board, as the VIX spiked over 13% for the month. Notably, there was a sharp mid-month jump of 20%, underscoring heightened market anxiety.

West Texas Intermediate crude oil followed a volatile path. Prices fell steadily during the first half of the month before reversing course and gaining 2.4% and setting at $71.43 per barrel.

Market Performance Around the World

Investors looking beyond the U.S. encountered poor results too, with only 3 of the 37 developed markets tracked by MSCI posting gains this month, with each of those three rising by less than 1%. Emerging markets performed significantly better, as 34 of the 46 indices tracked by MSCI advanced for the month.

Index Returns	March 2025
MSCI EAFE	-0.90%
MSCI EURO	+0.06%
MSCI FAR EAST	-0.57%
MSCI G7 INDEX	-4.86%
MSCI NORTH AMERICA	-5.82%
MSCI PACIFIC	-1.27%
MSCI PACIFIC EX-JAPAN	-2.34%
MSCI WORLD	-4.64%

Source: MSCI. Past performance cannot guarantee future results

Sector Performance Was Rough Too

Sector performance in March was decidedly weak, with 9 of the 11 S&P 500 sectors posting losses, with three of those falling more than 7%. This marked a sharp reversal from February, when six sectors advanced and only five declined. The contrast is even more striking when compared to January, a strong month in which 10 out of 11 sectors gained, including four that rose by more than 5%.

From a relative standpoint, March represented a clear deterioration, with 9 of the 11 sectors performing worse than they had in February. The month-to-month swings were particularly notable in sectors like Information Technology and Consumer Staples, both of which saw sharp declines. These shifts highlight the underlying volatility and uncertainty that have gripped the markets in early 2025.

Sector returns also reflected a wide dispersion in performance, underscoring the uneven market environment. Information Technology tumbled more than 7% in March, while Energy managed to buck the trend, gaining over 4%. This divergence within a single month illustrates how different sectors are responding to a complex mix of macroeconomic and policy factors.

Below are the sector returns for March and February, reflecting these short-term fluctuations:

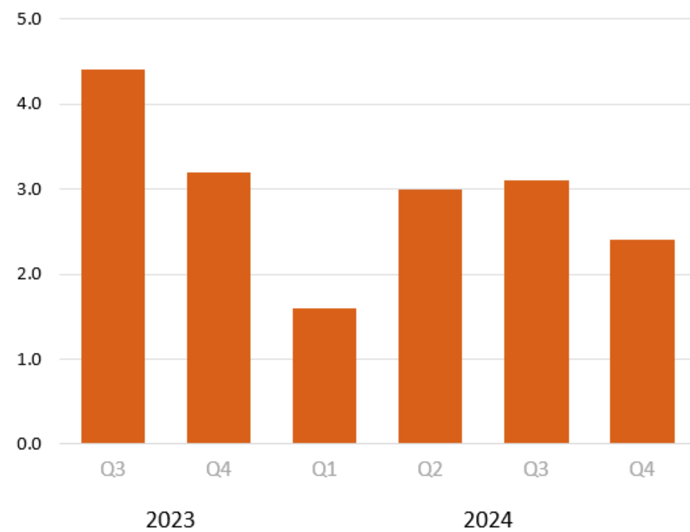
S&P 500 Sector	February 2025	March 2025
Information Technology	-0.33%	-7.34%
Energy	+0.11%	+4.22%
Health Care	+0.93%	-1.53%
Real Estate	+2.74%	-3.07%
Consumer Staples	+4.64%	-3.08%
Consumer Discretionary	-8.93%	-7.21%
Industrials	-2.20%	-3.04%
Financials	+1.36%	-3.54%
Materials	-0.44%	-3.10%
Communication Services	-3.02%	-7.32%
Utilities	+1.46%	+0.40%

Source: FMR

Real GDP Slows Down

Real gross domestic product (GDP) grew at an annual rate of 2.4% in the fourth quarter of 2024 – covering the months of October through December – according to the third estimate from the U.S. Bureau of Economic Analysis. This marks a slowdown from the 3.1% growth recorded in the third quarter.

Real GDP, Percent Change from Preceding Quarter



U.S. Bureau of Economic Analysis Seasonally adjusted annual rates

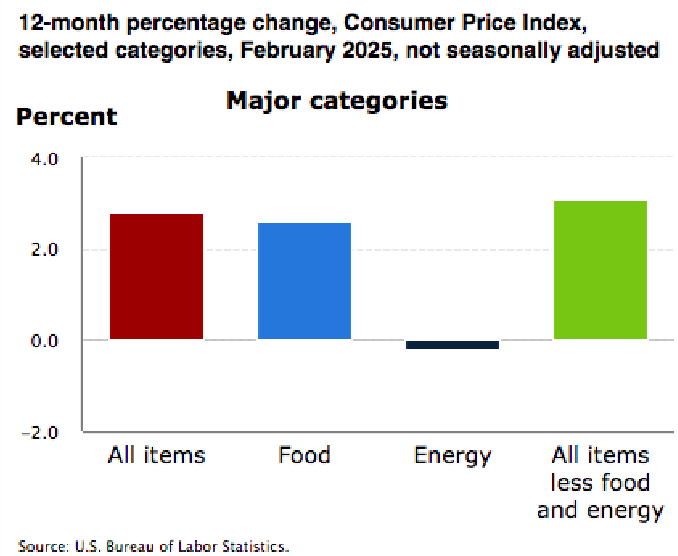
The fourth-quarter increase was driven primarily by gains in consumer and government spending. These were partly offset by a decline in investment. Imports, which are subtracted in the calculation of GDP, also decreased during the quarter. The latest estimate includes a slight upward revision of 0.1 percentage point from the previous estimate, mainly due to a downward adjustment to import figures.

The slowdown in GDP growth compared to the previous quarter was largely the result of declines in both investment and exports. However, this deceleration was partially cushioned by a pickup in consumer spending, while imports declined further.

Inflation Up 0.2% in February; Shelter Up, Gasoline Declines

The U.S. Bureau of Labor Statistics reported that the Consumer Price Index for All Urban Consumers rose 0.2% in February on a seasonally adjusted basis, following a 0.5% increase in January.

Over the past 12 months, the all-items index increased by 2.8% before seasonal adjustment.



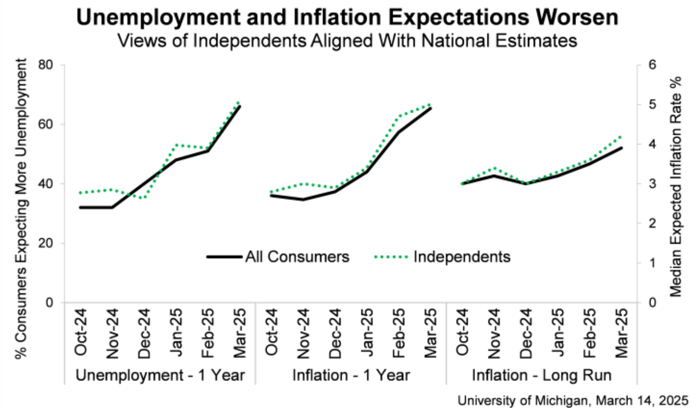
Shelter costs climbed 0.3% in February, contributing to nearly half of the overall monthly increase. This rise was partially offset by a 4.0% drop in airline fares and a 1.0% decline in gasoline prices. Despite the decrease in gasoline, the energy index edged up 0.2% for the month, driven by increases in electricity and natural gas prices. The food index also rose 0.2%, with the cost of food away from home increasing 0.4%.

Excluding food and energy, core CPI increased by 0.2% in February, following a 0.4% rise in January. Among the categories that saw price increases were medical care, used cars and trucks, household furnishings and operations, recreation, apparel, and personal care. Meanwhile, airline fares and new vehicles were among the few indexes that declined.

Over the past year, the all-items index rose 2.8%, slightly lower than the 3.0% increase recorded in the 12 months ending in January. The core index, excluding food and energy, climbed 3.1% over the year. While the energy index declined by 0.2% over the past 12 months, the food index saw a 2.6% increase.

Consumer Sentiment Plummets

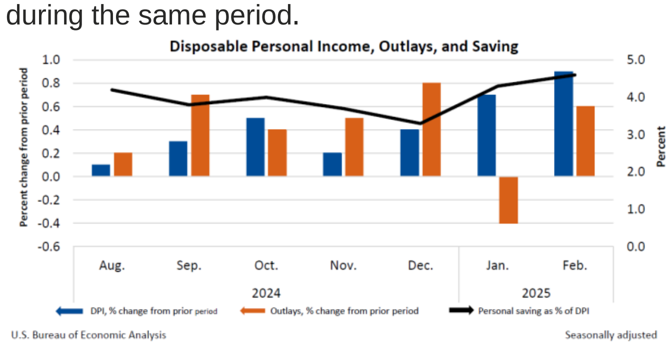
According to the University of Michigan: "Consumer sentiment slid another 11% this month, with declines seen consistently across all groups by age, education, income, wealth, political affiliations, and geographic regions. Sentiment has now fallen for three consecutive months and is currently down 22% from December 2024. While current economic conditions were little changed, expectations for the future deteriorated across multiple facets of the economy, including personal finances, labor markets, inflation, business conditions, and stock markets. Many consumers cited the high level of uncertainty around policy and other economic factors; frequent gyrations in economic policies make it very difficult for consumers to plan for the future, regardless of one's policy preferences."



Personal Consumption Expenditures Up

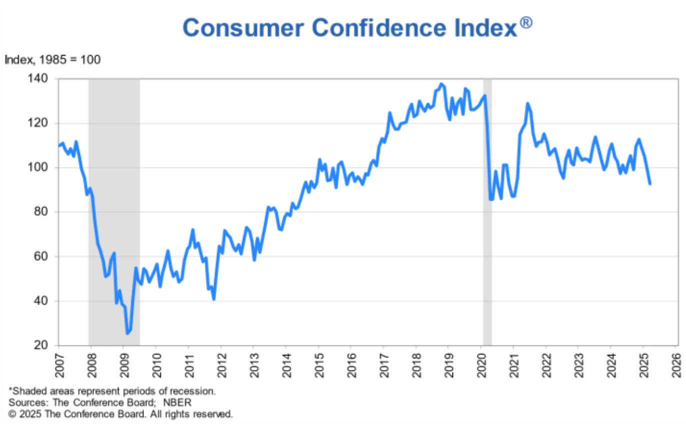
In February 2025, personal income in the United States rose by $194.7 billion, marking a 0.8% increase from the previous month. Disposable personal income (DPI), which accounts for personal income after taxes, saw a 0.9% rise, amounting to an increase of $191.6 billion.

Personal consumption expenditures (PCE), reflecting consumer spending, grew by $87.8 billion or 0.4% during the same period.



US Consumer Confidence Dropped Sharply

In March, the Conference Board Consumer Confidence Index declined by 7.2 points to 92.9 (1985=100). The Present Situation Index, which reflects consumers' views on current business and labor market conditions, slipped 3.6 points to 134.5. Meanwhile, the Expectations Index – measuring consumers' short-term outlook for income, business, and employment – fell sharply by 9.6 points to 65.2. This marks the lowest reading for the Expectations Index in 12 years and places it well below the recession-indicating threshold of 80.



Retail Sales Increase Slightly

Retail sales edged up 0.2% month-over-month in February, coming in below consensus estimate of a 0.7% increase. This follows a downwardly revised 1.2% decline in January, which was previously reported as a 0.9% drop.

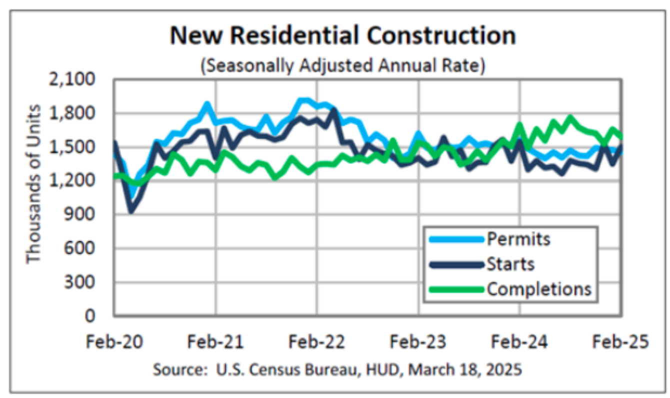
Excluding autos, retail sales rose 0.3% in February, slightly under the expected 0.4% gain, after falling a revised 0.6% in January (originally reported as a 0.4% decrease).

Among the key components:

- Motor vehicles and parts dealers slipped 0.4% after a sharp 3.7% drop in January.
- Gasoline stations declined 1.0%, reversing a 1.3% gain the month prior.
- Food and beverage stores rose 0.4%, bouncing back from a 0.1% decline in January.
- Building materials and garden equipment increased 0.2%, following a 1.9% decrease.
- Clothing and accessories were down 0.6%, on top of a 0.7% decline in January.
- Furniture and home furnishings were flat after falling 1.2% in the prior month.
- Nonstore retailers surged 2.4%, rebounding from an equal 2.4% drop in January.
- Food services and drinking places fell 1.5% after remaining unchanged the previous month.

Housing Starts Surge 11.2% But Declining Permits Signal Slowdown

In February, the number of privately-owned housing units authorized by building permits reached a seasonally adjusted annual rate of 1,456,000. This marks a 1.2% decline from the revised January rate of 1,473,000 and a 6.8% drop from the February 2024 rate of 1,563,000. Single-family home permits were issued at a rate of 992,000, showing a slight decrease of 0.2% from January's revised figure of 994,000.



Housing Starts

Privately-owned housing starts surged in February to a seasonally adjusted annual rate of 1,501,000, reflecting an 11.2% increase from January's revised estimate of 1,350,000. However, this figure remains 2.9% lower than the February 2024 rate of 1,546,000. Single-family housing starts saw a notable jump, reaching a rate of 1,108,000 – an 11.4% increase over January's revised total of 995,000. The start rate for units in buildings with five or more units stood at 370,000 for the month.

Housing Completions

February saw privately-owned housing completions drop to a seasonally adjusted annual rate of 1,592,000, down 4.0% from January's revised estimate of 1,659,000 and 6.2% below the February 2024 rate of 1,698,000. Despite the overall decline, single-family housing completions climbed to 1,066,000, marking a 7.1% increase from January's revised total of 995,000.