



QUARTERLY MARKET REVIEW • RETROSPECTIVE

First Quarter 2025

Stocks fell from record highs as uncertainty about new tariffs and a sell-off in technology shares weighed on markets.

Data as of March 31, 2025 | Retrospective review prepared October 2026
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THE QUARTER AT A GLANCE

Tariff worries cooled a record-setting market

-4.6%**S&P 500**

Price return for the quarter,
after a record high on Feb. 19

-10.4%**NASDAQ COMPOSITE**

Price return for the quarter,
led lower by large technology
stocks

4.25%–4.50%**FED FUNDS TARGET**

Unchanged; the Fed paused
after three cuts in late 2024

2.8%**INFLATION (CPI)**

February, year over year,
down from 3.0% in January

01**Tariff uncertainty.**

New and threatened tariffs on major trading partners raised concerns about higher prices and slower growth.

02**Technology stumbled.**

Large technology stocks fell after a Chinese startup, DeepSeek, raised questions about how much artificial intelligence spending would really be needed.

03**Diversification helped.**

Bonds gained, and many areas outside large U.S. technology companies held up better, including international stocks.

U.S. STOCKS

Stocks fell from record highs as tariff worries grew

The S&P; 500 fell 4.6% in the first quarter after reaching a record high on February 19. The technology-heavy Nasdaq fell 10.4%, while the Dow Jones Industrial Average slipped 1.3%.

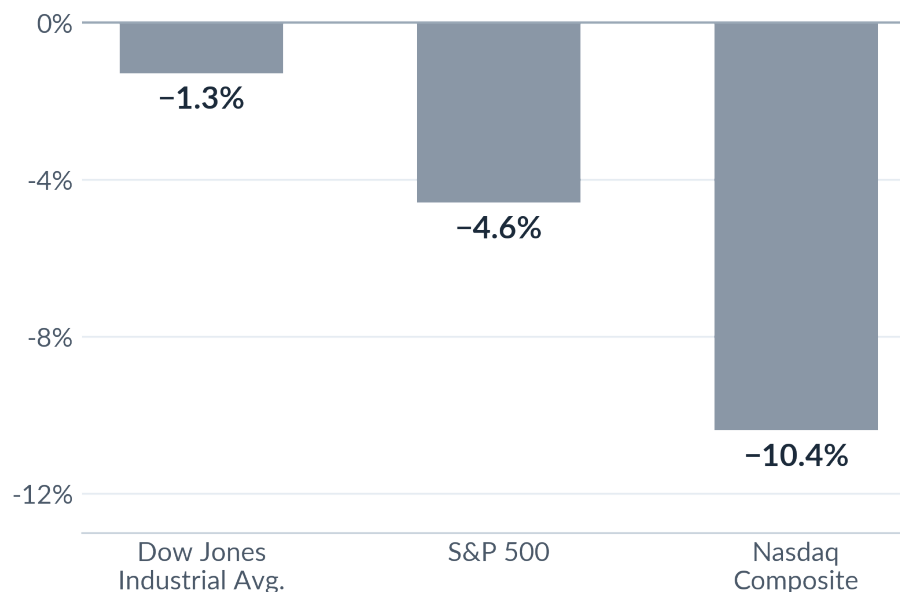
Two worries weighed on stocks. A wave of new and threatened tariffs on imports from Canada, Mexico, China, and other trading partners raised concerns about higher prices and slower growth. And the largest technology companies, which had led the market for two years, fell sharply as investors questioned the payoff from heavy spending on artificial intelligence.

Not everything declined. Energy, health care, and consumer staples stocks rose, and international stocks outperformed U.S. stocks.

WHY IT MATTERS

After two years in which a small group of large U.S. companies led the way, the first quarter showed why diversification matters: other parts of a portfolio held up when market leaders stumbled.

First-quarter price returns, major U.S. indexes



Source: S&P Dow Jones Indices; Nasdaq. Price returns, December 31, 2024 to March 31, 2025. Indexes are unmanaged and cannot be invested in directly. Past performance is not a guarantee of future results.

INTEREST RATES AND THE FED

The Fed paused as it weighed the effects of tariffs

The Federal Reserve held its benchmark rate at 4.25% to 4.50% in January and March, after cutting a full percentage point in late 2024. Officials said uncertainty about tariffs and the economy made it wise to wait.

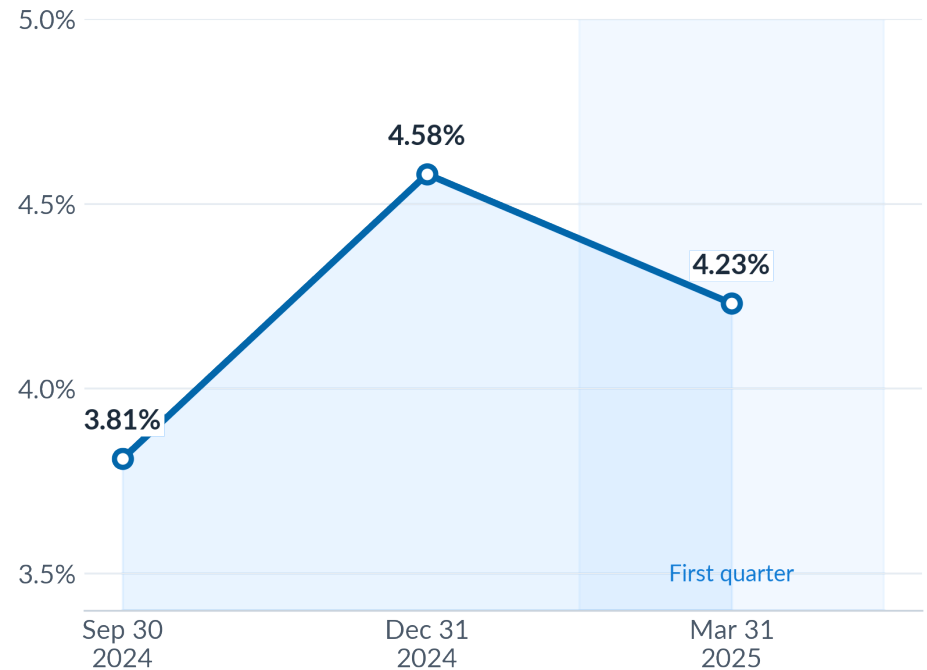
As growth worries rose, investors moved toward the safety of Treasury bonds. The 10-year Treasury yield fell from 4.58% at the end of 2024 to 4.23% at the end of March.

Falling yields lifted bond prices, and bonds posted solid gains while stocks declined.

WHY IT MATTERS

This was a textbook example of why many portfolios hold both stocks and bonds. When stocks fell, bonds rose, softening the overall impact.

10-year U.S. Treasury yield, quarter-end closes



Source: Board of Governors of the Federal Reserve System, H.15 Selected Interest Rates; U.S. Department of the Treasury. Constant-maturity yields at each quarter-end.

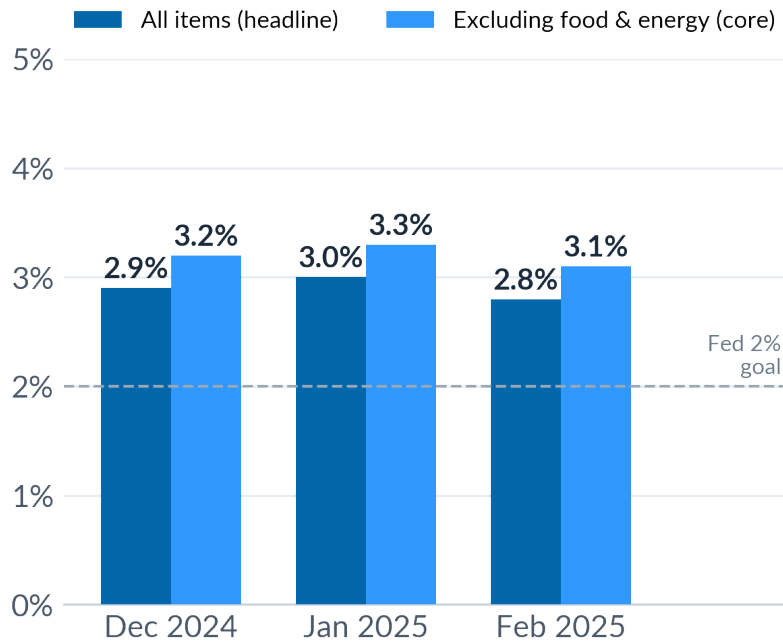
INFLATION AND OIL

Inflation eased, but tariffs raised new questions

Overall inflation eased to 2.8% in February, down from 3.0% in January, and core inflation, which leaves out food and energy, fell to 3.1%. But businesses and consumers worried that new tariffs could push prices back up in the months ahead.

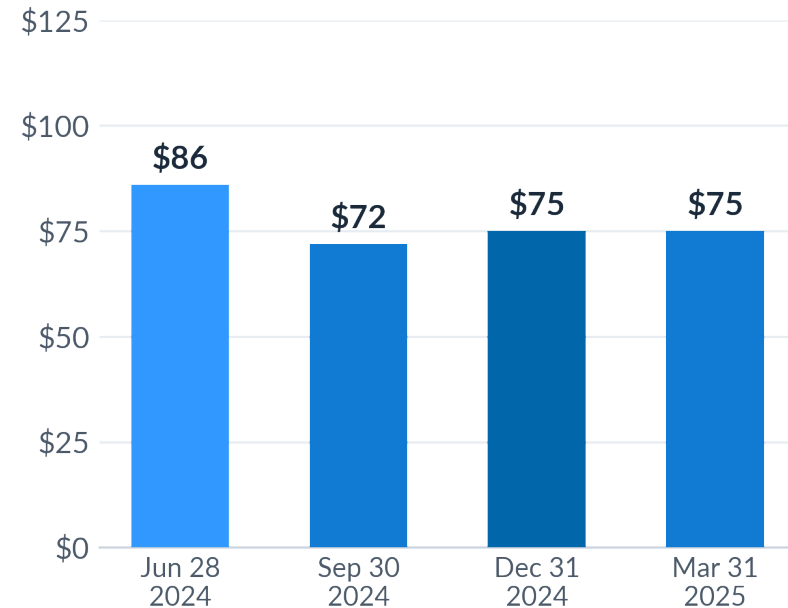
Oil prices were roughly flat for the quarter. Brent crude ended March near \$75 a barrel, about where it began the year.

Consumer price inflation, year over year



Source: U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers.

Brent crude oil futures, dollars per barrel



Source: ICE Futures Europe, Brent front-month settlement prices at each quarter-end.

LOOKING BACK

What came next

A sharp April sell-off

After sweeping tariff announcements on April 2, the S&P; 500 fell nearly 20% from its February high before rebounding.

Rate cuts resumed

The Fed cut rates three times between September and December 2025.

Record highs by summer

Stocks recovered to new records by late June 2025 as many tariffs were paused or negotiated.

A solid year

The S&P; 500 gained about 16% in 2025, its third straight year of double-digit gains.

KEEPING PERSPECTIVE

The first quarter of 2025 ended with stocks down and worries rising, and the decline deepened in early April. Investors who stayed the course saw markets recover to new highs within months. Past performance is not a guarantee of future results.

IMPORTANT INFORMATION

Definitions, sources, and disclosures

Definitions. The S&P 500 tracks 500 large U.S. companies. The Nasdaq Composite includes more than 3,000 stocks listed on the Nasdaq exchange and is weighted toward technology. The Dow Jones Industrial Average tracks 30 large U.S. companies. The 10-year Treasury yield is the annual return on a 10-year U.S. government bond held to maturity. The Consumer Price Index (CPI) measures changes in prices paid by urban consumers; core CPI excludes food and energy. Brent crude is the main global benchmark for oil prices. The federal funds rate is the Federal Reserve's benchmark short-term interest rate.

Sources. S&P Dow Jones Indices; Nasdaq; Board of Governors of the Federal Reserve System (FOMC statements, H.15 Selected Interest Rates); U.S. Department of the Treasury; ICE Futures Europe; U.S. Bureau of Labor Statistics. Data as of March 31, 2025, unless otherwise noted. The "Looking back" page reflects data through September 2026.

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