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WEEKLY ECONOMIC UPDATE APRIL 21, 2025

U.S. stocks slipped over the shortened trading week as Q1 corporate reports started to roll in.

The Standard & Poor's 500 Index dropped 1.50 percent, while the Nasdaq Composite Index fell 2.62 percent. The Dow Jones Industrial Average lost 2.66 percent. The MSCI EAFE Index, which tracks developed overseas stock markets, added 4.19 percent.[1,2]

U.S. Stocks Slide

Stocks started the four-day week with modest gains. Trade volatility subsided as several money center banks reported Q1 numbers at or above expectations.[3]

Stocks trended lower midweek after Federal Reserve Chair Jerome Powell expressed concern that tariffs would likely "move us further away from our goals"—including keeping inflation in check.[4]

Stocks were mixed on the week's last trading day as traders evaluated White House news that trade deals were progressing with Japan, China, and the European Union. The S&P 500 ended the day higher, but the Dow Industrials were under pressure after a large healthcare company gave a disappointing Q1 report.[5]

MARKET INSIGHTS

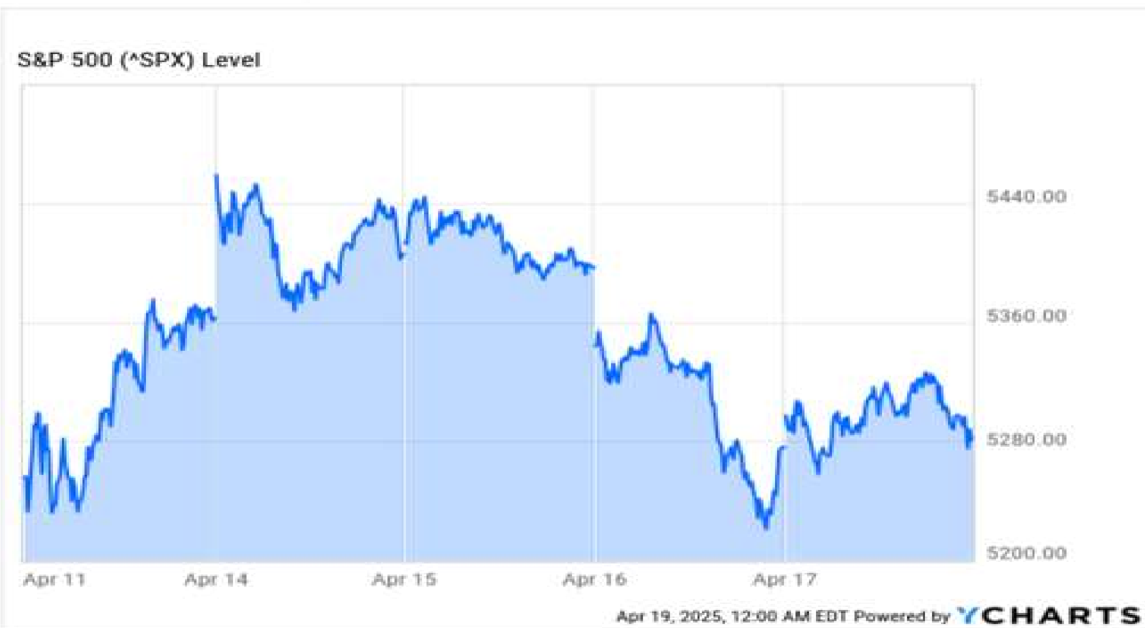
YCHARTS

Weekly Market Insights (WMI)

Major Index Return Summary

Name	1M TR	YTD TR	1Y TR	5Yr TR
Nasdaq Composite	-8.51%	-15.50%	4.59%	95.65%
S&P 500	-6.82%	-9.83%	6.62%	98.48%
Dow Jones Industrial Average	-6.39%	-7.56%	5.54%	78.42%
MSCI EAFE	-3.67%	6.79%	10.28%	71.38%

S&P 500 Daily Close



10-Year Note Review

Indicator Name Date	Latest Value	1M Ago 3M Ago 1Y Ago	1M Change 3M Change 1Y Change
10 Year Treasury Rate 04/17/25	4.34%	4.31% 4.61% 4.59%	0.70% ▲ -5.86% ▼ -5.45% ▼

The Fed's Influence

Stocks were under pressure following comments from Fed Chair Powell, who expressed concern about the ability of the Fed to balance its inflation and employment goals given the current trade situation. He said, "Tariffs are highly likely to generate at least a temporary rise in inflation," and "the inflationary effects could be more persistent."[6]

These are Powell's latest remarks about tariffs. The Fed Chair made similar comments earlier this month at an event in Alexandria, Virginia.[7]

This Week: Key Economic Data

Monday: Leading Economic Indicators.

Tuesday: Philadelphia Fed President Harker speaks.

Wednesday: Chicago Fed President Austan Goolsbee, St. Louis Fed President Alberto Musalem, Atlanta Fed President Bostic, and Fed Governor Christopher Waller speak. PMI Services. PMI Manufacturing. New Home Sales. Fed Beige Book.

Thursday: Durable Goods. Weekly Jobless Claims.

Friday: Consumer Sentiment (final).

Quote of the Week

1. Avoid alliteration always.

2. Prepositions are not words to end sentences with.

3. The passive voice is to be avoided

4. Avoid cliches like the league, they're old hat.

5. IT is wrong to ever split an infinitive.

6. Writers should never generalize.

Seven. Be consistent

8. Don't use more words than necessary. It's highly superfluous.

9. Be more or less specific.

10. Exaggeration is a billion times worse than understatement.

Of Note

The trade war is ongoing, notwithstanding last week's 90-day pause on some tariffs. The level, scope, and targeted countries seems to be a daily moving target, but given what we know now, it's estimated that the U.S. weighted average tariff rate is nearly 25%, the highest in more than a century.

Amid all the tariff-related market volatility, there was a lot of chatter last week about a "Trump put" (a threshold of market weakness sufficient for the administration to adjust policy).

What's been discovered is that the "put" was less about the stock market and more about the bond market. Advisor Perspective's Chief Fixed Income Strategist Kathy Jones wrote this over the weekend:

"Underlying all of the volatility is policy uncertainty. When tariffs are on, then off, then partially on with exceptions, the market's expectations for economic growth and inflation have to adjust. Rapid changes in policy mean rapid changes in yields. Rapid changes in yields tend to catch traders—especially leveraged traders—off guard, forcing rapid re-positioning. These changes tend to spur a lot of speculation and rumors. Sorting out what's true and what isn't true is difficult."

"The most concerning thing that happened last week was the divergence between the path of the U.S. dollar and interest rates. The dollar fell sharply while yields rose sharply. That does suggest foreign selling was a factor. But it also smacks of a loss of confidence in the United States as a perceived safe haven, which isn't good for the world's reserve currency. This is the type of action you see in emerging markets when volatility hits."

Volatility is measured in the stock market via the VIX index, while the MOVE index shows volatility in the bond market. Although both have spiked this month, bond market volatility is not yet in retreat.

Last week's strength in the equity market helped pare year-to-date returns. After suffering a near-bear market drawdown of 19%, the S&P 500 is down 10% as of Thursday's close. It's been worse for other indexes and groups, like the Nasdaq and Mag7 (Lag7) group of stocks. After a strong start to the year through February 19, bear market level declines set in.

Most notable last week was last Wednesday's epic surge in stocks, which helped to calm investors' nerves. The 9.5% singleday jump in the S&P 500 was the third-largest in the post-WW II era. Among the list of all daily moves of at least +5%, more of them occurred within bear markets (14) than in bull markets (10). Per the bull market big up days, some of the largest daily gains in stocks came somewhat immediately following bear market lows and/or major corrections (2022, 2020, 2009, 1997/98, and 1970).

The recent rout in stocks has led to a significant washout in market breadth, with major indexes seeing the percentage of their members trading above their 50-day moving averages sink quickly. That metric for the S&P 500, Nasdaq, and Russell 2000 fell into single-digit territory at the worst point of the current drawdown. The drop for the S&P 500 was much more severe, underscoring investors' willingness to shed even their high-quality holdings as the global trade war unfolded.

The upside is that, like with investor sentiment, once breadth gets this weak, it indicates a "reset" of sorts—allowing stocks to regain their footing (see the end of 2024 as an example). The downside is that a clear catalyst is needed to jolt stocks into recovery mode. To be sure, some catalysts—like the 90-day pause for aggressive reciprocal tariffs and the exemption of smartphones and laptops—have started to pop up, but they aren't necessarily doing a lot of work to eliminate the thick cloud of uncertainty that still hangs over the market.

That is emphasized via sector leadership, as evidenced by noticing traditional defensives like Consumer Staples, Utilities, and Health Care have fared well when it comes to the share of members trading above their 50-day moving average. Even more of a standout is the Utilities’ share of members trading above their 200-day moving average (at nearly two thirds).

Breadth statistics make it clear that indexes are at or near washout status, but in order for a durable rebound to take shape, defensive leadership likely needs to take a breather—or rather, traditional cyclicals (like Financials, Industrials, and Materials) need to reclaim some lost footing. We think that would send a positive signal that the market is regaining some confidence after being hit hard from tariff volatility, but we also think this continues to be a low-conviction environment.

Trying to gauge sector moves and leadership shifts is nearly impossible right now, especially as the rules of the U.S. tariff and trade game seem to change on almost a daily basis. While we are in a confidence crisis, not a health (or financial) crisis, the degree of volatility we're seeing—be it in the VIX, MOVE or Economic Policy Uncertainty Index—rivals what we saw in 2020.

The reality is that this current environment is being dominated by man-made supply shocks unlike anything seen in the past century. However, it's crucial to avoid making assumptions (economic or market) based on recent trends. Although the current policy landscape and related economic uncertainty more than justify the recent spike in volatility, be mindful of not interpreting short-term market moves as anything resembling clear signals of where we go from here either in the economy or markets. Many of these extreme moves are simply the result of technical break points (in both directions) associated with a wide variety of stressed positions and their unwinds.[8]

Footnotes and Sources

1. The Wall Street Journal, April 17, 2025
2. Investing.com, April 17, 2025
3. CNBC.com, April 15, 2025
4. CNBC.com, April 16, 2025
5. WSJ.com, April 17, 2025
6. CNBC.com, April 16, 2025
7. CNBC.com, April 4, 2025
8. advisorperspectives.com/commentaries/2025/04/15/upside-down-side-markets-wild?topic=alternative-investments

Investing involves risks, and investment decisions should be based on your own goals, time horizon, and tolerance for risk. The return and principal value of investments will fluctuate as market conditions change. When sold, investments may be worth more or less than their original cost.

The forecasts or forward-looking statements are based on assumptions, may not materialize, and are subject to revision without notice.

The market indexes discussed are unmanaged, and generally, considered representative of their respective markets. Index performance is not indicative of the past performance of a particular investment. Indexes do not incur management fees, costs, and expenses. Individuals cannot directly invest in unmanaged indexes. Past performance does not guarantee future results.

The Dow Jones Industrial Average is an unmanaged index that is generally considered representative of large-capitalization companies on the U.S. stock market. Nasdaq Composite is an index of the common stocks and similar securities listed on the NASDAQ stock market and is considered a broad indicator of the performance of technology and growth companies. The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) and serves as a benchmark of the performance of major international equity markets, as represented by 21 major MSCI indexes from Europe, Australia, and Southeast Asia. The S&P 500 Composite Index is an unmanaged group of securities that are considered to be representative of the stock market in general.

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