

# Monthly Investment Report

May 2025



The markets faced renewed volatility in April as investors navigated rising trade tensions over new tariffs, mixed earnings reports, shifting Treasury yields, and mounting recession concerns. The S&P 500 slipped -0.7%, the Dow fell -3.1%, while the Nasdaq gained +0.9%. Small-caps dropped sharply, down -4.2%, and Mid-caps fell -2.3%. Information Technology led sectors with a +1.6% gain while Energy tumbled -13.6%. Internationally, Japan outperformed (+5.2%) and China lagged (-4.3%). Bonds were mixed, with non-U.S. bonds rallying +5.1% and U.S. bonds up +0.4%. Energy-related commodities struggled: crude oil dropped -18.6% and natural gas plunged -19.3%. However, gold rose +6.3%. The U.S. dollar weakened considerably, down -4.0%. Business activity slowed, with services softening and manufacturing stabilizing modestly. The unemployment rate ticked up to 4.2%. Inflation pressures eased, with both headline and core PCE unchanged month-over-month. Housing data was mixed: new home sales rose, but housing starts and existing home sales declined.

## U.S. Markets

**U.S. equity markets endured a sharp early-April sell-off, with the S&P 500 plunging 10% in two days amid concerns over unilateral tariff actions by the Trump administration.** The markets eventually recovered from the steep drop following the administration's announcement of a 90-day reprieve on tariffs (excluding China). However, investors remained deeply concerned about the long-term implications of an escalating trade war, potential retaliation from global partners, and rising import costs across key sectors. By the end of April, the S&P 500 fell -0.7%, while the Dow Jones Industrial Average declined -3.1%. The tech-heavy Nasdaq Composite was the only major U.S. index to post gains, rising +0.9%. Small-caps were the hardest hit, losing -4.2%, followed by Mid-caps, which declined -2.3%. MSCI U.S. REITs fell -2.6%. Market sectors delivered mixed results. Information Technology led with a +1.6% gain, followed closely by Consumer Staples at +1.2%. On the downside, Energy posted the largest decline, falling -13.6%, while Health Care dropped -3.7%. As of month-end, 56.4% of companies had reported quarterly earnings, with approximately 68% reporting positive earnings growth. Health Care delivered the strongest earnings growth at +60.7%. Almost all sectors reported positive earnings surprises, with the exception of Real Estate.

**Among major international markets, the MSCI Japan Index recorded the highest gain, rising +5.2%.** The MSCI Europe ex-UK followed with

a gain of +4.9%, while the MSCI Developed World ex-US posted a gain of +4.6%. In contrast, the MSCI China Index declined -4.3%.

**In April, non-U.S. dollar bonds, as represented by the Bloomberg Global Aggregate ex-USD Index, led the gains, rising +5.1%, while the Bloomberg U.S. Aggregate Bond Index increased +0.4%.**

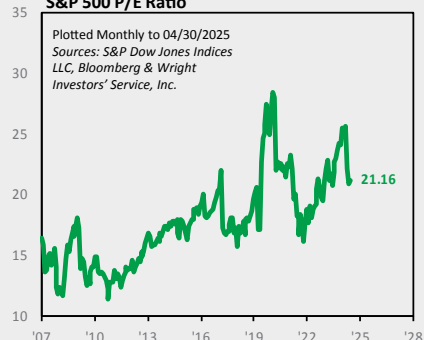
Treasury yields fell across short-term maturities and rose at the long end, steepening of yield curve.

**Commodities underperformed relative to equities and bonds during the month.** The Bloomberg Commodities Index fell -4.8%. Natural Gas experienced the steepest decline, falling -19.3%, followed by Crude Oil at -18.6%. Copper fell -9.4%, while Gold, in contrast, rose +6.3%. Among agricultural commodities, Corn prices increased +2.2%, but Wheat fell -4.5%. The U.S. Dollar Index weakened in April, falling -4.0%.

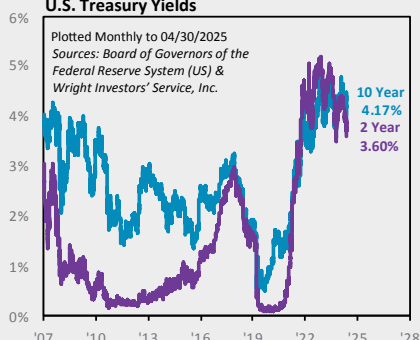
## U.S. Economy

**In April, economic activity slowed amid mounting uncertainty over tariffs and trade policy, which weighed on both business confidence and demand.** The S&P Global Flash U.S. PMI Composite Output Index fell to 51.2 from 53.5 in March, marking a 16-month low and indicating the sharpest slowdown in growth since late 2023. This loss of momentum reflects growing business unease around the policy landscape, particularly concerning the potential economic impact of new tariffs.

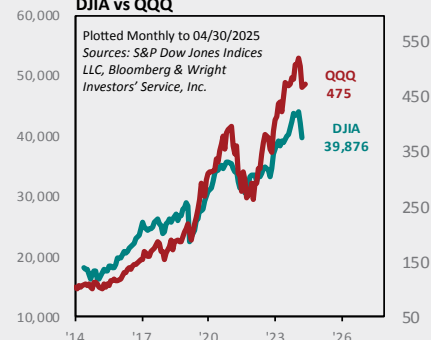
**P/Es Relatively Cheaper**  
S&P 500 P/E Ratio



**2 Year & 10 Year Yields Fall**  
U.S. Treasury Yields



**US Equities Weakened**  
DJIA vs QQQ



## Total Investment Returns—4.30.2025

	April	Last 12 Mos.
Dow Jones Industrial Average	-3.1%	9.5%
Nasdaq Composite	0.9%	12.2%
S&P 500 Composite	-0.7%	12.1%
S&P MidCap 400	-2.3%	1.2%
S&P SmallCap 600	-4.2%	-1.9%
MSCI World (\$)	0.9%	12.2%
MSCI World ex U.S. (\$)	4.6%	13.1%
Bloomberg U.S. Aggregate	0.4%	8.0%
90-Day Treasury Bills (Yield)	4.3%	5.4%
CPI ex-Food & Energy SA* (Mar 2025)	0.1%	2.8%

\*SA: Seasonally Adjusted

Sources: Bloomberg LP & Wright Investors' Service, Inc.

The Services PMI Business Activity Index dropped to 51.4 from 54.4, a two-month low and the second-weakest expansion in the past year. Although new business inflows continued to rise, the pace remained modest, with firms citing trade and economic policy uncertainty as significant constraints. Export-facing service providers were particularly affected, with cross-border demand falling to its lowest level since January 2023. Manufacturing showed early signs of stabilization. The Manufacturing Output Index rose to 50.2 from 48.6, while the Manufacturing PMI ticked up to 50.7 from 50.2, both reaching two-month highs. These gains were fueled by modest increases in domestic new orders, though export demand weakened sharply.

**The unemployment rate ticked up to 4.2%, up from 4.1% in March, while non-farm payrolls rose by 228,000, a notable rebound from February's downwardly revised 117,000.** The core PCE price index, which excludes volatile food and energy, eased to 2.6% year over year from 3.0%, while the overall year-over-year headline PCE inflation rate fell from 2.7% to 2.3%. New single-family home sales in March climbed 7.4% to an annualized rate of 724,000, building on February's 3.1% increase and exceeding expectations. The average 30-year fixed mortgage dipped to 6.8%. Building permits edged up 0.5% to 1.5 million,

the first increase in three months, while housing starts dropped 11.4% to 1.3 million from a revised 1.5 million in February. Existing home sales declined 5.9% in March following a 4.4% revised gain the prior month.

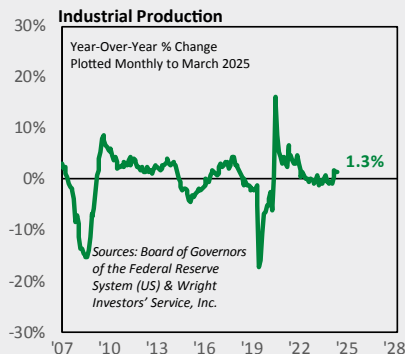
## The Federal Reserve, led by Chair Jerome Powell, faces navigating rising political pressure as President Trump continues to call for interest rate cuts.

However, persistent threats to the Fed independence and escalating tariffs could keep longer-term borrowing costs elevated, especially if tariff-related inflation picks up. While markets are pricing in potential rate cuts later this year should economic growth falter, concerns over inflation and political interference could delay action, resulting in prolonged higher borrowing costs.

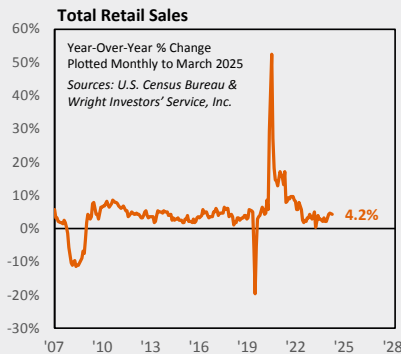
## Investment Outlook

**The U.S. economy is beginning to show signs of strain. Although the labor market remains relatively strong, hiring momentum is softening, especially within the manufacturing sector.** Business activity has slowed to a 16-month low, weighed down by supply chain disruptions, rising input costs, and a weaker dollar. In response, manufacturers are raising prices and trimming headcounts to preserve margins. While a rate cut remains on the table for later this year, the Federal Reserve must carefully weigh the need to support growth against the risk of persistent inflation. Consumer confidence fell for a fifth consecutive month in April, reaching its lowest level since the onset of the COVID-19 pandemic. The decline reflects growing pessimism around business conditions, job prospects, and expected income. Against this uncertain backdrop, maintaining a diversified portfolio of high-quality investments continues to be a sound long-term strategy, offering resilience through both favorable and challenging market environments.

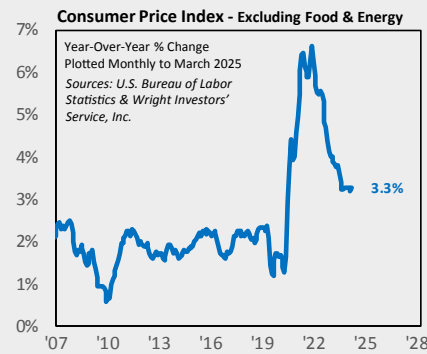
### Manufacturing: Ticked Lower



### Consumer Spending: Strengthened



### Core Inflation: Mostly Unchanged



**Source:** Bloomberg Index Services Limited. "Bloomberg", "Bloomberg Commodity Index" and the Bloomberg Bond Indices are service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited ("BISL"), the administrator of the index (collectively, "Bloomberg") and have been licensed for use for certain purposes by Wright Investors' Service, Inc. Bloomberg is not affiliated with Wright Investors' Service, Inc. and Bloomberg does not approve, endorse, review, or recommend Wright Products. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information relating to Wright Products.

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