

QUARTERLY MARKET GUIDE: Q2 2025

Our View of What's Most Relevant Now

April 14, 2025



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Please see important disclosures at the end of this report.

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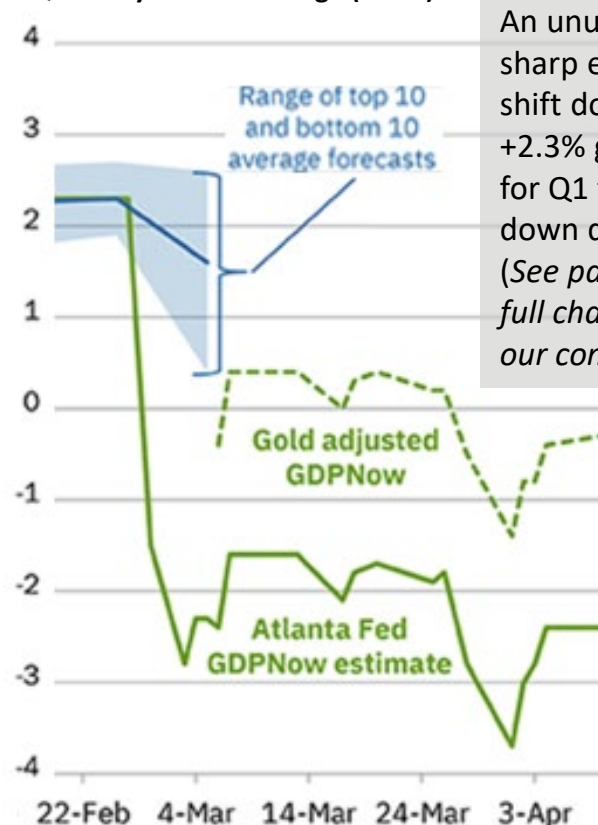
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Data in Focus: GDP Estimate

Atlanta Fed GDPNow real GDP Est.: Q1 2025

Quarterly Percent Change (SAAR)



An unusually sharp estimate shift down from +2.3% growth for Q1 to now a down quarter. (See page 9 for full chart and our comments.)

Source: Federal Reserve Bank of Atlanta

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Index Performance

Index	Asset Class	2025		2024
		MTD Apr 11	Q1	
Equity Indexes		Total Returns		
NASDAQ 100	Mega Cap U.S. Growth Equity	(3.0)%	(8.1)%	25.9%
S&P 500	Large Cap U.S. Equity	(6.1)	(4.3)	25.0
S&P 400	Mid Cap U.S. Equity	(6.7)	(6.1)	13.9
S&P 600	Small Cap U.S. Equity	(8.8)	(8.9)	8.7
MSCI All Country World	Global Equity	(4.3)	(1.2)	18.0
MSCI All Country World (Ex U.S.)	International Equity	(4.2)	5.4	6.1
MSCI Europe, Asia & Far East (EAFE)	International Developed Market Equity	(4.1)	7.0	4.4
MSCI Emerging Markets (EM)	International Emerging Market Equity	(5.0)	3.0	8.1
Fixed Income Indexes				
Bloomberg U.S. Aggregate Bond	U.S. Investment Grade Bond	(1.7)	2.8	1.3
S&P National AMT-Free Municipal Bond	U.S. Investment Grade Muni Bond	(1.4)	(0.6)	1.3
S&P Municipal Bond High Yield	U.S. Muni Bonds (Below Investment Grade)	(2.3)	0.4	6.7
Bloomberg U.S. Corp. High Yield	U.S. Corp Bonds (Below Investment Grade)	(2.4)	1.0	8.2
Index Blends: Stock/Bond				
80%/20%: Global Equity (MSCI All Ctry World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		(3.8)	(0.4)	14.5
60%/40%: Global Equity (MSCI All Ctry World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		(3.3)	0.4	11.1
40%/60%: Global Equity (MSCI All Ctry World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		(2.7)	1.2	7.7
20%/80%: Global Equity (MSCI All Ctry World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		(2.2)	2.0	4.5
Data as of 4/11/2025				

Source: Morningstar, and blended benchmark returns are based on monthly rebalancing.

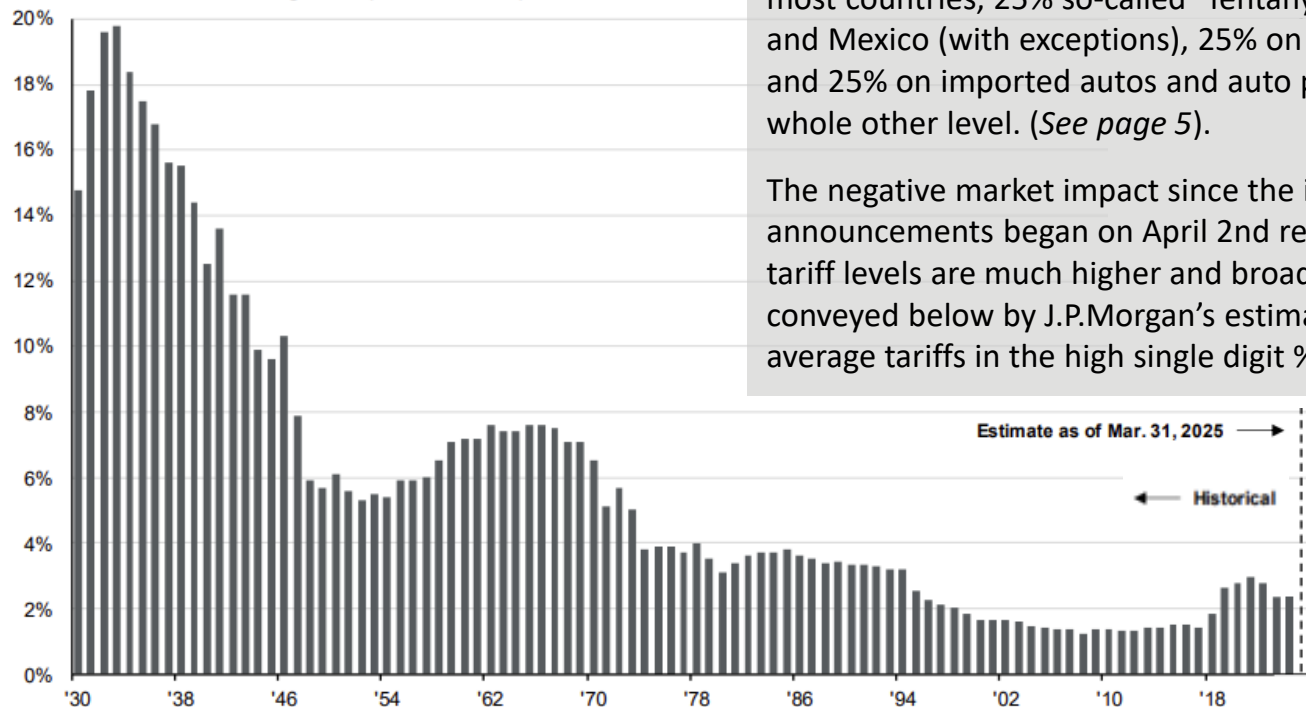
2025 started with declines in Q1 across U.S. equities but gains for International indexes. We added month-to-date data in this report, as volatility has been high since tariffs were announced on April 2nd. Since then, as of the date of this report, all major stock and bond index are down.

Economy

Tariffs & Trade

Average tariff rate on U.S. goods imports for consumption

Duties collected / value of total goods imports for consumption



Source: Goldman Sachs Investment Research, United States International Trade Commission, J.P. Morgan Asset Management. For illustrative purposes only. The estimated weighted average U.S. tariff rate includes the latest tariff announcements (25% tariffs on steel and aluminum imports, an additional 20% tariff on Chinese imports, and a 25% tariff on non-compliant Mexican and Canadian imports). Estimates about which goods are USMCA compliant come from Goldman Sachs Investment Research. Imports for consumption: goods brought into a country for direct use or sale in the domestic market. The estimate does not consider non-tariff barriers, such as value-added taxes. Figures are based on 2024 import levels and assume no change in demand due to tariff increases. Forecasts are based on current data and assumptions about future economic conditions. Actual results may differ materially due to changes in economic, market, and other conditions. *Guide to the Markets* – U.S. Data as of March 31, 2025.

J.P.Morgan
ASSET MANAGEMENT

Maybe the only thing we can be certain about the rate of tariffs is that whatever is said today with great assurance and conviction will probably change tomorrow. As of now, the tariffs in effect include 10% so-called reciprocal tariffs for most countries, 25% so-called “fentanyl” tariffs on Canada and Mexico (with exceptions), 25% on steel and aluminum, and 25% on imported autos and auto parts. China is on a whole other level. (See page 5).

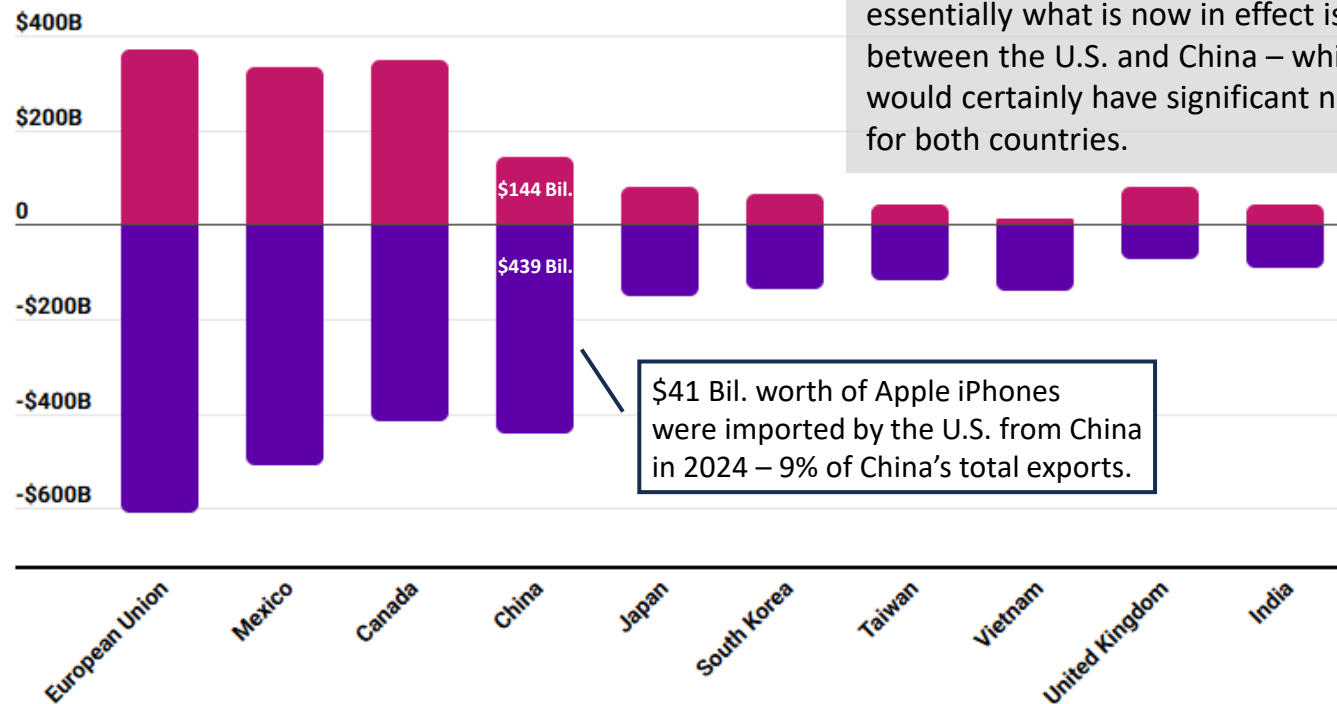
The negative market impact since the iteration of tariff announcements began on April 2nd reflects the fact that tariff levels are much higher and broader than expected – as conveyed below by J.P.Morgan’s estimate as of March 31 for average tariffs in the high single digit %.

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Economy

Tariffs & Trade

U.S. Trade in Good: Balance with top trading partners 2024



Current tariffs on China include 145% “fentanyl” and “reciprocal”, plus 25% on steel and aluminum, plus 25% on autos, all on top of various pre-existing tariffs (with scattered reprieves, e.g., iPhones). In retaliation, China imposed a 125% across the board tariff on U.S. goods. These specific numbers really don’t matter as essentially what is now in effect is a **trade embargo** between the U.S. and China – which, if maintained, would certainly have significant negative implications for both countries.

\$41 Bil. worth of Apple iPhones were imported by the U.S. from China in 2024 – 9% of China’s total exports.

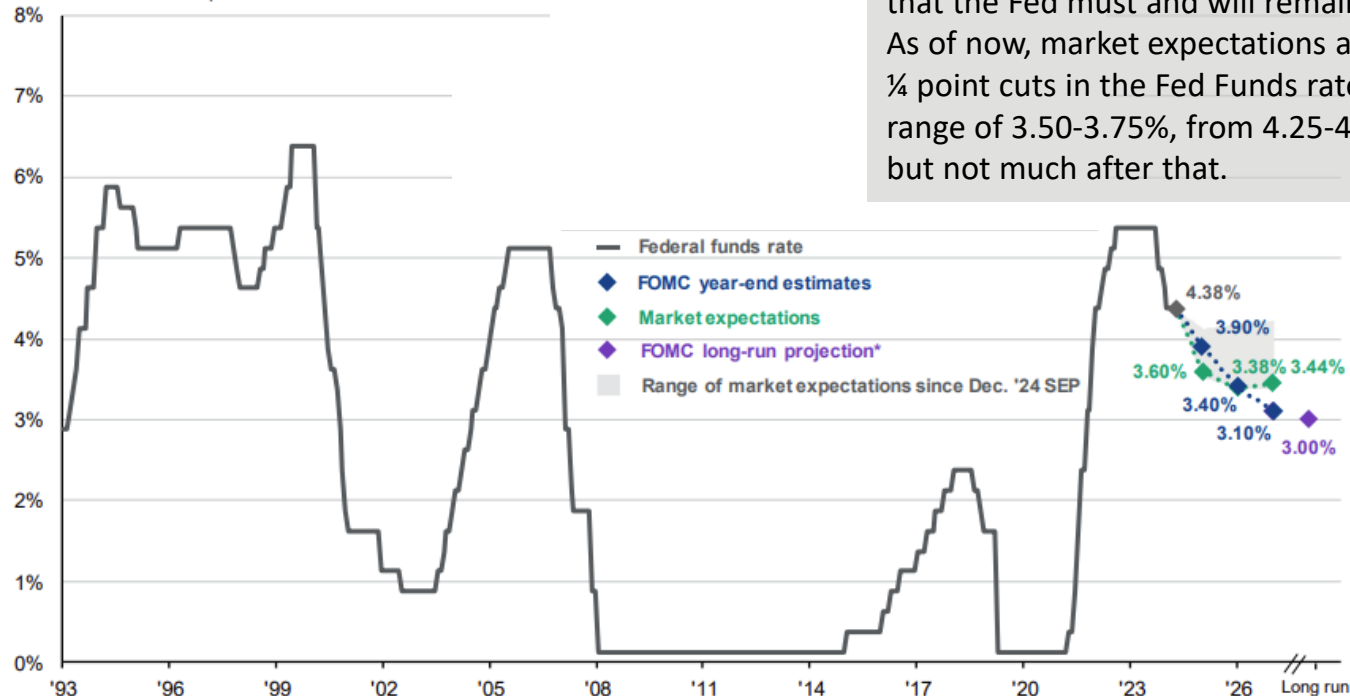
Source: U.S. Department of Commerce, and underlying graph by The Motley Fool

Economy

Federal Funds Rate

Federal funds rate expectations

FOMC and market expectations for the federal funds rate



The Federal Reserve and Chairman Jerome Powell are in an increasingly difficult position as tariffs may provide headwinds to economic growth but tailwinds to inflation. Chair Powell has maintained that the Fed must and will remain “data dependent.” As of now, market expectations are looking for three ¼ point cuts in the Fed Funds rate by yearend to a range of 3.50-3.75%, from 4.25-4.75% currently – but not much after that.

Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management

Market expectations are based off of USD Overnight Index Swaps. *Long-run projections are the rates of growth, unemployment and inflation to which a policymaker expects the economy to converge over the next five to six years in absence of further shocks and under appropriate monetary policy. Forecasts are not a reliable indicator of future performance. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated. *Guide to the Markets* – U.S. Data as of March 31, 2025.

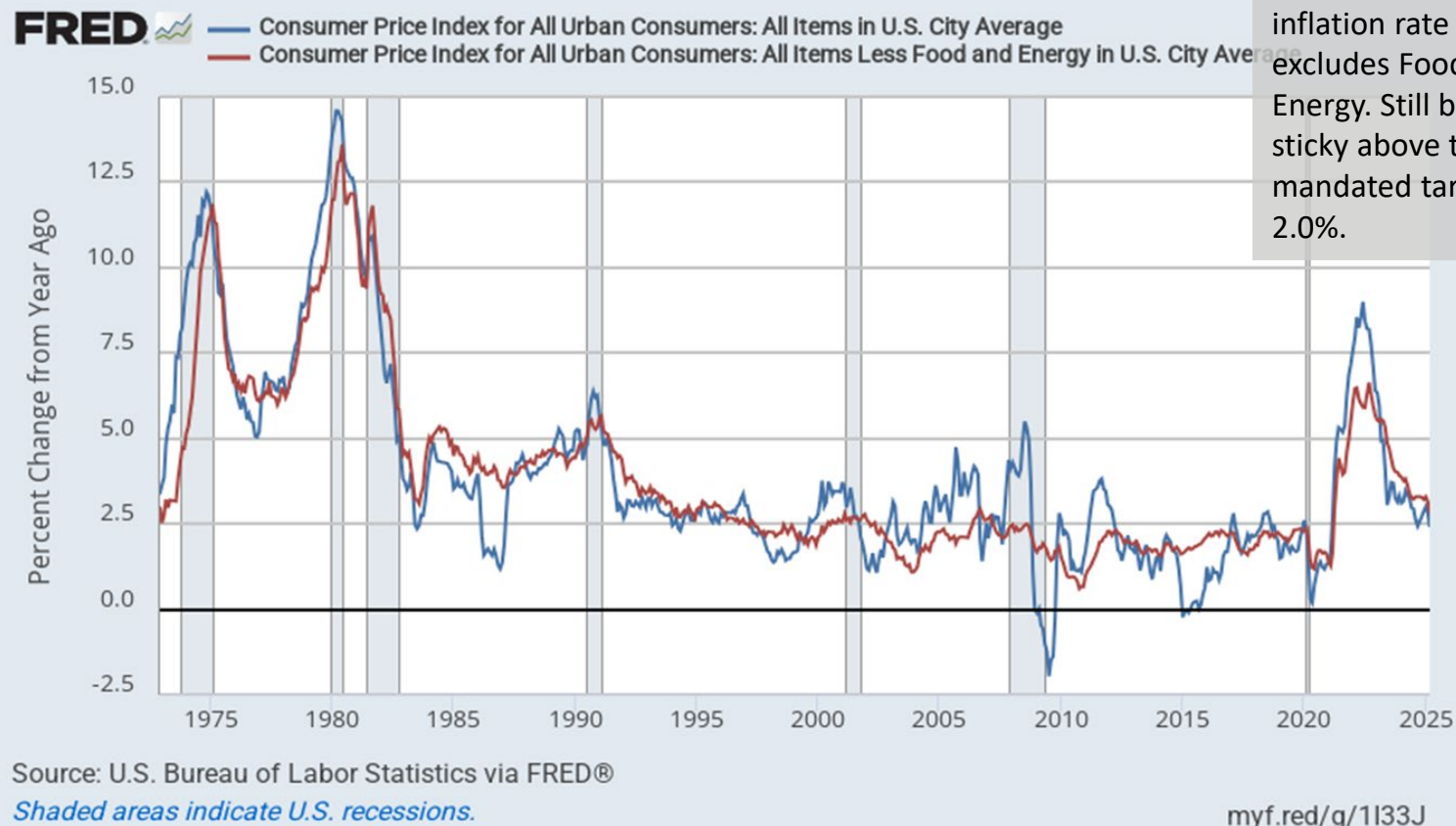
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Economy

Inflation

March CPI came in at an annual rate of 2.4%, and 2.8% for the core inflation rate which excludes Food & Energy. Still basically sticky above the Fed's mandated target of 2.0%.

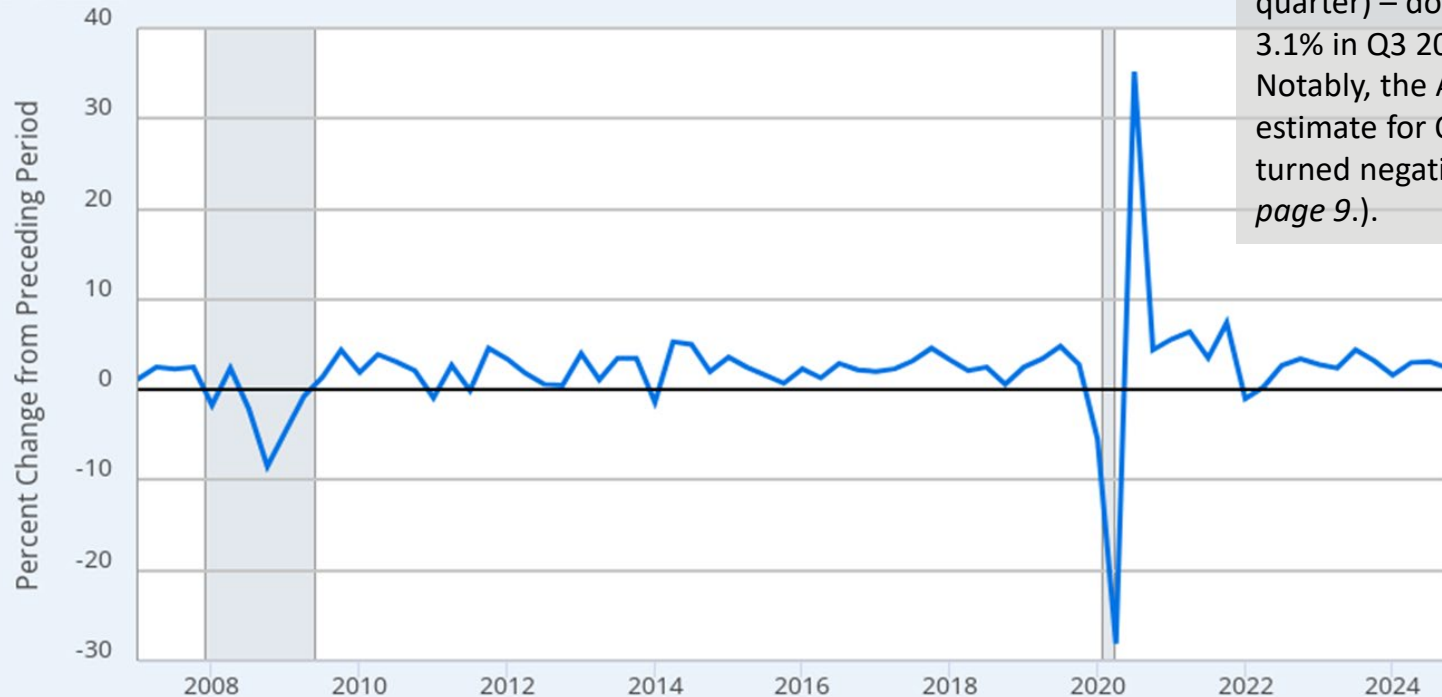


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Economy

Real GDP

FRED — Real Gross Domestic Product



Q4 GDP was reported at +2.4% (quarter over quarter) – down from 3.1% in Q3 2024. Notably, the Atlanta Fed's estimate for Q1 2025 has turned negative. (See page 9.).

Source: U.S. Bureau of Economic Analysis via FRED®

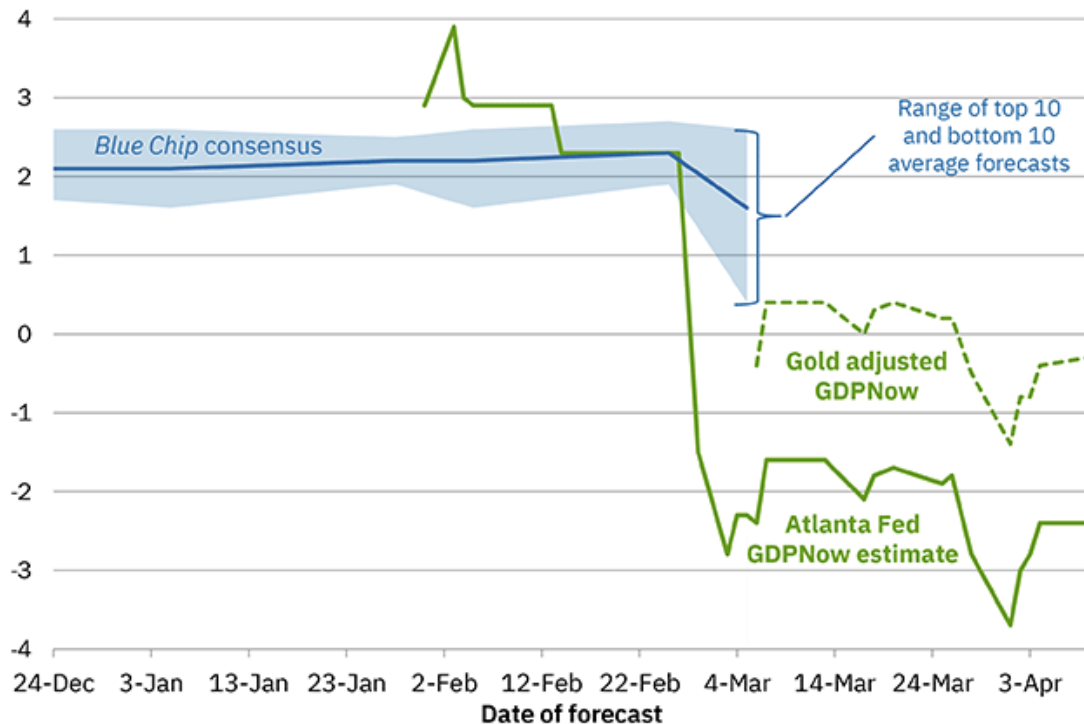
Shaded areas indicate U.S. recessions.

myf.red/g/1I33P

Economy

Real GDP Estimate – Atlanta Fed GDPNow

Evolution of Atlanta Fed GDPNow real GDP estimate for 2025: Q1
Quarterly percent change (SAAR)



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

The Atlanta Fed GDPNow estimate is based on a mathematical model, which provides a running estimate based on available economic data. In our view, this estimate has proven to be more reliable than economist forecasts. While very little color is offered regarding the sharp Q1 estimate cut, the recent decline in U.S. net exports appears to be a key factor. Some of this may be related to pre-buying ahead of tariffs. The “gold adjusted” estimate looks through recent gold imports and exports. Regardless of the specific number(s), and whether the adverse impact is realized in Q1 or Q2, we do believe recession risks have risen.

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Economy

Unemployment Rate

FRED — Unemployment Rate



March's unemployment rate was reported at 4.2%, flat with February. It may take a few months for U.S. Government staff cuts to reflect in these numbers, due to time on "paid leave" and severance.

Source: U.S. Bureau of Labor Statistics via FRED®

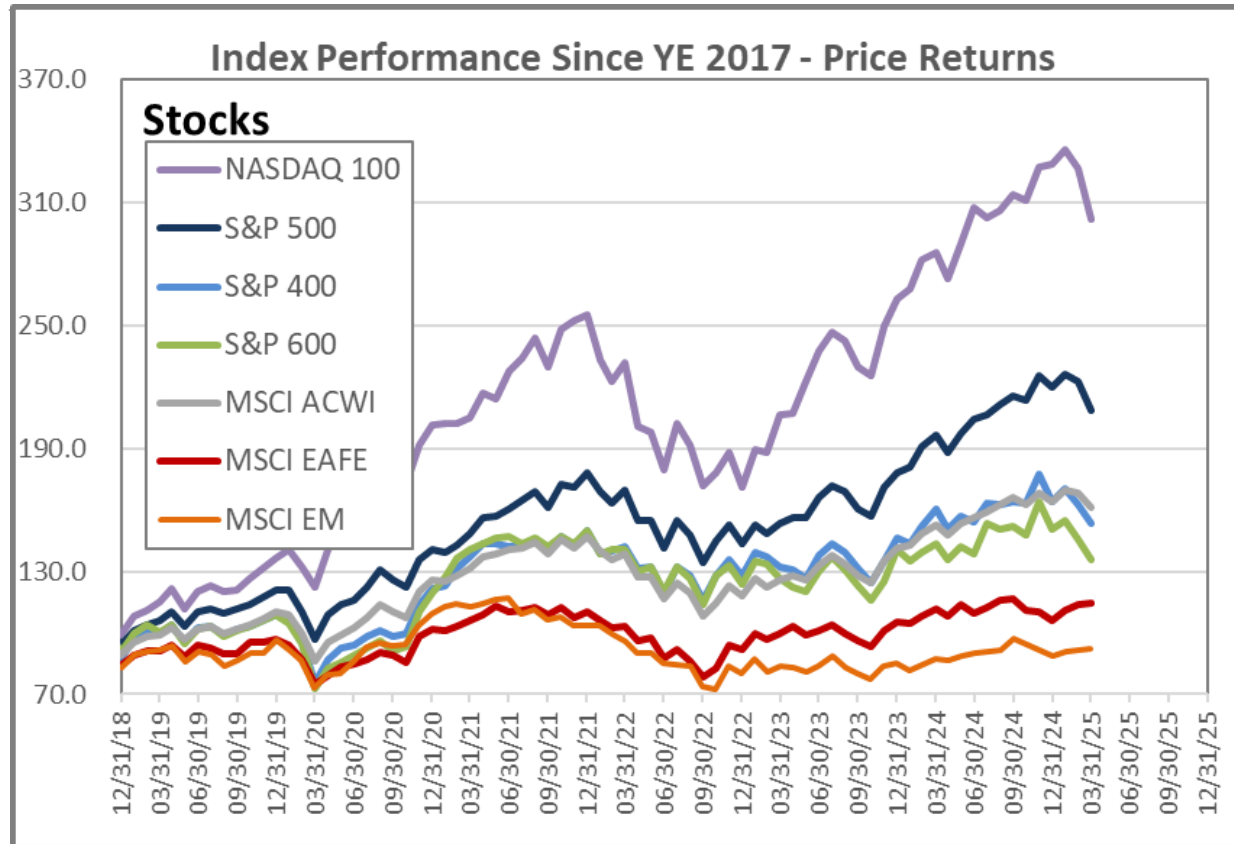
Shaded areas indicate U.S. recessions.

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Equities

Sub-Asset Class Relative Performance



The spread between the leaders and laggards compressed some over recent months. Just an observation, and not a forecast, the market correction from Dec. 2021 to Sept. 2022 brought with it a sharp leadership reversion.

Source: Bloomberg and Yahoo Finance data, with analysis by Genesia Investments LLC

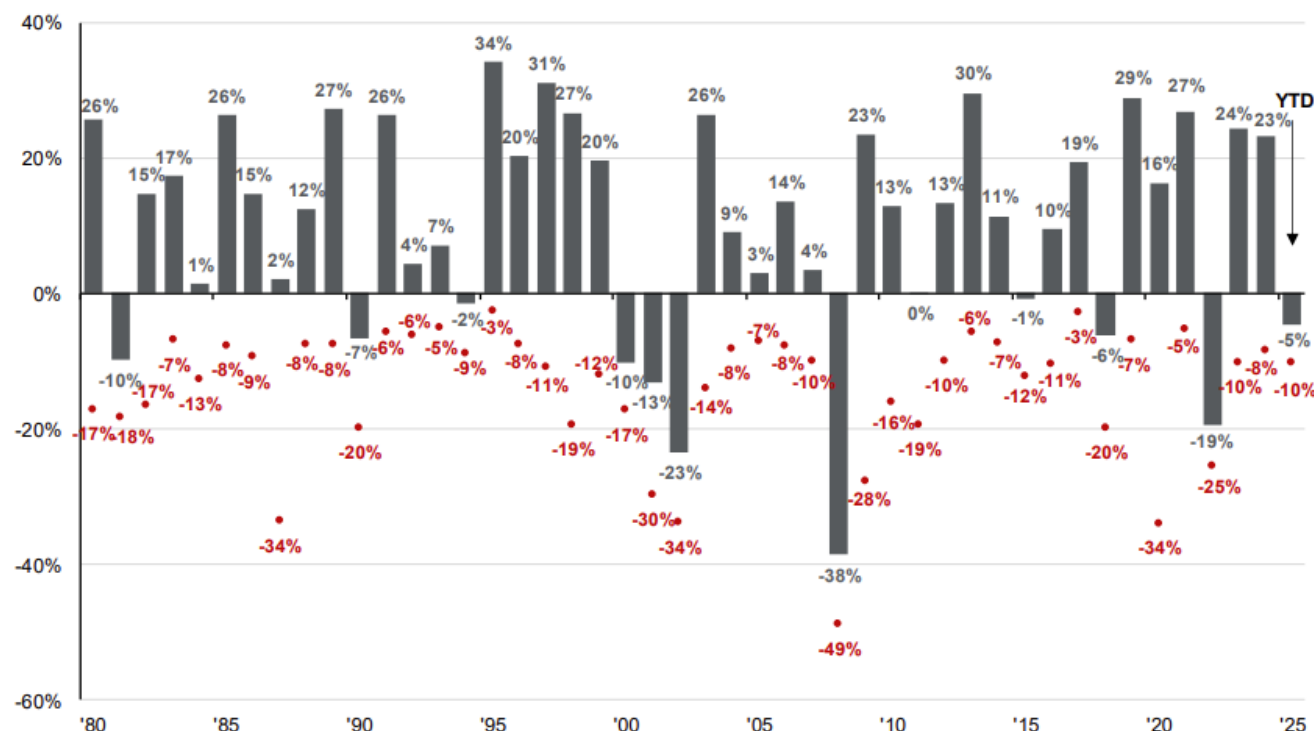
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Equities

S&P 500 Annual Returns & Intra-Year Declines

S&P intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.1%, annual returns were positive in 34 of 45 years



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.

Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2024, over which the average annual return was 10.6%.

Guide to the Markets – U.S. Data as of March 31, 2025.

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This chart shows YTD data through March 31. The returns for the S&P 500 through the date of this publication are YTD -8.8%, and an intra-year decline of -15.3% logged on Apr. 8.

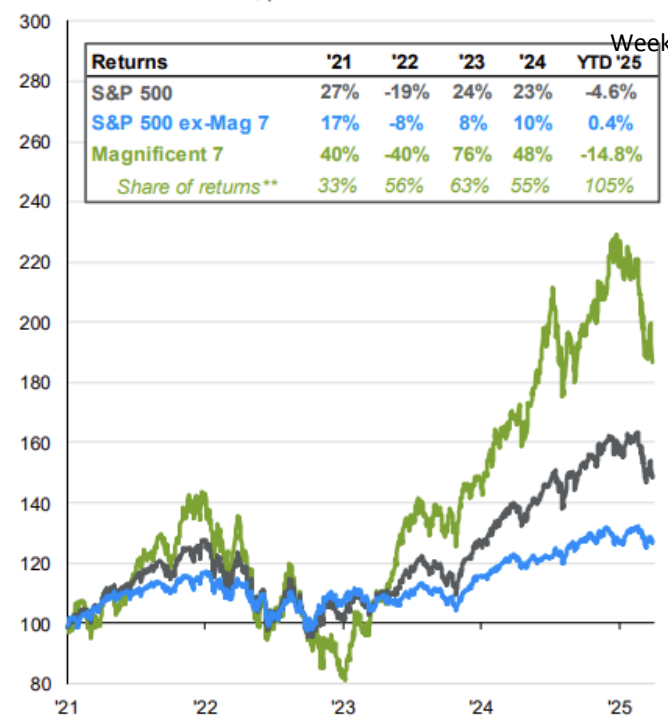
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Equities

“Magnificent 7” vs. S&P 500’s Other 493

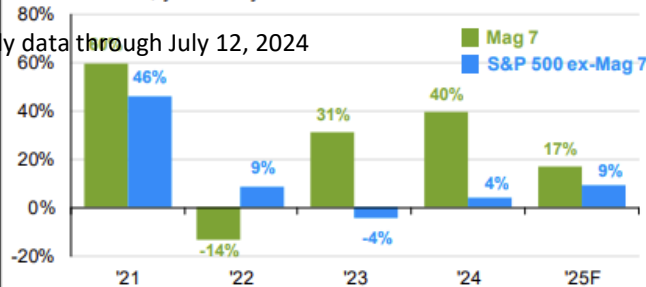
Performance of “Magnificent 7” stocks in S&P 500*

Indexed to 100 on 1/1/2021, price return



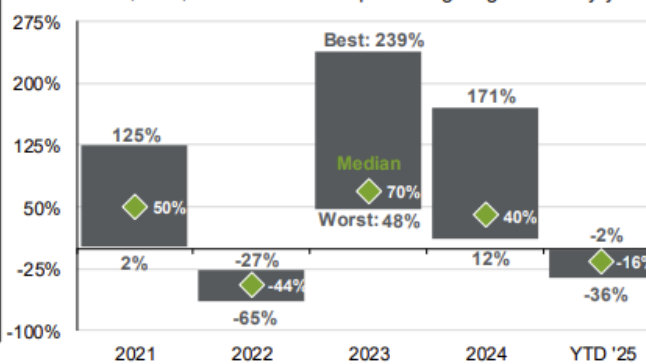
Earnings growth

Pro forma EPS, year-over-year



Magnificent 7 performance dispersion

Price returns, best, median and worst performing Mag 7 stock by year



What a difference a quarter can make in terms of price performance...

The Equities chart on this page will rotate through the year based on perceived relevance.

Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.

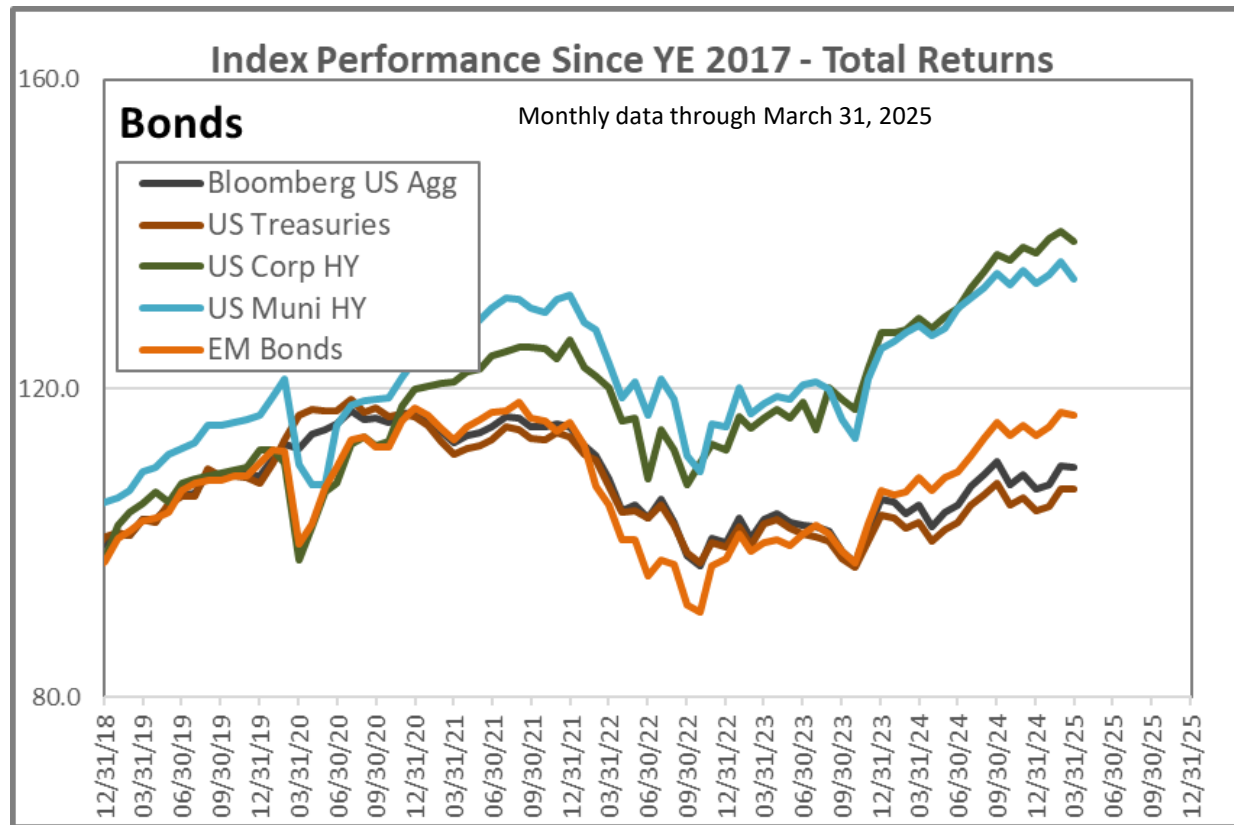
*Magnificent 7 includes AAPL, AMZN, GOOG, GOOGL, META, MSFT, NVDA and TSLA. Earnings estimates for 2025 are forecasts based on consensus analyst expectations. **Share of returns represent how much each group contributed to the overall return.

Guideto the Markets – U.S. Data are as of March 31, 2025.

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Fixed Income

Sub-Asset Class Relative Performance

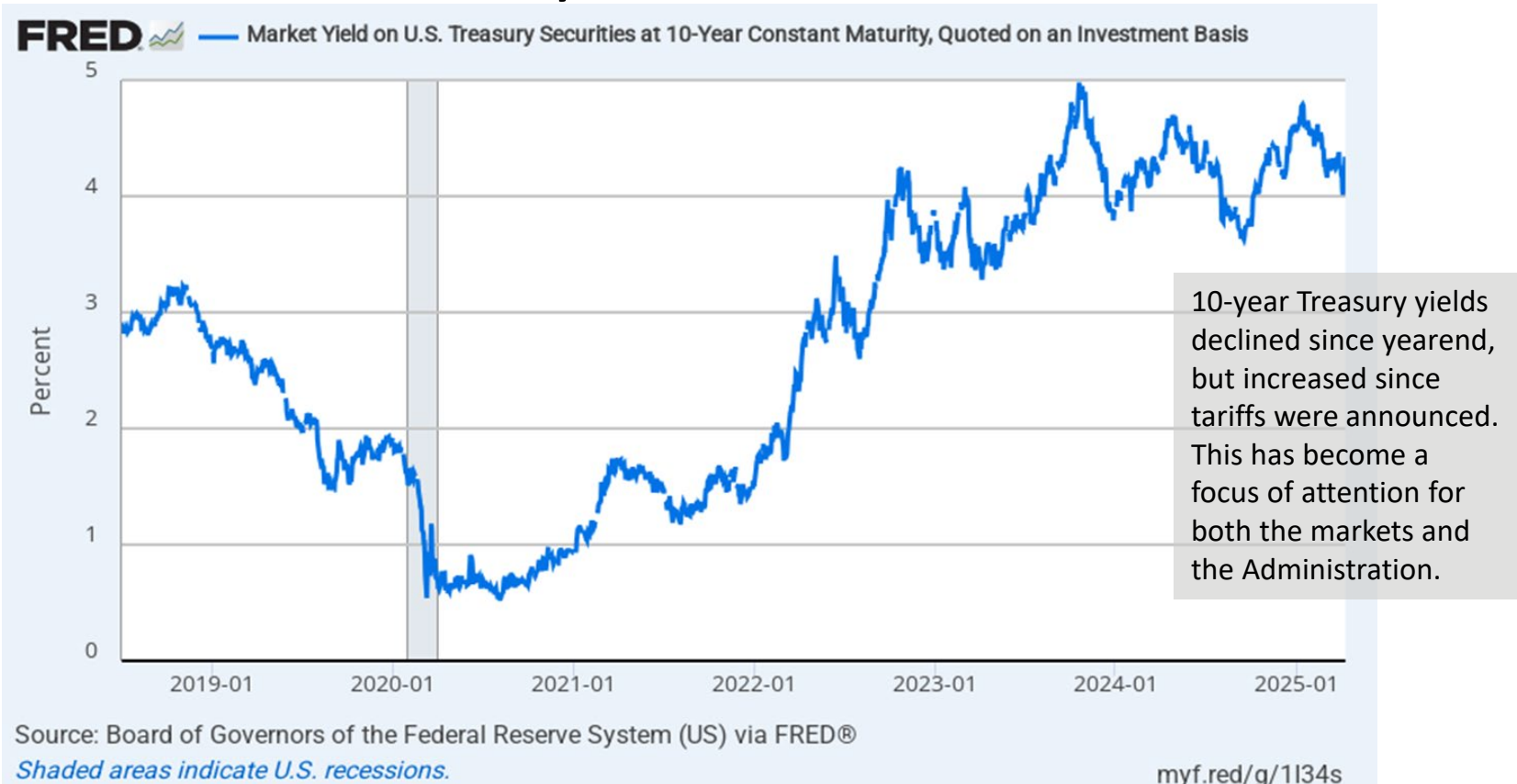


The lead held by the high yield bond indexes has only been slightly decreased by the recent uptick in credit spreads. (See page 19.)

Source: Bloomberg monthly index data, with analysis by Genesis Investments LLC

Fixed Income

Market Yield - U.S. Treasury 10-Year Bond

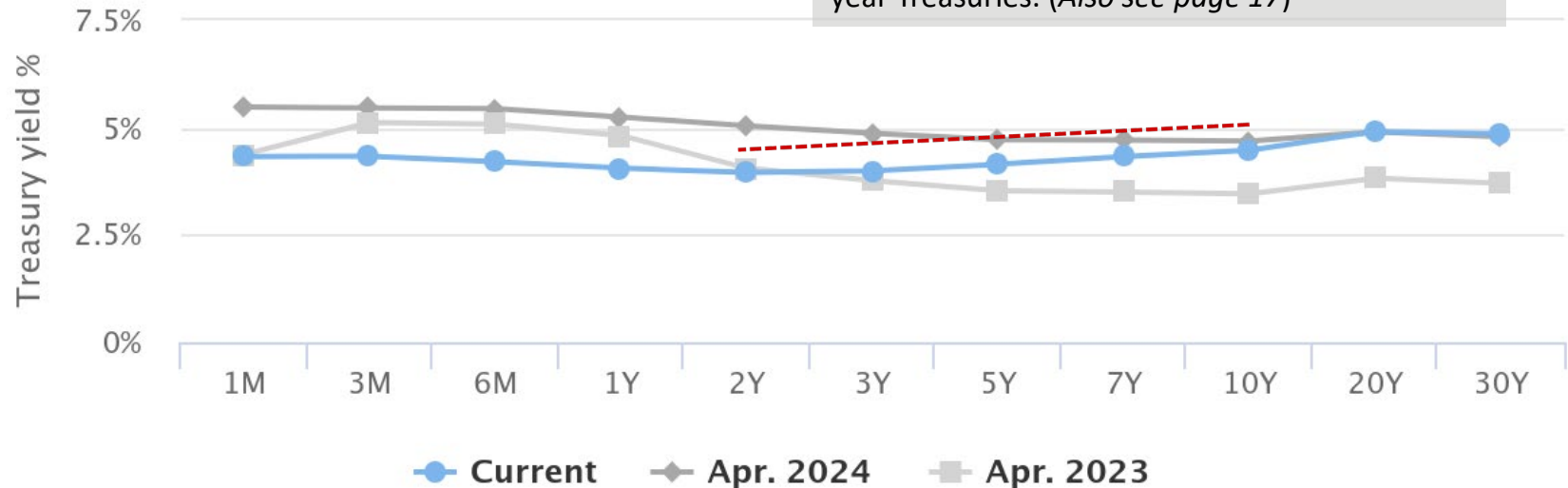


Fixed Income

Treasury Yield Curve

As of January 6, 2025

A progression in the upward slope between short-term and longer-term rates has continued (most often measured by market observers as the difference between rates on 2-year and 10-year Treasuries. *(Also see page 17)*



Source: GuruFocus.com

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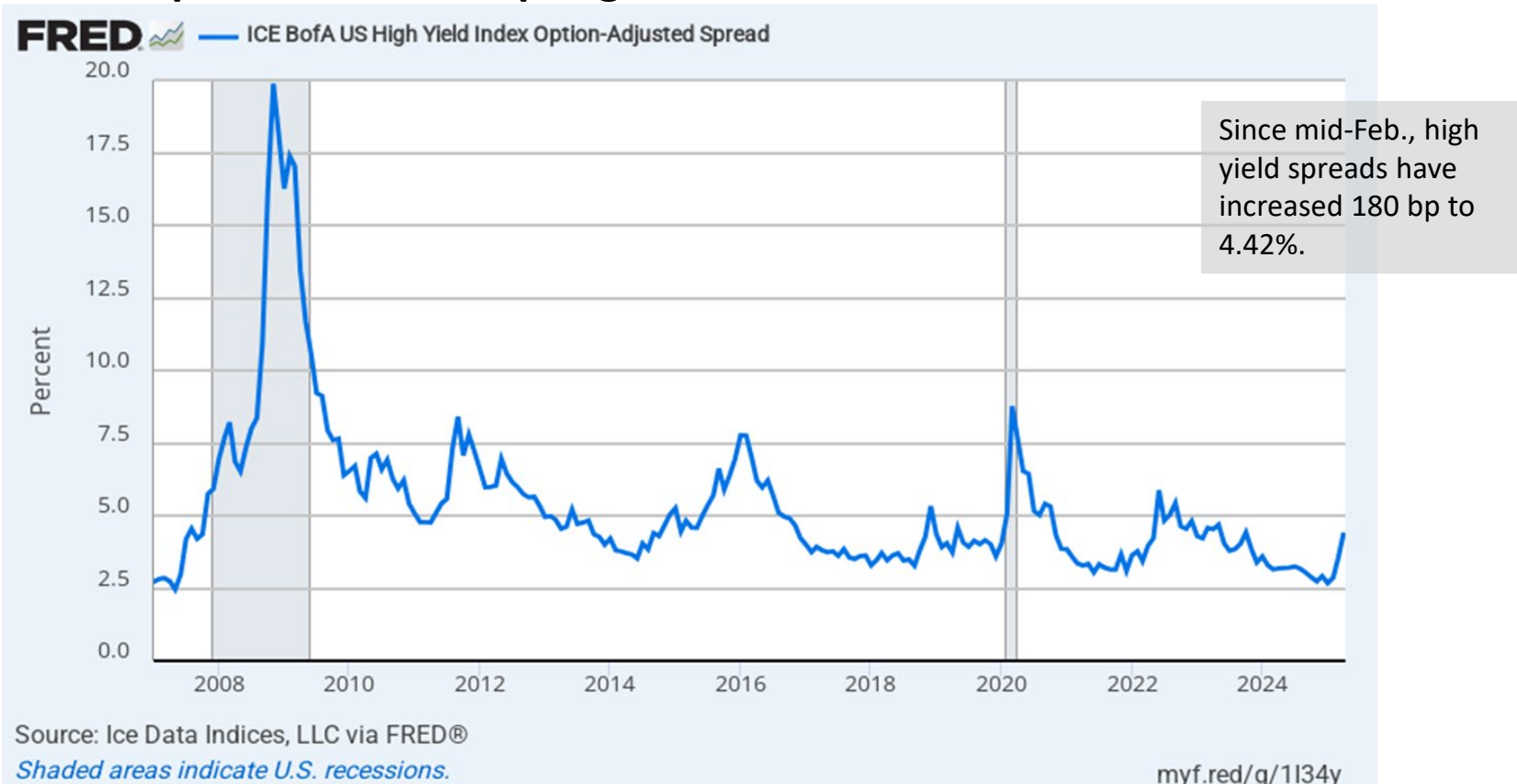
Fixed Income

Treasury Yield Spreads – 10-Year vs. 2-Year



Fixed Income

Credit Spreads – U.S. Corp High Yield vs U.S. Treasuries



IMPORTANT DISCLOSURES

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Sources Include:

Federal Reserve Bank of St. Louis Economic Research -- <https://fred.stlouisfed.org/>

Federal Reserve Bank of Atlanta Research & Data – <https://www.atlantafed.org/cqer/research/gdpnow>

GuruFocus.com LLC, U.S. Treasury Yield Curve Data & Charts -- https://www.gurufocus.com/yield_curve.php

JP Morgan, Quarterly Guide to the Markets -- <https://am.jpmorgan.com/us/en/asset-management/adv/insights/market-insights/guide-to-the-markets/>

IMPORTANT DISCLOSURES (Continued)

Reference to market index information is included for illustrative purposes only, as it is not possible to directly invest in an index. Indexes are unmanaged, hypothetical vehicles that serve as market indicators. Index total return performance data reflects the assumptions of the reinvestment of interest and dividends but does not include the deduction of fees or transaction costs which otherwise reduce performance of an actual portfolio. The blended indexes are shown for informational purposes only and are not representative of any particular investment or plan.

Acronym Definition(s):

FOMC – Federal Open Market Committee, which is responsible for determining the U.S. monetary policy. The Committee is comprised of 12 members, including the 7 members of the Federal Reserve Board of Governors.

Index Definitions:

NASDAQ 100 – Index of 100 largest growth-oriented non-financial companies listed on the Nasdaq Stock Market.

S&P 500 – Compilation of 500 major U.S. stocks meeting certain criteria; market capitalization and float-weighted.

S&P 400 – Index measuring the performance of 400 mid-sized U.S. stocks; market capitalization and float-weighted.

S&P 600 – Index measuring 600 small-cap U.S. stocks that meet certain criteria regarding liquidity and financial viability; market capitalization and float-weighted.

MSCI All Country World – Global equity index across market capitalizations with about 2,800 constituents, representing about 85% of the free float-adjusted market capitalization across 23 developed and 27 emerging markets.

SCI All Country World ex USA – Global equity index across market capitalizations, which excludes the U.S., with about 2,300 constituents which represents free float-adjusted market capitalization across 22 developed and 27 emerging markets.

MSCI Europe, Asia & Far East (EAFE) – International equity index across market capitalizations, which excludes North America, with about 840 constituents which represents free float-adjusted market capitalization across 21 developed markets.

MSCI Emerging Markets (EM) – International equity index across market capitalizations with about 1,400 constituents which represents free float-adjusted market capitalization across 27 emerging markets.

QUARTERLY MARKET GUIDE: Q2 2025



IMPORTANT DISCLOSURES (Continued)

Index Definitions: (Continued)

Bloomberg U.S. Aggregate Bond – Widely followed bond benchmark comprised of investment grade, U.S. dollar denominated, fixed rate taxable bonds including Treasuries, government-related, corporate, mortgage-backed, and agency.

S&P National AMT-Free Municipal Bond – Broad market-value weighted index comprised of larger and more liquid tax-exempt investment-grade U.S. municipal bonds.

S&P Municipal High Yield Bond – U.S. index of municipal bonds that are either not rated or rated below investment grade.

Bloomberg U.S. Corporate High Yield Bond – Index of fixed rate U.S. dollar denominated corporate bonds rated BB+ or below by Fitch and S&P.

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