the Legacy Group

MML Investors Services

A review of Q1 2025

Quarterly Economic Update

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U.S Markets

Stocks fell in Q1 as investors contended with economic uncertainty, inflation concerns, and evolving tariff talks.

The Standard & Poor's 500 Index slid 4.59 percent, while the tech-heavy Nasdaq Composite dropped 10.42 percent. The Dow Jones Industrial Average fared best, sliding only 1.28 percent.[1]

"There are three types of baseball players: those who make it happen, those who watch it happen, and those who wonder what happened."

Tommy Lasorda, manager of the Los Angeles Dodgers and two-time World Series champion.

January's Black Swan

Stocks rallied in January on upbeat business and economic messaging from the White House. However, tech stocks pulled markets lower later in the month on news that a Chinese start-up had developed a competitive artificial intelligence (AI) model that performed as well as its Western counterparts at a fraction of the cost.[2]

As the month came to a close, investors evaluated whether it was indeed a "black swan" event or just another development in the fast-moving world of AI.[2]

February New High

Stocks hit new highs following February's President's Day holiday. But stubborn inflation, mixed economic signals, and an evolving trade policy tempered enthusiasm. As the month came to a close, an upbeat inflation report led to a powerful rally, which helped limit losses.[3,4]

Ongoing Trade Talk in March

March was a different story, however. Stocks trended lower throughout the month as fast-moving trade policy updates unnerved investors. Things turned around a bit mid-month as a choppy rally attempt tried to take shape. But sellers gained the upper hand in the final full week of trading on a mixed inflation report and souring consumer sentiment.[5]

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Sector Scorecard

During Q1, four out of the 11 S&P 500 sectors fell–but those four had a disproportionate effect on the index. Technology, for example, is about 30 percent of the S&P 500.[6]

Consumer Discretionary (-11.99 percent), which is about 11 percent of the S&P 500 index, and Technology (-11.20 percent) were under the most pressure. Industrials (-0.52 percent) and Communication Services (-0.37 percent) also posted losses. Industrials are 7 percent of the index and Communication Services are 10 percent.[6]

Energy (+9.09 percent) was the best-performing sector. Utilities (+4.17 percent), Health Care (+6.14 percent), Consumer Staples (+3.89 percent), Financials (+3.06 percent), Real Estate (+2.90 percent), and Materials (+2.19 percent) all ended the quarter higher.[6]

U.S. Market Recap			
	March (%)	Q1 2025 (%)	YTD (%)
S&P 500	-5.75	-4.59	-4.59
Nasdaq	-8.21	-10.42	-10.42
Russell 2000	-6.99	-9.79	-9.79
10-Year Treasury Notes	4.25	-0.33	-0.33

Yahoo Finance, March 31, 2025. The market indexes discussed are unmanaged and generally considered representative of their respective markets. Individuals cannot directly invest in unmanaged indexes. Past performance does not guarantee future results. U.S. Treasury Notes are guaranteed by the federal government as to the timely payment of principal and interest. However, if you sell a Treasury Note prior to maturity, it may be worth more or less than the original price paid.

What Investors May Be Talking About in April

In the month ahead, companies will start to give their Q1 corporate reports, which may give some insights into what factors will help drive the economy going forward.

One of the best ways to see what's on the mind of chief executive officers is to see what words or terms they use during their conference calls with shareholders.

In Q4 2024, 241 of the S&P 500 companies cited the term "AI" during their calls. By contrast, only 13 mentioned the word "recession," the lowest level since Q1 2018.[7,8]

Interestingly, inflation is still top of mind with companies. Two-hundred and thirty CEOs cited the term in Q4, which is down from more than 400 in Q1 2022.[9]

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World Markets

The MSCI EAFE Index gained 6.15 percent during Q1, outperforming all three major US market averages.[10]

European markets had a strong quarter. Spain (+13.29 percent), Italy (+12.79 percent), Germany (+11.32 percent), and France (+5.55 percent) all posted solid gains. The United Kingdom also had a good quarter, picking up 5.65 percent.[10]

Pacific Rim markets were mixed. Japan's Nikkei index lost 10.72 percent, and Australia's ASX 200 fell 3.87 percent. Meanwhile, China's Hang Seng index rose 15.25 percent, and Korea's KOSPI added 3.40 percent.[10]

World Market Recap

Index	March 2025 (%)	Q1 2025 (%)	YTD (%)
Emerging			
Hang Seng (China)	0.78	15.25	15.25
KOSPI (Korea)	-2.04	3.40	3.40
Nikkei (Japan)	-4.14	-10.72	-10.72
Sensex (India)	5.76	-0.93	-0.93
EGX 30 (Egypt)	4.62	7.68	7.68
Bovespa (Brazil)	6.08	8.29	8.29
IPC All-Share (Mexico)	0.30	6.00	6.00
ASX 200 (Australia)	-4.03	-3.87	-3.87
Europe			
DAX (Germany)	-1.72	11.32	11.32
CAC 40 (France)	-3.96	5.55	5.55
IBEX 35 (Spain)	-1.59	13.29	13.29
FTSE 100 (United Kingdom)	-1.99	5.65	5.65
IT40 (Italy)	-0.25	12.79	12.79

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Indicators

Gross Domestic Product (GDP): The economy grew at an annualized 2.4 percent in Q4, revised up from the prior estimate of 2.3 percent but just shy of economists' expectations of 2.5 percent. For the full year, GDP grew 2.5 percent, compared with 3.2 percent growth in 2023. The fourth quarter marked the ninth of the past 10 quarters in which year-over-year GDP growth exceeded 2 percent.[11,12]

Employment: Employers added 151,000 jobs in February, below the forecast of 170,000 jobs. Unemployment edged up to an annualized 4.1 percent in February over the prior month. Wage growth rose 0.3 percent in February, as expected.[13]

Retail Sales: Consumer spending rose 0.2 percent in February, short of economists' expectations of a 0.6 percent increase.[14]

Industrial Production: Industrial output rose 1.4 percent year-over-year in February, following a downwardly revised 1.9 percent rise in January.[15]

Housing: Housing starts rose 11.2 percent in February over the prior month, driven by solid demand and limited existing inventory. The increase exceeded market expectations and followed January's 11.5 percent decline, which was driven primarily by weather-related disruptions in construction activity.[16]

Sales of existing homes rose 4.2 percent in February, beating expectations of a 3.2 percent drop as buyers moved off the sidelines. The median existing home sales price was $398,400, a 3.8 percent rise from a year prior.[17]

New home sales rose 1.8 percent in February. Year over year, new home sales rose by 5.1 percent. There were 500,000 unsold new homes on the market in February, the highest level of inventory since November 2007 and equal to 8.9 months of supply at the current pace of sales.[18]

Consumer Price Index (CPI): Consumer prices rose 0.2 percent in February, cooler than expected and at a slower pace than January's 0.5 percent rise. Year over year, prices rose 2.8 percent, also less than expected. Core inflation, which excludes volatile food and energy prices, also rose 0.2 percent month over month and 3.1 percent year over year—both less than expected.[19]

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Durable Goods Orders: Orders of manufactured goods designed to last three years or longer rose 0.9 percent in February, beating economists' expectations for a 1 percent drop.[20]

The Fed

The Federal Open Market Committee (FOMC) held rates steady at both of its meetings in Q1.

Testifying before the Senate Banking Committee on February 10, Chair Powell told lawmakers the Fed doesn't "need to be in a hurry" to lower interest rates further, given the economy was currently "strong overall." [21]

At its March meeting, Fed Chair Jerome Powell acknowledged that progress toward their 2 percent inflation target is "probably delayed for the time being." He said that the Fed maintains its wait-and-see stance toward tariffs and their longer-term impact on inflation.[22]

The FOMC's next meeting is scheduled for May 6-7.

By the Numbers: Gardening

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$600[23]

The average value a garden yields each year.

23.6%[25]

The increase in food costs between 2020 and 2024.

55%[23]

The percentage of Americans who garden.

64%[26]

Of which garden to relax.

45%[26]

Of which garden as a form of exercise.

46%[26]

The average value a garden yields each year.

40%[26]

Of which garden to save money.

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96 sq ft.[23]

The median size of a garden in the U.S.

76.2%[27]

The share of gardens that have flowers.

55%[27]

The share of gardens that have vegetables.

32%[27]

The proportion of gardeners who use a majority of organic products in their garden.

86%[22]

Share of vegetable gardens with a tomato plant.

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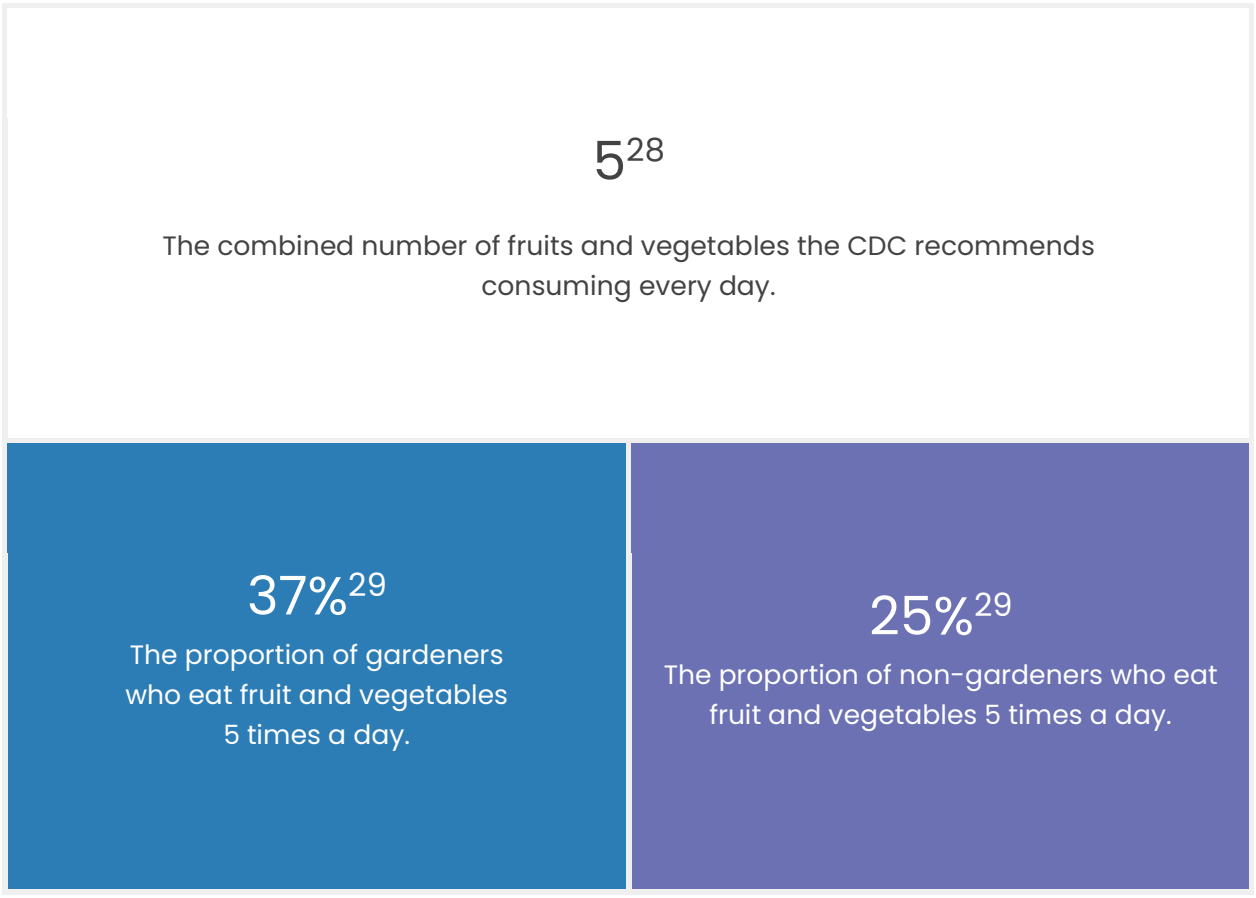

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The Dow Jones Industrial Average is an unmanaged index that is generally considered representative of large-capitalization companies on the U.S. stock market. The S&P 500 Composite Index is an unmanaged group of securities considered to be representative of the stock market in general. The Nasdaq Composite is an index of the common stocks and similar securities listed on the Nasdaq stock market and considered a broad indicator of the performance of stocks of technology and growth companies. The Russell 1000 Index is an index that measures the performance of the highest-ranking 1,000 stocks in the Russell 3000 Index, which is comprised of 3,000 of the largest U.S. stocks. The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) and serves as a benchmark for the performance in major international equity markets, as represented by 21 major MSCI indexes from Europe, Australia, and Southeast Asia. Index performance is not indicative of the past performance of a particular investment. Past performance does not guarantee future results. Individuals cannot invest directly in an index. The return and principal value of stock prices will fluctuate as market conditions change. And shares, when sold, may be worth more or less than their original cost.

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The Hang Seng Index is a benchmark index for the blue-chip stocks traded on the Hong Kong Stock Exchange. The KOSPI is an index of all stocks traded on the Korean Stock Exchange. The Nikkei 225 is a stock market index for the Tokyo Stock Exchange. The SENSEX is a stock market index of 30 companies listed on the Bombay Stock Exchange. The Jakarta Composite Index is an index of all stocks that are traded on the Indonesia Stock Exchange. The Bovespa Index tracks 50 stocks traded on the Sao Paulo Stock, Mercantile, & Futures Exchange. The IPC Index measures the companies listed on the Mexican Stock Exchange. The MERVAL tracks the performance of large companies based in Argentina. The ASX 200 Index is an index of stocks listed on the Australian Securities Exchange. The DAX is a market index consisting of the 30 German companies trading on the Frankfurt Stock Exchange. The CAC 40 is a benchmark for the 40 most significant companies on the French Stock Market Exchange. The Dow Jones Russia Index measures the performance of leading Russian Global Depositary Receipts (GDRs) that trade on the London Stock Exchange. The FTSE 100 Index is an index of the 100 companies with the highest market capitalization listed on the London Stock Exchange.

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