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Global Trust Company Market Review

April 2025

Tariff Commotion

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In April, the Trump administration's abrupt tariff announcements—dubbed “Liberation Day” on April 2—triggered sharp volatility in capital markets. Although the tariffs were suspended for 90 days on April 9 to allow for negotiations, the inconsistent trade messaging throughout the month fueled ongoing market instability and contributed to further swings in valuations for risk assets.

Equities: Equity markets were highly volatile in April as broad, unexpected U.S. tariffs rattled stocks, bonds, and currencies, pushing the VIX to its highest level since the pandemic. At one point during the month, the S&P 500 had briefly slipped into bear market territory at the April 7 intra-day low, falling more than 20% from its February 19 record high. In the U.S., weakening services activity and falling consumer sentiment raised recession concerns, with energy and healthcare sectors underperforming. Eurozone and UK flash PMIs indicated slowing momentum, weighed down by trade tensions and soft consumer confidence, while both regions saw modest equity declines. Japan's services sector showed some recovery, though manufacturing remained weak due to tariff risks. Despite a spike in U.S.-China trade tensions—with U.S. tariffs on Chinese goods hitting 145%—emerging markets proved resilient, with China rebounding later in the month and Mexico and Brazil outperforming.

Fixed Income: In April, investment grade fixed income saw spreads spike early in the month before partially retracing, ultimately finishing wider, with most sectors underperforming similar-duration U.S. Treasuries. The Treasury yield curve steepened, with short-term yields falling and long-term yields rising. Corporate credit lagged amid uncertain earnings and growing recession fears, exacerbated by tariff concerns. Agency RMBS and ABS also underperformed, driven by heightened rate volatility and broader market pressures. While ABS issuance slowed early in the month, it rebounded late, with new deals pricing favorably. The Federal Reserve is likely to delay cutting rates given the uncertain economic outlook and recent tariff impacts. With inflation expected to rise over the summer, a potential rate cut may not come now until the fourth quarter. Looking ahead, if a recession is avoided, the Fed may target a real (inflation-adjusted) rate around 1% as a long-term neutral level, though deeper cuts would be possible in a downturn.

U.S. Treasury Yield Changes

	YTM	Change from Previous Month
3 Month	4.29%	-0.01%
1 Year	3.85%	-0.17%
2 Year	3.60%	-0.28%
3 Year	3.60%	-0.28%
5 Year	3.73%	-0.22%
10 Year	4.16%	-0.04%
30 Year	4.68%	+0.11%

Source: U.S. Treasury

Real Assets: Gold surged to a record high of $3,500 on April 22, benefiting from heightened market uncertainty. Meanwhile, broader commodities lost ground as metals softened and oil prices dropped 16%, driven by growing recession concerns and increased supply from OPEC. The

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FTSE EPRA/Nareit Developed (REITs) Index experienced significant volatility, recovering from a steep mid-month decline to finish up 1.0%. REITs remained ahead of the broader market year-to-date, with a 2.9% total return versus a -4.9% return for the S&P 500. Among property sectors, data centers, telecommunications, and specialty outperformed, while timberland, industrial, and office sectors lagged. In Q1 2025, the NCREIF Property Index (NPI) recorded its first positive property appreciation since Q2 2022, with all seven property types—including office—posting gains. The index, covering nearly $900 billion in commercial real estate, delivered a 1.3% total return, driven by 1.2% income and 0.1% appreciation, marking its third consecutive positive quarter. Meanwhile, the NCREIF Fund Index – ODCE posted a 1.1% gross total return, slightly down from the prior quarter but a notable rebound from -2.37% a year earlier, reflecting a continued recovery in core real estate markets.

Diversifying Strategies: Hedge funds contended with extreme volatility in April. The HFRI Equity Hedge (Total) Index gained 0.7%, leading overall strategy performance for the month. In contrast, the HFRI Macro (Total) Index fell 2.7%, dragged down by trend-following CTA strategies, while the broader HFRI Fund Weighted Composite Index declined 0.5% for the month. In private markets, the sharp market volatility triggered by President Trump's April 2 tariff announcement has shaken public markets but has yet to be reflected in private fund valuations due to reporting lags. Q1 NAVs won't capture the dislocation, with potential markdowns likely surfacing in Q2 or later, if at all if policy is reversed. The uncertain macro environment is constraining exits and delaying distributions, while falling public market values are triggering the denominator effect, prompting LPs to pull back on private equity allocations. As a result, secondary market activity could accelerate from record highs as forced sales increase.

The U.S. economy appears stable on the surface, but risks to growth are mounting. While "soft" data—such as Fed surveys and business sentiment—signal growing caution and weakness, "hard" data remain resilient, potentially delaying the Federal Reserve's next rate cut. In the medium term, growth concerns outweigh inflation fears, particularly if the Fed maintains restrictive policy. Tariffs may push prices higher temporarily, but they aren't likely to spark sustained inflation. Instead, they could erode profits and weaken business spending, driving up unemployment to around 5% by year-end. Labor market cracks are emerging, with more people taking multiple jobs, but low jobless claims suggest consumers are still managing. Policy support, such as tax cuts, energy relief, or productivity gains, may be needed to stabilize the economy amid ongoing uncertainty.

Exhibit 1: Asset Class Returns (2016 – YTD 2025)

2016	2017	2018	2019	2020	2021	2022	2023	2024	YTD
High Yield 17.1%	Intl Equity 27.2%	IG Bonds 0.0%	US Equity 31.5%	US Equity 18.4%	US Equity 28.7%	Cmdty 16.1%	US Equity 26.3%	US Equity 25.0%	Intl Equity 9.0%
US Equity 12.0%	US Equity 21.8%	High Yield -2.1%	REITs 23.1%	60/40 14.0%	REITs 27.2%	Diversifying -1.7%	60/40 18.0%	60/40 15.5%	Cmdty 3.6%
Cmdty 11.8%	60/40 14.5%	60/40 -2.6%	60/40 22.4%	Intl Equity 10.7%	Cmdty 27.1%	High Yield -11.2%	Intl Equity 15.6%	Diversifying 9.8%	IG Bonds 3.2%
60/40 8.3%	REITs 11.4%	US Equity -4.4%	Intl Equity 21.5%	Diversifying 8.4%	60/40 16.6%	IG Bonds -13.0%	High Yield 13.5%	High Yield 8.2%	REITs 2.9%
REITs 5.0%	Diversifying 7.5%	Diversifying -4.7%	High Yield 14.3%	IG Bonds 7.5%	Diversifying 9.8%	Intl Equity -16.0%	REITs 10.9%	Intl Equity 5.5%	High Yield 1.0%
Diversifying 4.8%	High Yield 7.5%	REITs -4.7%%	Diversifying 8.9%	High Yield 7.1%	Intl Equity 7.8%	60/40 -16.1%	Diversifying 7.4%	Cmdty 5.4%	Diversifying -0.5%
Intl Equity 4.5%	IG Bonds 3.5%	Cmdty -11.3%	IG Bonds 8.7%	Cmdty -3.1%	High Yield 5.3%	US Equity -18.1%	IG Bonds 5.5%	REITs 2.0%	60/40 -1.7%
IG Bonds 2.7%	Cmdty 1.7%	Intl Equity -14.2%	Cmdty 7.7%	REITs -8.2%	IG Bonds -1.5%	REITs -24.4%	Cmdty -7.9%	IG Bonds 1.3%	US Equity -4.9%

Source: IG Bonds = Bloomberg US Aggregate; US Equity = S&P500; Intl Equity = MSCI ACWI xUS; High Yield = Bloomberg US Corporate High Yield; REITs = FTSE EPRA/NAREIT Developed; Cmdty = Bloomberg Commodity; Diversifying = HFN Hedge Fund Aggregate; 60/40 = 60%S&P500/40%Bloomberg US Aggregate

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