Global Trust Company

Global Trust Company Market Review

March 2025

Tariff Uncertainty

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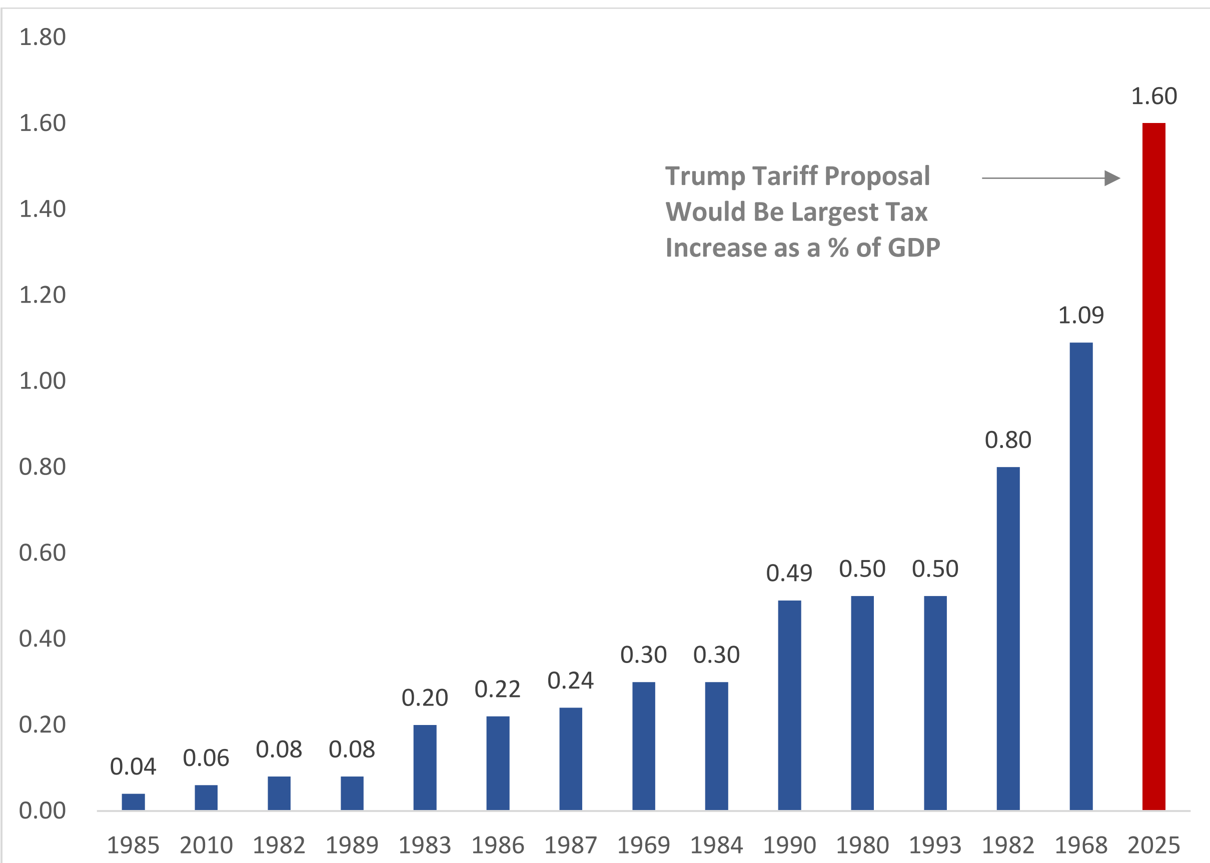
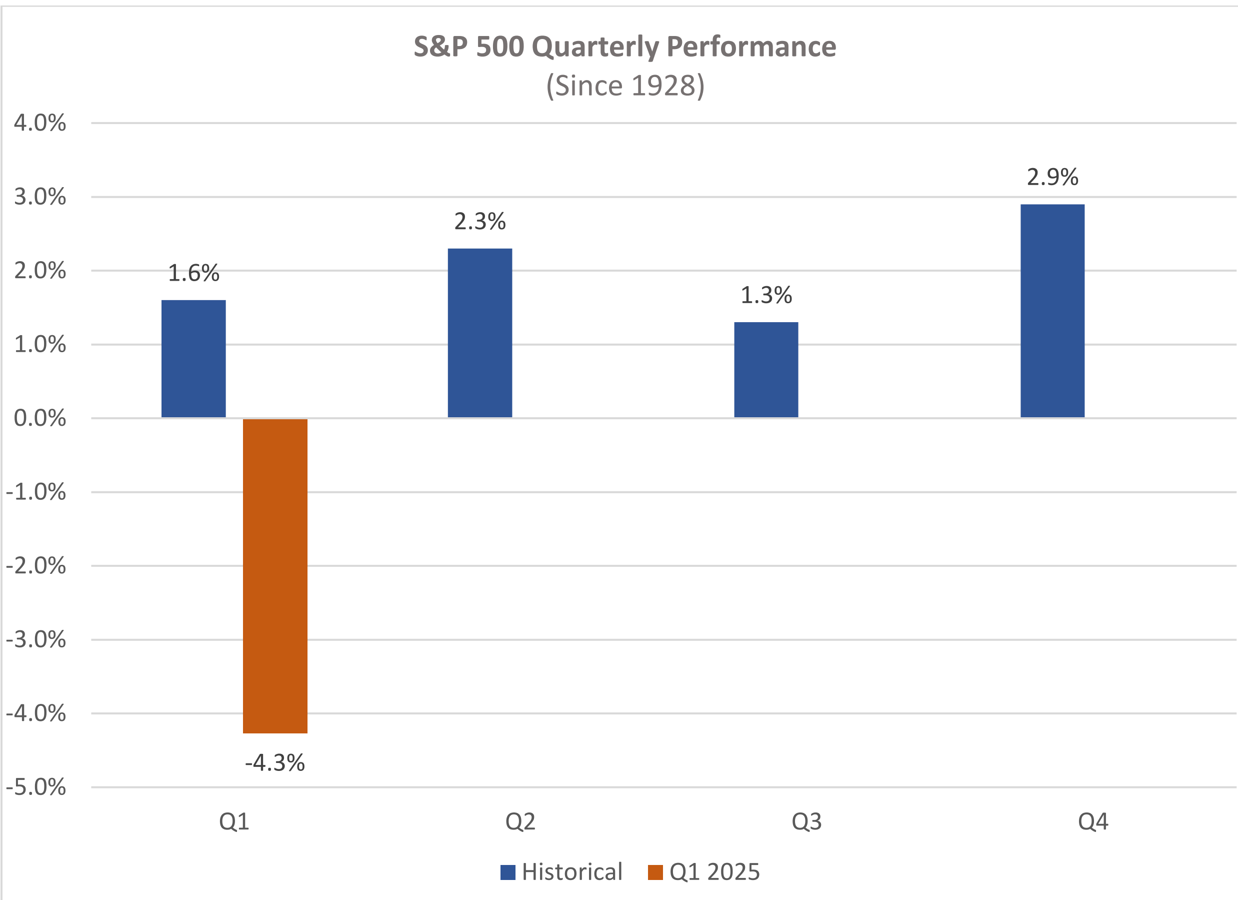
The first quarter of 2025 saw heightened market volatility, largely driven by policy uncertainty and shifting investor sentiment. U.S. equities declined sharply, with the S&P 500 down 4.3%—its worst performance since 2022—and major tech stocks like Nvidia, Tesla, Apple, and Microsoft suffering notable losses. In contrast, European equities outperformed, supported by expectations of increased defense spending and economic stimulus. As equities faltered, investors turned to safe-haven assets such as Treasuries and gold to preserve capital amid the uncertainty.

Tariff Announcement: On April 2nd, President Donald Trump announced a broad set of new tariffs targeting countries and territories around the world, including several key U.S. trading partners. The plan introduces a baseline tariff of 10% on all imports, with additional reciprocal tariffs applied selectively. These include a 20% duty on imports from the European Union and a 34% levy on Chinese goods. When combined with previous tariff rounds, China now faces a potential total tariff burden of up to 79%—which could rise to 100% if new penalties on countries buying Venezuelan oil are implemented. Mexico and Canada are exempt from the new tariffs; however, the existing 25% tariff on goods not compliant with the USMCA remains in effect. With this latest proposal covering approximately $470 billion in imports, the total value of newly enacted tariffs reaches $620 billion, representing about 2% of U.S. GDP.



Source: Strategas

Equities: The S&P 500 and Nasdaq had their worst quarters since 2022, as concerns over tariffs and economic growth shake investor confidence. It might be hard to believe, but it was just six weeks ago that the S&P 500 traded to a new all-time high. While the initial reaction to President-elect Trump's victory in November was certainly positive — stocks rose, the US Dollar strengthened, and bond yields fell — the markets now settled back into an uneasy holding pattern. The Trump administration's erratic tariff policies are dampening U.S. growth forecasts and raising inflation expectations. Meanwhile, U.S. tech stocks—previous market drivers—are losing steam, prompting investors to shift toward European markets, which are showing new signs of life. Nvidia, in particular, dropped 19% in the first quarter following competition from a new Chinese AI model. As a result, investors are reconsidering global diversification, with some seeing potential in a European resurgence.



Source: Strategas; eVestment

Fixed Income: In March, the Federal Reserve held rates steady, maintaining a data-dependent stance. Consumer sentiment fell to its lowest level since early 2021, while the Treasury yield curve steepened. Investment-grade corporate bonds, especially long-term, underperformed Treasuries amid widening spreads and increased yields. High-yield bonds posted their weakest returns since October 2023, with CCC-rated debt notably underperforming. Despite volatility, investment-grade and high-yield issuance surged, with the latter experiencing its busiest March since 2021. Asset-backed securities spreads widened, and while the sector performed best among securitized assets, it still posted negative excess returns. Meanwhile, municipal bonds saw strong supply but underperformed Treasuries by 2%, marking their worst month relative to Treasuries since March 2020.

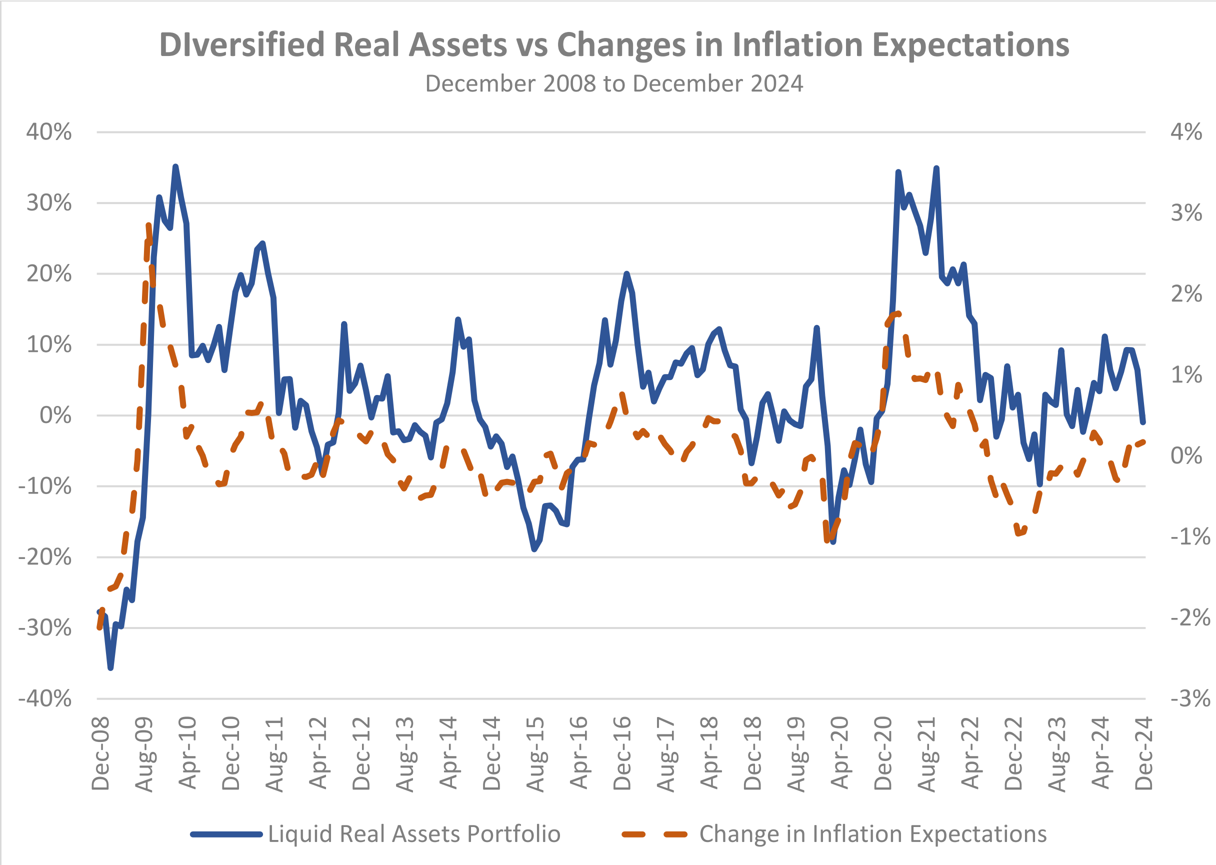
U.S. Treasury Yield Changes

	YTM	Change from Previous Month
3 Month	4.29%	0.00%
1 Year	4.02%	-0.06%
2 Year	3.88%	-0.11%
3 Year	3.87%	-0.10%
5 Year	3.95%	-0.07%
10 Year	4.21%	0.00%
30 Year	4.57%	+0.08%

Source: U.S. Treasury

Real Assets: 5-year breakeven inflation rates touched their highest level in two years during the first quarter, suggesting inflation concerns are once again climbing. Commodity markets saw broad gains in the month, supported by a weaker U.S. dollar. Copper prices surged on concerns that President Trump might impose tariffs on copper imports, which account for over 45% of U.S. supply. Gold reached record highs, closing near $3,100, driven by inflation worries, deficit concerns, and geopolitical tensions. Oil prices rose despite expectations of increased supply and weakening demand. U.S commercial property prices increased 0.3% in March and is up 4.9% over the past twelve months according to the Green Street Commercial Property Price Index. Year-to-date, U.S. public REITs have posted positive overall returns as broader equity market equities have declined. Factors helping the sector include falling interest rates, a strong REIT earnings season, and concerns about broader equity valuations.

It's important to remember, U.S. inflation has come in waves historically. While there is no evidence of a second wave building yet, it is something investors must continue to monitor closely. A diversified portfolio consisting of TIPS, commodities, natural resource equities, and real estate has historically been an effective allocation when inflation expectations are rising, while also serving as a good balance to traditional stocks and bonds in a stable inflationary environment.



Source: FRED; eVestment. Liquid Real Assets (LHS) = 40% TIPS, 30% Natural Resource Equities, 10% Commodities, 10% Listed Infrastructure, 10% REITs. Changes in inflation expectations (RHS) = 12M change in 5-Year Breakeven Inflation Rate

Diversifying Strategies: Hedge funds posted mixed performance in March as gains in uncorrelated Macro strategies were offset by declines across Equity Hedge, Event Driven, and Relative Value strategies. For the quarter, Relative Value led all main strategies followed by Macro, with both categories posting positive results; the directional Equity Hedge strategies and Event Driven finished down in the first quarter.

In private markets, dealmakers are beginning to digest the impacts of larger-than-expected tariffs. In the immediate aftermath of the announcement, ticketing marketplace StubHub and fintech company Klarna postponed their IPO roadshows, while fintech company Chime also announced it is delaying its IPO. Much depends on how global trading partners will react and whether the new levies will be permanent. IPOs will likely slow meaningfully and the pressure on exits will continue, which in turn will curb the ability of GPs to raise new funds and deploy dry powder. Company valuations will also be harder to assess, with prices subject to uncertain interest rate and inflation projections.

This comes on the heels of another tough year for private capital fundraising in 2024, with both the number of funds closed globally and capital committed by LPs down from 2023, Preqin data shows. The number of private capital funds closed globally dropped by 24.3% to 3,184, the second lowest in the past decade. Private equity fund closures declined 23.5%, while venture capital fund closures fell to their lowest since 2014. Private debt fund closures hit a decade-low at 181. Real estate funds showed stability, with only a slight decrease from 663 to 664. Despite declines, buyout, growth, and secondaries remained the top strategies by committed capital.

With U.S. tariffs surprising to the upside, odds of a recession are increasing. The U.S. economy may experience a short-term boost as businesses and consumers rush purchases ahead of new tariffs, but this effect is likely temporary. Without quick policy offsets—such as lower tariffs, tax relief, or deregulation—a recession could begin within 1–2 months.

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%	Cmdty 8.9%
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%	Intl Equity 5.2%
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 2.8%
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 1.9%
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%	60/40 -1.5%
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%	Diversifying -1.2%
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 -4.3%

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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