## Q1 2025 Market Review

The first quarter of 2025 has been highly volatile, with no shortage of events that markets have been grappling with. It's the type of environment that makes investors nervous.

## US Markets Under Pressure

The most significant development impacting markets has been US trade and tariff policy under the Trump administration. Proposed global tariffs on key trading partners, including Mexico and Canada, have unsettled economies worldwide. Additionally, concerns over a potential contraction in the US economy have emerged, as consumers pull back on spending.

US equity markets have come under pressure, particularly the tech-heavy Nasdaq, which is down 10% year-to-date (YTD), bringing its one-year return down to just 6%. Over the quarter, Nvidia declined by 20%, Tesla by 34%, and Apple by 11%—very significant moves.

The broader S&P 500, which also has substantial exposure to technology, ended the quarter down 4%, but is still up 8% over the last 12 months on a total return basis. The quarter was volatile however with the index falling over 8% from its February high.

Bitcoin, one of the most volatile assets, and in many ways treated similarly to a technology stock, fell approximately 11% in Q1 after surging 120% in 2024.

## Bright Spots in Global Markets

On the positive side, emerging markets outperformed US markets, rising 3% in Q1, buoyed by certain Chinese shares. The MSCI China Index gained 15% YTD. South African shares also had a strong quarter, rising 8% in USD terms, supported in part by strong performance from the resources sector.

European shares advanced 6% in euro terms supported by relatively low starting valuations, an "improved outlook" for the defence sector due to US pressure on Europe to contribute more to NATO, and looser monetary policy from the European Central Bank (ECB).

Conversely, Japan's stock market came under pressure in the quarter, falling 10%, driven by growing fears over a global trade war.

## Bond Markets and Gold Demand

Meanwhile, US long-term bond yields have declined - one of the key performance indicators of the Trump administration. Treasury Secretary, Bessent, has repeatedly highlighted the 10-year yield as a critical benchmark due to its influence on mortgage rates, consumer borrowing costs, and overall risk sentiment in financial markets. With the possibility of weaker economic growth in the US, the yield on 10-year Treasury bonds has fallen from around 4.5% to 4.2%. However, it is still early days.

The uncertainty in markets has driven investors toward bullion, pushing gold prices to new highs almost daily. Central banks have been strong buyers of gold in recent years, driven in part by the rise in nationalism. So far in 2025, gold prices have risen approximately 20%—the strongest quarterly gain since 1986. Over the past 12 months, the gold price is up 40%, prompting several Wall Street banks to revise their 12- and 18-month price forecasts to $3,500 and $4,000 per ounce, respectively.

## Conclusion

Market prices are naturally volatile around shorter term economic activity and where economic uncertainty is heightened, so is price volatility. This week should hopefully provide more clarity on where the Trump administration lands with their country and product category tariffs.

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