World markets review — First quarter 2025

Equities

U.S. and international equities diverged as investors weighed the implications of a brewing trade war, waning consumer confidence and high valuations in the technology sector. After two years in a row of 20%-plus gains, U.S. stocks entered correction territory, falling roughly 10% in mid-March before recovering some of the losses. European stocks rallied as investors rotated into value-oriented areas of the market.

Technology stocks fell the most, pressured by valuation concerns and worries that a strong run-up in artificial intelligence (AI) stocks had gone too far. The consumer discretionary sector also slipped on sharp declines in U.S. consumer confidence. Amid rising market volatility, energy and utilities stocks fared better as investors favored solid, dividend-paying companies.

Equity index returns (%)	Mar 2025		1Q 2025		CY 2024	
	U.S. dollar	Local currency	U.S. dollar	Local currency	U.S. dollar	Local currency
S&P 500	–5.6	–5.6	–4.3	–4.3	25.0	25.0
MSCI ACWI	–4.0	–4.5	–1.3	–2.1	17.5	20.2
MSCI ACWI ex USA	–0.2	–1.8	5.2	2.7	5.5	12.6
MSCI World	–4.5	–5.0	–1.8	–2.7	18.7	21.0
MSCI Emerging Markets	0.6	0.3	2.9	2.7	7.5	13.1
MSCI EAFE	–0.4	–2.8	6.9	2.9	3.8	11.3
MSCI Europe	–0.3	–3.6	10.5	6.2	1.8	7.8
MSCI Pacific	–0.5	–1.1	0.3	–3.1	7.0	17.8

Source: RIMES

Fixed income

Bonds generally posted solid returns. U.S. Treasuries rallied as interest rates moved lower. The U.S. Federal Reserve took no action at its March meeting, leaving policy rates unchanged. Corporate bonds rose despite signs of weakening U.S. economic growth. Outside the U.S., European bonds rallied, driven by gains in the U.K., France and Germany.

In foreign exchange markets, the U.S. dollar fell against the euro, the yen, the pound sterling and most emerging markets currencies. Following a remarkable run in 2024, the U.S. Dollar Index slipped about 4% in the first three months of 2025 as capital flows shifted into non-U.S. assets.

Fixed income index returns (%)	Mar 2025	1Q 2025	CY 2024
Bloomberg U.S. Aggregate	0.0	2.8	1.3
Bloomberg Global Aggregate	0.6	2.6	–1.7
Bloomberg U.S. Corp IG	–0.3	2.3	2.1
Bloomberg U.S. Corp HY	–1.0	1.0	8.2
JPM EMBI Global Diversified	–0.8	2.2	6.5
JPM GBI-EM Global Diversified	1.5	4.3	–2.4

Source: RIMES. Returns are in USD.

Exchange rates (% change vs. USD)	Mar 2025	1Q 2025	CY 2024
Euro	3.9	4.3	–6.3
Japanese yen	0.8	5.1	–10.3
British pound	2.5	3.1	–1.8
Canadian dollar	0.1	–0.1	–8.3
Australian dollar	0.2	0.6	–9.3
Swiss franc	2.0	2.4	–7.1

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

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Past results are not predictive of results in future periods.

North America

U.S. equities declined during a volatile quarter, as investors grappled with concerns that aggressive tariff policies and brewing trade wars could reignite inflation and derail the economic outlook. Most sectors rose, but steep losses in the consumer discretionary and information technology sectors weighed on overall index returns. The S&P 500 Index sank 4% while the tech-heavy Nasdaq Composite Index fell 10%.

President Trump announced tariffs on a wide range of imports, including a 25% tax on vehicles and automobile parts. The administration targeted a wide range of countries, including traditionally friendly trade partners such as Canada and Mexico, which contributed to volatility.

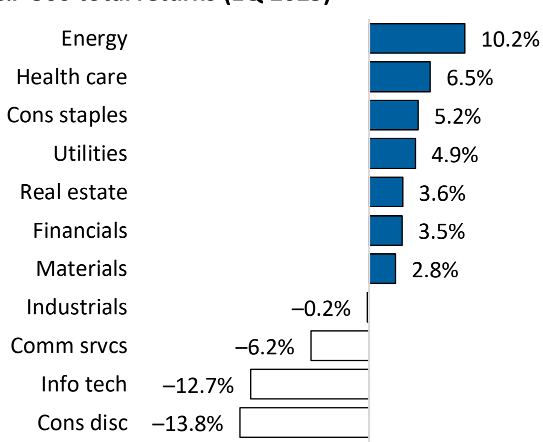
The Federal Reserve held rates steady. Following its March meeting, the central bank reduced projections for economic growth while increasing its full-year inflation and unemployment forecasts. In February, the Consumer Price Index rose 2.8% from the previous year and the unemployment rate was 4.1%. Both measures have been within a tight range in recent months. In March, however, consumer sentiment sank to its lowest levels since November 2022.

Growth stocks plummeted amid rising concerns over valuations and economic uncertainty. Semiconductors sold off in January after Chinese startup DeepSeek announced it had built a cheaper AI model with fewer computer chips than larger U.S. rivals. Shares of Tesla fell sharply, at one point down more than 50% from its December peak. The automaker has faced slumping sales in key markets and investors have become increasingly concerned that CEO Elon Musk's political involvement has shifted his focus away from the company.

Investors sought safety in dividend-paying stocks. Energy was the top returning sector in the S&P 500 as ExxonMobil and Chevron each posted double-digit gains. The health care, consumer staples and utilities sectors also posted strong returns. CVS Health climbed 53%, bouncing back from poor returns in 2024 when it missed earnings estimates in three consecutive quarters. Financial conglomerate Berkshire Hathaway rose 18%; tobacco company Philip Morris advanced 33%.

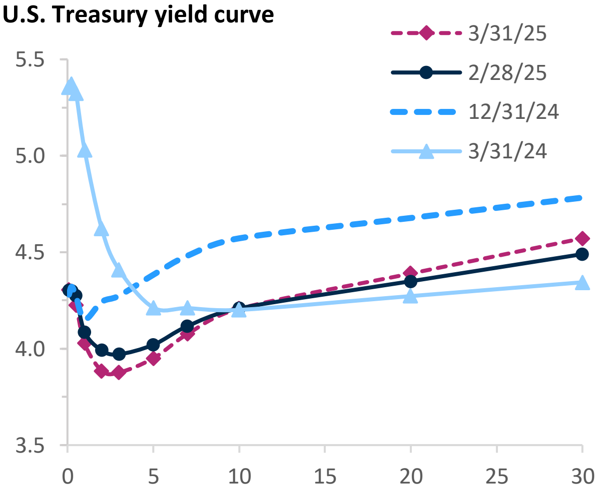
U.S. bonds produced solid results in the first quarter. The Bloomberg U.S. Aggregate Index rose by 2.8%, as interest rates fell across the curve amid U.S. policy uncertainty. Treasuries rallied throughout the quarter, with the yield on U.S. 10-year notes falling 37 basis points (bps) to 4.21%, while the two-year yield dropped by 36 bps from last quarter to reach 3.89%. Within U.S. credit markets, investment-grade bonds (BBB/Baa and above), as measured by the Bloomberg U.S. Corporate Investment Grade Index, gained 2.3% and high-yield bonds, as measured by the Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index, rose by 1.0%.

S&P 500 total returns (1Q 2025)



Source: RIMES.

U.S. Treasury yield curve



Source: Bloomberg. X-axis represents Treasury maturities (years). Y-axis represents the U.S. Treasury yield (%).

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Europe

European stocks rallied amid a powerful rotation out of highly valued U.S. technology and consumer-related companies into more value-oriented stocks. Reversing a long-term trend, European stocks far outpaced U.S. stocks in the first three months of the year. Overall, the MSCI Europe Index gained more than 10% for the quarter, and the euro rose 4% against the U.S. dollar.

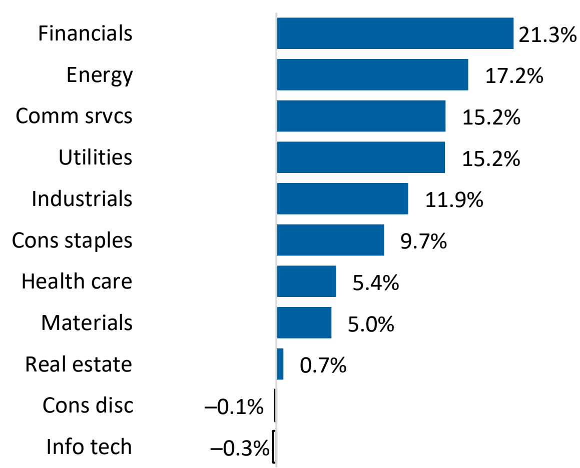
Despite the threat of higher tariffs from the U.S., German stocks soared as the government vowed to do "whatever it takes" to increase military and infrastructure spending — marking a historic shift in fiscal policy for Europe's largest economy. Investors cheered the stimulus plan, which includes a €500 billion fund for public works projects and virtually unlimited defense spending. German leaders said the dramatic change is necessary to counteract worsening trade and geopolitical tensions between the U.S. and Europe. German stocks rose 16%.

Financial stocks generated the biggest gains, advancing more than 21% amid expectations that large-scale government spending would boost economic growth in the eurozone. Shares of Spain's largest financial institution, Banco Santander, soared more than 40% during the quarter as the bank announced rising profitability and a €10 billion stock buyback plan. Energy stocks also rallied, climbing 17% amid higher oil and gas prices. Shares of U.K.-based Shell gained nearly 19%.

Technology and consumer discretionary stocks fell, mirroring results in the United States. Growth-oriented technology, consumer- and some health-related stocks slipped amid dimming market sentiment for many of the same companies that rallied over the past two years. Shares of health care firm Novo Nordisk lost 20% during the quarter, while semiconductor-equipment maker ASML declined nearly 7%. Among consumer stocks, luxury goods giant LVMH slipped 6%.

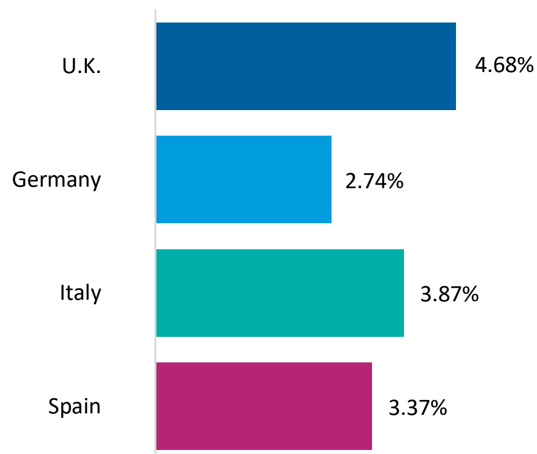
In fixed income markets, European bonds advanced as Germany's ambitious spending plan raised economic growth forecasts. Investors also trimmed expectations for European Central Bank rate cuts given the stronger outlook. The yield on Germany's benchmark 10-year note rose 37 bps to 2.74%. The same maturity in Spain climbed 31 bps to 3.37%.

MSCI Europe total returns (1Q 2025)



Source: RIMES. Returns are in USD.

10-year government bond yields



Source: Bloomberg. As of March 31, 2025.

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Asia-Pacific

Japanese equities were nearly flat. Real estate and financials led sector returns, while information technology and materials led losses amid sustained inflation and impending U.S. tariffs. The Japanese yen strengthened 5% against the U.S. dollar.

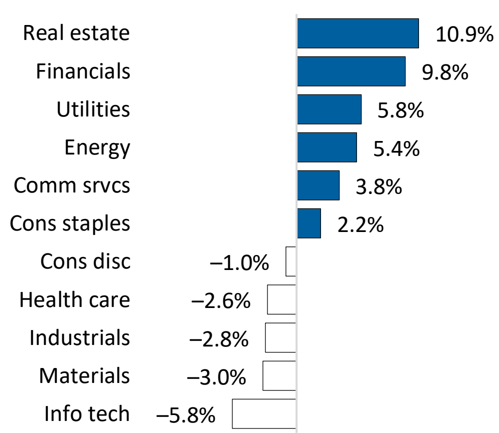
The Bank of Japan (BOJ) raised interest rates to the highest level in 17 years. At its January meeting, the BOJ hiked its short-term policy rate to 0.5% from 0.25%, the highest level since the 2008 global financial crisis. BOJ Governor Kazuo Ueda said the bank is closely monitoring domestic and international factors that may impact its rate policy, including rising food costs, wage growth and potential U.S. tariffs. Lingering inflation, well above the central bank's 2% target, continued to put pressure on the BOJ to raise rates. Core inflation, excluding fresh food, rose to 3.2% in January, the highest level in two years. Yet, in a potentially encouraging development for the economy, Japanese nominal wages rose at the fastest pace in nearly three decades, climbing 4.8% in December from a year earlier.

U.S. tariffs loomed over the manufacturing sector. The sector experienced a downturn in March, deteriorating at the strongest pace in a year with production and new orders falling. The headline au Jibun Bank Japan Manufacturing Purchasing Managers' Index (PMI), an indicator of manufacturing performance, fell to 48.4 in March from 49.0 in February. Domestic and international demand for manufactured goods soured ahead of announced U.S. auto tariffs, which could strain the Japanese economy. Elsewhere, conglomerate Sony's stock rose. The company announced in January a restructuring of its leadership and management executives. Conversely, shares of automakers like Toyota and Honda slumped in anticipation of U.S. auto tariffs potentially as high as 25%.

Australian shares declined. All sectors declined except utilities and industrials as global trade uncertainty hit stocks. In February, the Royal Bank of Australia cut interest rates for the first time since October 2020 amid cooling inflation. The bank lowered its rate to 4.1% from 4.35%. In other news, shares of steelmaker BlueScope Steel rose after the company surpassed its half-year profit estimates. Meanwhile, shares of Westpac and National Australia Bank slumped after a sharp selloff of the country's "big four" banks driven by profit margin concerns. The Australian dollar rose nearly 1% against the greenback.

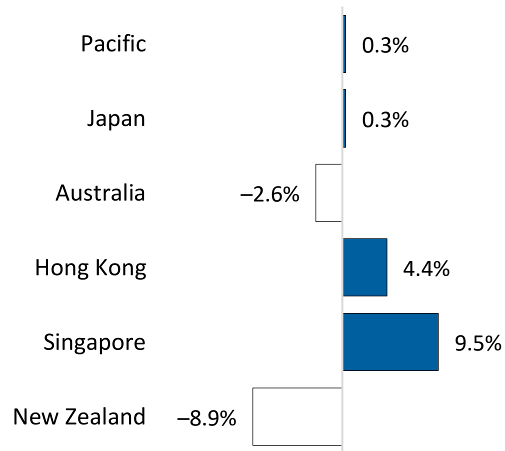
Hong Kong equities advanced. Consumer staples and financials led gains, while consumer discretionary and utilities declined the most. The S&P Global Hong Kong SAR PMI, an index of business activity, fell to 49.0 in February from 51.0 in January, marking the first contraction since August 2024. A slump in new business, partly driven by lower external demand, weighed on business activity.

MSCI Japan total returns (1Q 2025)



Source: RIMES. Returns are in USD.

MSCI Pacific total returns (1Q 2025)



Source: RIMES. Returns are in USD.

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Emerging markets

Emerging markets (EM) equities rose during the quarter, driven by gains in China and Latin America. Thailand, Taiwan and Indonesia saw the most significant declines. The MSCI Emerging Markets Index climbed nearly 3% as investors in these regions largely shrugged off concerns over a potential global trade war. Growing pessimism about the U.S. economy helped fuel equity markets in developing countries.

The consumer discretionary and communication services sectors posted the largest gains, rebounding from losses during the previous quarter. Information technology was the only sector that declined.

Chinese stocks rose as enthusiasm around DeepSeek's technological advancements in AI helped fuel a broader rally. The MSCI China Index gained 15%. The top two contributors to the MSCI Emerging Markets Index were Chinese retail conglomerate Alibaba and communications company Tencent. Both companies announced plans to sharply increase spending on AI. In March, the Chinese government announced new measures to boost incomes, which it hopes will raise consumer spending and help stabilize the economy.

Indian equities had a volatile quarter with the MSCI India Index declining almost 3%, which reflected a substantial rebound from its lows earlier in the period. A continued economic slowdown coupled with high corporate valuations sparked a major selloff, which reversed in March after investors believed the market had bottomed out.

The MSCI Latin America Index surged nearly 13%, led by strong gains in Colombia, Chile and Brazil. Investors are hoping that a spate of elections in the region next year will result in more business-friendly governments.

Developing market currencies mostly rose against the U.S. dollar during the quarter, as the uncertainty around U.S. tariffs and other policy measures weakened the dollar. Currencies in Brazil, Hungary and Poland gained the most against the dollar while Turkish and Argentinean currencies saw the largest declines.

Emerging markets bonds posted positive returns despite geopolitical volatility driven by U.S. tariff policies. Gains were widespread across both hard and local currency-denominated bonds. Local Latin American sovereign bonds saw the strongest returns during the period, with strength in local bonds in Brazil, where central bankers are hoping rising interest rates will cool inflation. Turkish bonds had a volatile quarter after the arrest of President Recep Tayyip Erdogan's top political opponent led to mass protests. Local Turkish bonds fell almost 9% in dollar terms. EM local-currency government debt rose by 4% in dollar terms, as measured by the J.P. Morgan GBI-EM Global Diversified Composite Index. U.S. dollar-denominated debt gained 2% in dollar terms, as measured by the J.P. Morgan EMBI Global Diversified Index. ■

1Q 2025 total returns (%)

Equity indexes	(USD)
MSCI Emerging Markets	2.9
MSCI Brazil	14.0
MSCI China	15.0
MSCI India	–3.0
MSCI Mexico	8.6
MSCI South Africa	13.8
MSCI Korea	4.9
MSCI Saudi Arabia	1.7
MSCI Taiwan	–12.6
MSCI Thailand	–13.7

Fixed income / currency	USD debt (USD)	Local debt (USD)	Local debt (Local)	Exchange rate (vs. USD)
JPM EMBI Global Div	2.2	---	---	---
JPM GBI-EM Global Div	---	4.3	2.2	---
Brazil	5.1	13.7	5.4	7.9
China	2.6	–0.1	–0.7	0.7
Indonesia	1.6	-0.7	2.1	-2.8
Malaysia	2.4	2.1	1.4	0.8
Mexico	3.2	8.8	7.1	1.6
Poland	3.2	8.8	2.2	6.5
South Africa	1.3	3.2	0.6	2.6
Turkey	1.0	–8.7	–2.0	-6.8

Source: RIMES

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Unless otherwise noted, all returns are in U.S. dollars and assume the reinvestment of dividends. Country stock returns are based on MSCI indexes.

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S&P Global purchasing manager indexes (PMIs) track business trends across both manufacturing and service sectors for various countries. The indexes are based on data collected from companies and follow variables such as sales, new orders, employment, inventories and prices. The **S&P Global Hong Kong SAR PMI** provides similar information for Hong Kong, while the **au Jibun Bank Japan Manufacturing Purchasing Managers' Index**, also compiled by S&P Global, provides similar information about Japan.

J.P. Morgan Emerging Markets Bond Index (EMBI) Global Diversified and related country-specific indexes track total returns for U.S. dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, eurobonds. **J.P. Morgan Government Bond Index – Emerging Markets (GBI-EM) Global Diversified** and related country-specific indexes cover the universe of regularly traded, liquid fixed-rate, domestic currency emerging market government bonds to which international investors can gain exposure.

MSCI indexes are free-float-adjusted, market-capitalization weighted indexes. Developed market index results reflect dividends net of withholding taxes. Emerging market index results reflect dividends gross of withholding taxes through December 31, 2000, and dividends net of withholding taxes thereafter. Each index is unmanaged, and its results include reinvested dividends and/or distributions but do not reflect the effect of sales charges, commissions, account fees, expenses or U.S. federal income taxes. **MSCI All Country World Index (ACWI)** is designed to measure results of more than 40 developed and emerging equity markets. **MSCI All Country World (ACWI) ex USA Index** is designed to measure equity market results in the global developed and emerging markets, excluding the United States. **MSCI EAFE® (Europe, Australasia, Far East) Index** is designed to measure developed equity market results, excluding the United States and Canada. **MSCI Emerging Markets Index** is a free-float-adjusted market-capitalization-weighted index designed to measure equity market results in more than 20 global emerging markets. Individual emerging markets listed herein represent a subset of the MSCI Emerging Markets Index. **MSCI Europe Index** is designed to measure developed equity market results across 15 developed countries in Europe. **MSCI Pacific Index** is designed to measure the equity market performance of the developed markets in the Pacific region. It consists of Japan, Australia, Hong Kong, New Zealand and Singapore. **MSCI World Index** is designed to measure equity market results of developed markets. The index consists of more than 20 developed-market country indexes, including the United States.

Nasdaq Composite Index is a broad-based market-capitalization-weighted index that measures all domestic and international-based common-type stocks listed on The Nasdaq Stock Market.

S&P 500 Index is a market-capitalization-weighted index based on the results of 500 widely held common stocks. This index is unmanaged, and its results include reinvested dividends and/or distributions but do not reflect the effect of sales charges, commissions, account fees, expenses or U.S. federal income taxes.

The **Consumer Price Index (CPI)**, reported by the U.S. Bureau of Labor Statistics, measures the change in prices paid by consumers for goods and services.

The **ICE U.S. Dollar Index** is a geometrically averaged calculation that measures the value of the U.S. dollar relative to a basket of foreign currencies: the euro, the yen, the British pound, the Canadian dollar, the Swedish krona and the Swiss franc. The U.S. Dollar Index, together with all rights, title and interest in and related to the U.S. Dollar Index, including all content included therein and all related intellectual property and property rights, is the exclusive property of ICE Data Indices, LLC.

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