

Monthly Market Pulse – 05/05/2025

Curated By: LMZ Wealth Management of WFA Financial Network

Stocks had one of the most volatile months in recent memory in April. Even though the mid-month drawdowns were significant, a rally in the second half of April helped performance. The S&P 500 declined 0.8%. The Dow Jones Industrial Average fell by 3.2%. The yield on the 10-Year US Treasury fell from 4.24% to 4.18%. The unemployment rate remained at 4.2% as it was unchanged since March. The Federal Reserve's preferred measure of inflation, Personal Consumption Expenditures (PCE) rose 0.7%, taking the headline inflation rate to 2.6%.

Aggressive tariff announcements on April 2nd resulted in extreme volatility for stock and bond markets in early April. A 90 day pause in the implementation of reciprocal tariffs lead to a sharp rebound in stock prices in the second half of the month. The US economy contracted slightly in the first quarter of 2025, shown by the quarterly GDP release at the end of April. With that contraction, we could technically already be in a mild recession. We will have to see how the second quarter plays out.

Looking ahead to May, investor confidence appears fragile as new policies are digested by investors. Uncertainty as to the impact of these policies on employment data and consumption will be key. The Federal Reserve meets May 6th & 7th as they will try to navigate the best course of action with respect to short term interest rates. Money markets are still paying interest of 4.2%¹.

Thank you for being our client,

Gary Lowery

Tom Pape

Darin Muller

Matt Muller, CFP®

Dustin Zoerner, CFP®

All data points sourced from FactSet

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¹ Fidelity Investments Money Market Treasury Portfolio, FRBXX

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