

# Market & Economic Themes for 2<sup>nd</sup> Quarter 2025

April 2025

Mike Minter, CFP®, CFS®  
Chief Investment Officer  
Financial Synergies Wealth Advisors

# 10 Market Themes for 2Q 2025

---

This collection of market insights highlights 10 themes we believe are most likely to shape the investment environment this quarter.

1. Market Recap – Key Headlines From the Past Six Months
2. Stock Market – How Company Size is Shaping 2025 Returns
3. U.S. Sector Trends – 7 of 11 Sectors Posted Gains in 1Q 2025
4. Performance Drivers – Earnings Remain Strong, But Valuations Moderate
5. Interest Rates – Why Have Bond Yields Declined This Year?
6. Market Turbulence – Policy Uncertainty Has Increased Market Volatility
7. Sentiment Insights – Trends in Consumer and CEO Survey Data
8. Economic Dashboard – Takeaways from Four Key Metrics
9. What We're Monitoring – High Yield Corporate Bond Spreads
10. Long Term Perspective – Market Volatility is a Normal Part of Investing

**Mike Minter, CFP®, CFS®**

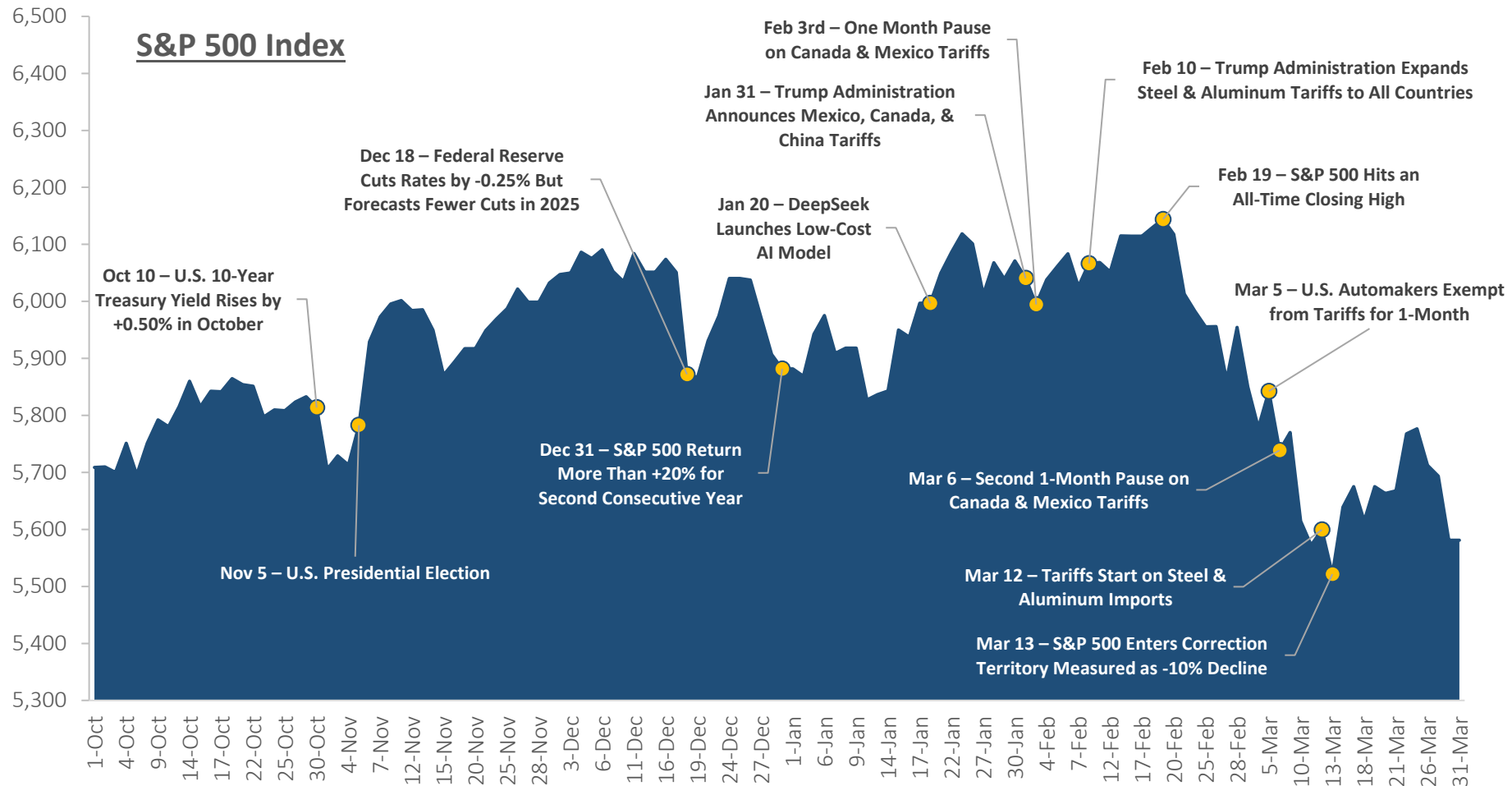
Chief Investment Officer

# Historical Asset Class Returns

Market Category	1Q 2025	6 Months	1 Year	3 Year	5 Year	10 Year
U.S. Large Cap Stocks	-4.3%	-1.9%	8.3%	9.0%	18.5%	12.4%
U.S. Large Cap Growth Stocks	-10.0%	-3.6%	7.7%	9.9%	19.9%	14.9%
U.S. Large Cap Value Stocks	2.1%	0.1%	7.0%	6.4%	16.0%	8.6%
U.S. Small Cap Stocks	-9.5%	-9.2%	-4.0%	0.4%	13.2%	6.2%
Global Stocks	-0.9%	-1.8%	7.5%	7.2%	15.2%	9.0%
Developed Market Stocks	8.1%	-1.0%	5.4%	6.6%	12.1%	5.5%
Emerging Market Stocks	4.5%	-3.1%	8.9%	1.4%	7.4%	3.1%
U.S. Taxable Bonds	2.7%	-0.5%	4.8%	0.5%	-0.4%	1.4%
U.S. Municipal Bonds	-0.5%	-1.4%	1.0%	1.4%	1.0%	1.9%
U.S. High Yield Bonds	1.2%	1.1%	7.5%	4.4%	5.9%	3.9%
REITs	2.7%	-5.2%	8.9%	-1.9%	9.4%	4.8%
Commodities	5.2%	6.0%	2.8%	-1.4%	17.3%	4.2%

Disclosures: All performance data represents total returns. Performance longer than 1 year are annualized. Past performance is no guarantee of future results. Asset classes are represented by the following ETFs: U.S. Large Cap (SPY - SPDR S&P 500 ETF), U.S. Large Cap Growth (IWD - Russell 1000 Growth ETF), U.S. Large Cap Value (IWF - Russell 1000 Value ETF), U.S. Small Cap (IWM - iShares Russell 2000 ETF), Global Stocks (ACWI - iShares MSCI ACWI ETF), DM Stocks (EFA - iShares MSCI EAFE ETF), EM Stocks (EEM - iShares MSCI Emerging ETF), U.S. Taxable Bonds (AGG - iShares Core U.S. Aggregate Bond ETF), U.S. Municipal Bonds (MUB - iShares National Muni Bond ETF), U.S. High Yield Bonds (HYG - iShares iBoxx \$ High Yield Corporate ETF), Commodities (DBC - Invesco DB Commodity ETF), and REITs (VNQ - Vanguard Real Estate ETF).

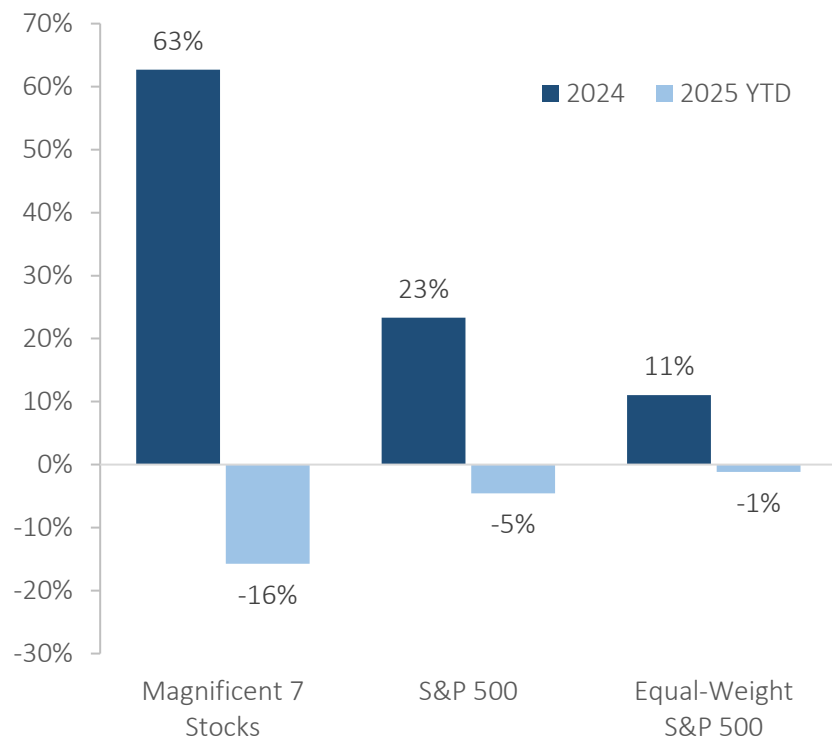
# Market Recap – Key Headlines From the Past Six Months



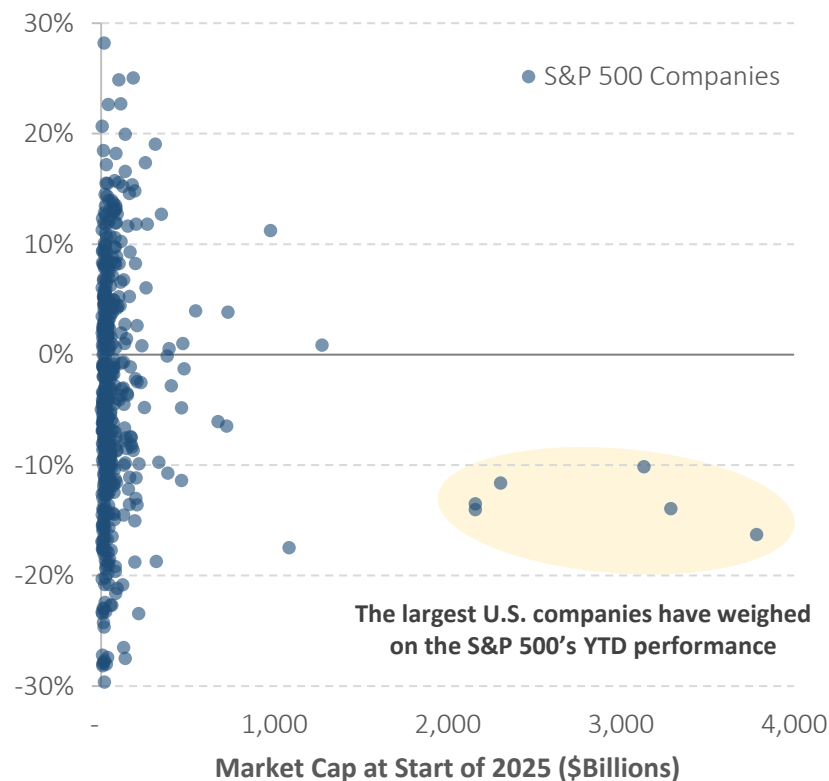
Disclosures: Standard & Poor's. The performance of this index is provided for informational purposes only and does not represent an actual investment. Index performance is for illustrative purposes only and does not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.. Latest available data as of 3/31/2025.

# Stock Market – How Company Size is Shaping 2025 Returns

**Stock Market Performance By Company Size**  
2024 vs 2025 YTD Price Returns

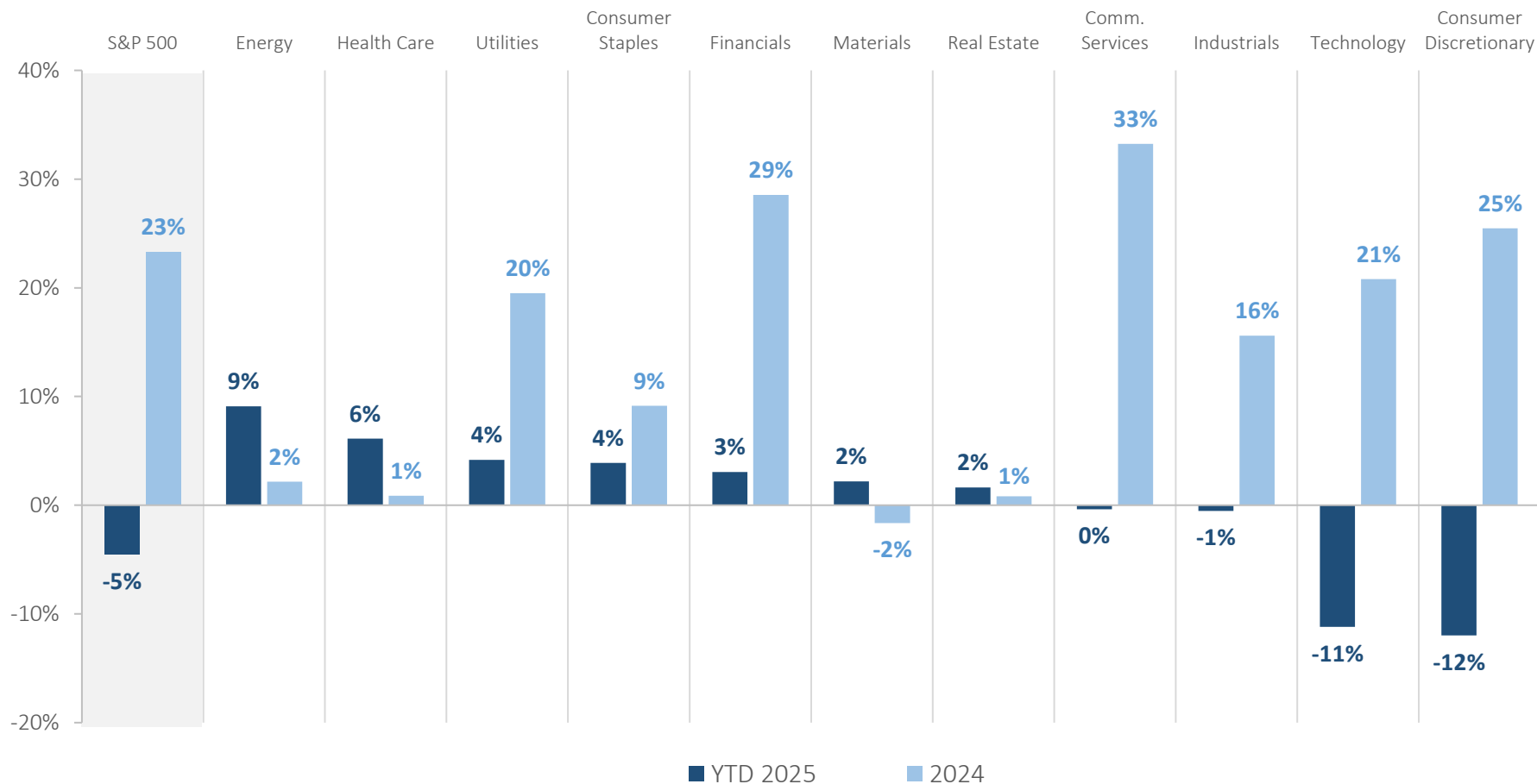


**Price Return as of YTD Trough (March 28th)**  
The Largest U.S. Companies Led the Market Selloff



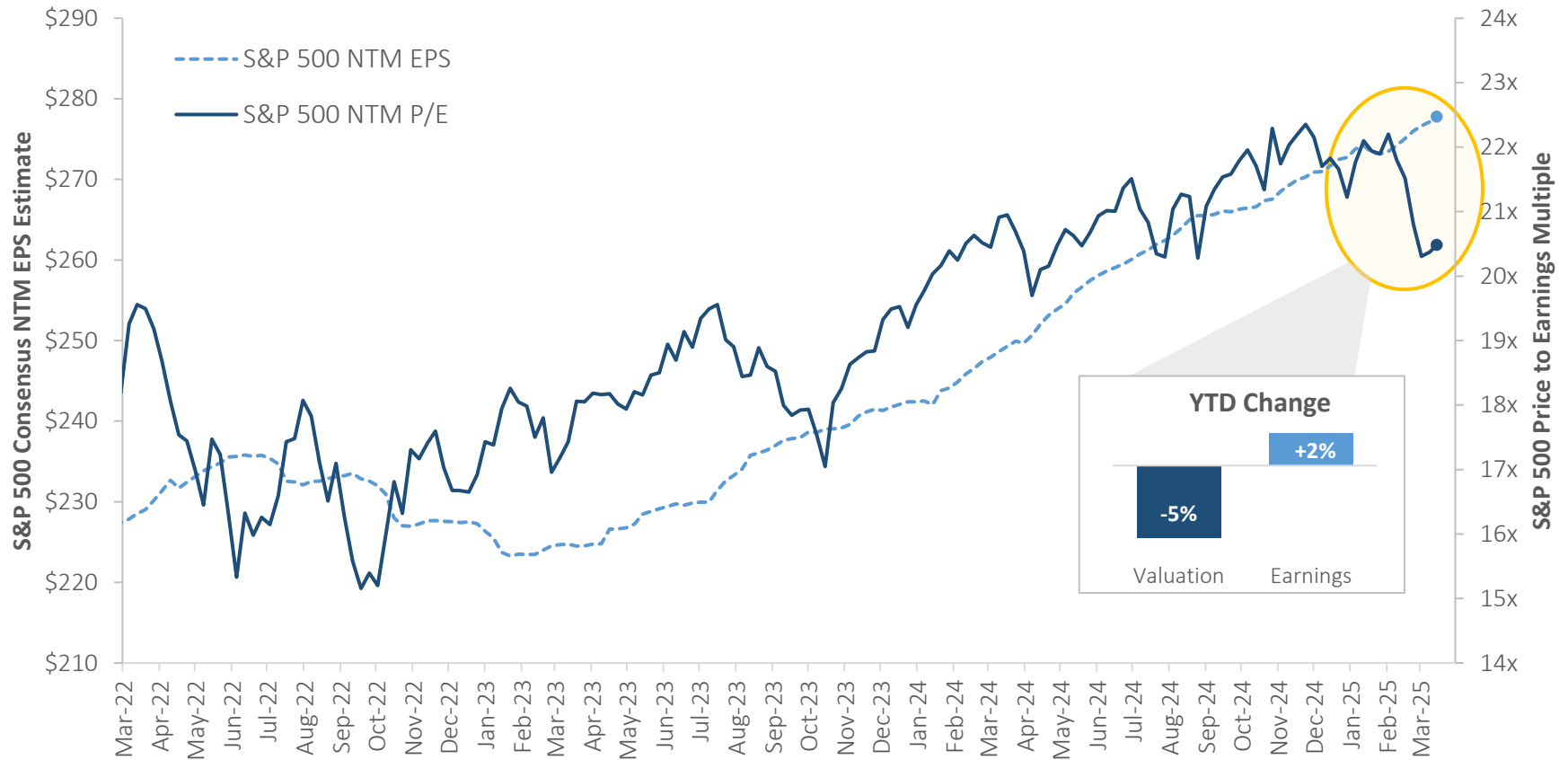
Disclosures: Invesco, Standard & Poor's, and Roundhill. Performance based on the Invesco S&P 500 Equal Weight ETF (RSP), SPDR S&P 500 ETF (SPY), and Roundhill Magnificent Seven ETF (MAGS). The Magnificent 7 stocks include: Alphabet, Amazon, Apple, Meta Platforms, Microsoft, NVIDIA, and Tesla. Performance does not reflect the deduction of advisory fees, trading costs, or other expenses that would reduce returns. Past performance is not indicative of future results. Latest available data as of 3/31/2025.

# U.S. Sector Trends – 7 of 11 Sectors Posted Gains in 1Q 2025



Disclosures: Past performance is no guarantee of future results. All performance data represents price returns. S&P 500 represented by the S&P 500 ETF (SPY). Sectors are represented by the following ETFs: SPDR Consumer Discretionary Sector ETF (XLY), SPDR Consumer Staples Sector ETF (XLP), SPDR Financial Sector ETF (XLF), SPDR Health Care Sector ETF (XLV), SPDR Industrial Sector ETF (XLI), SPDR Materials Sector ETF (XLB), SPDR Technology Sector ETF (XLK), Vanguard Real Estate ETF (VNQ), SPDR Utilities Sector ETF (XLU), SPDR Energy Sector ETF (XLE), SPDR Communication Services ETF (XLC). Latest available data as of 3/31/2025.

# Performance Drivers – Earnings Remain Strong, But Valuations Moderate



Disclosures: S&P Global. The price-to-earnings ratio (P/E ratio), is a valuation metric used to assess how much investors are willing to pay for each dollar of a company's earnings. EPS is based on NTM consensus estimates. NTM = Next 12-months. Latest available data as of 3/31/2025.

# Interest Rates – Why Have Bond Yields Declined This Year?

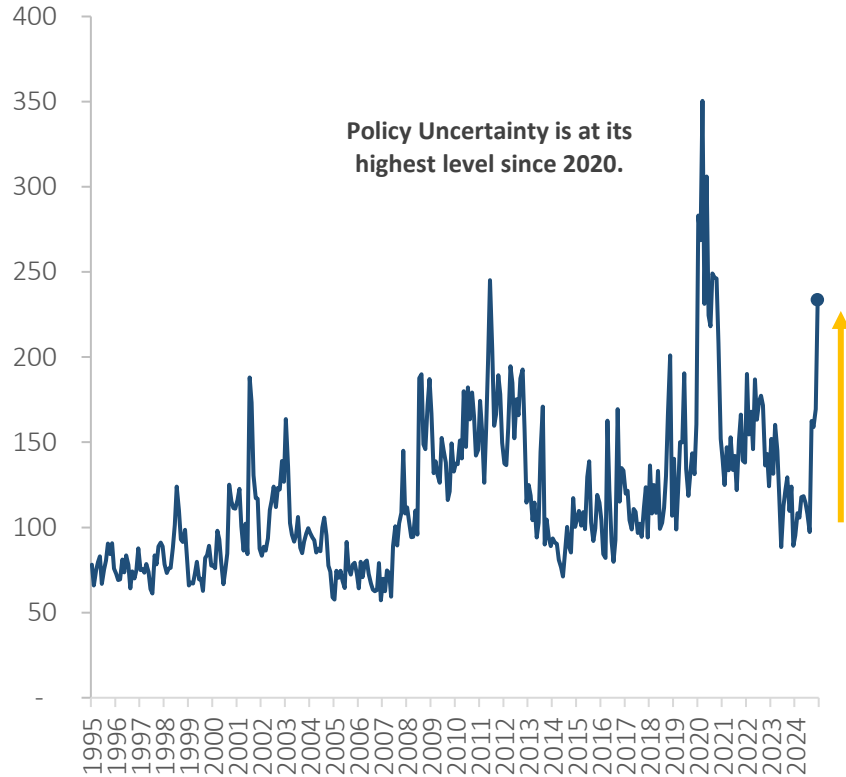


Disclosures: Federal Reserve and U.S. Treasury. Latest available data as of 3/31/2025.

# Market Turbulence – Policy Uncertainty Has Increased Market Volatility

## U.S. Economic Policy Uncertainty Index

Monthly Since 1995



## Market Volatility Measured by CBOE VIX

Weekly for Last 12 Months

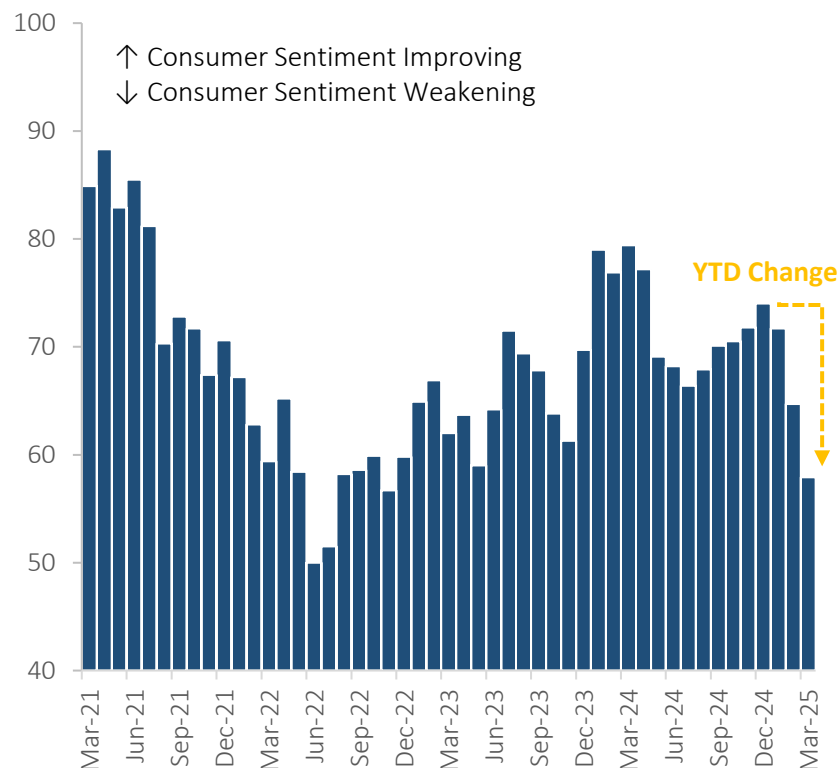


Disclosures: Economic Policy Uncertainty (Baker, Bloom, and Davis) and CBOE. Latest available data as of 3/31/2025.

# Sentiment Insights – Trends in Consumer and CEO Survey Data

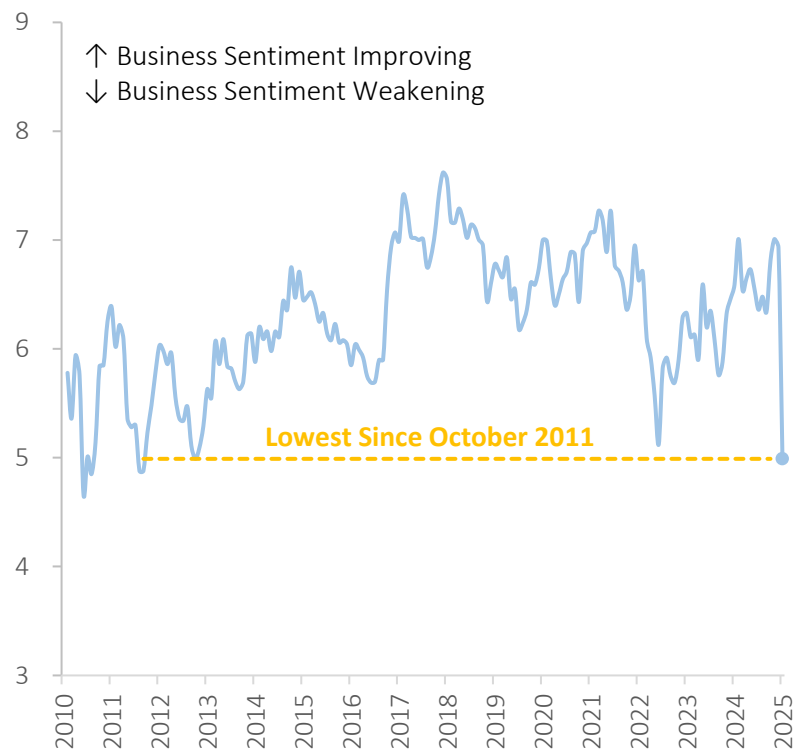
## Consumer Sentiment Index

University of Michigan Monthly Survey of Consumers Since 2021



## CEO Confidence Index (Conditions 1-Year From Now)

The Conference Board Monthly Survey Since 2011



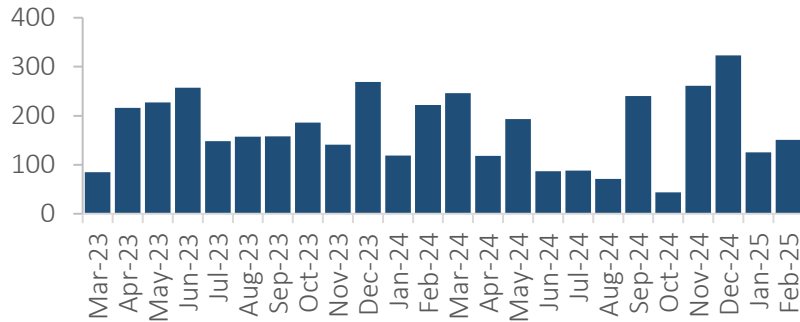
Disclosures: University of Michigan (3/1/2021 to 3/31/2025). The Conference Board (1/1/2010 to 3/31/2025). Latest available data as of 3/31/2025.

# Economic Dashboard – Takeaways from Four Key Metrics

## Labor Market Health

Monthly Growth in Nonfarm Payrolls (in 000s)

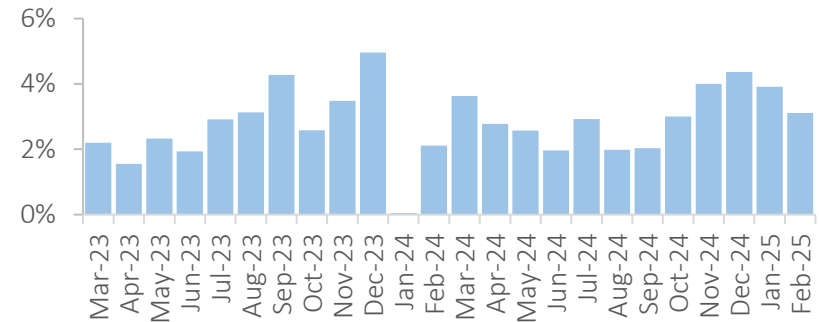
**Strong**



## Consumer Spending

Retail Sales (year-over-year growth)

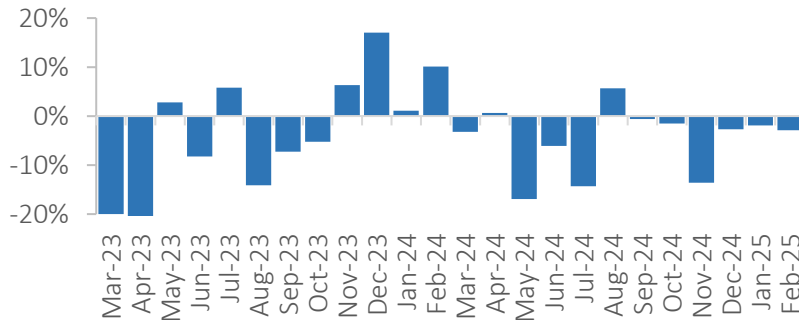
**Slowing**



## Housing Market

New Housing Starts (year-over-year growth)

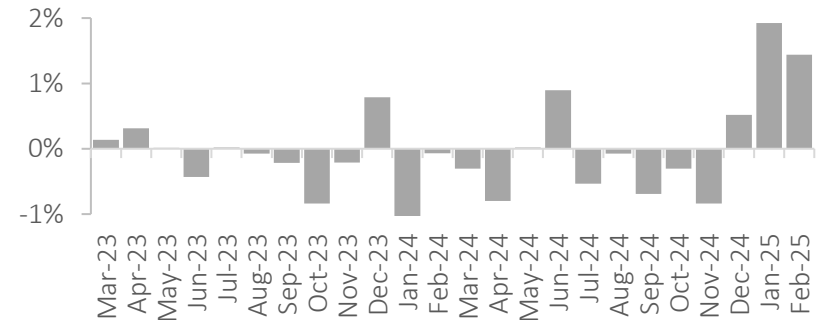
**Weak**



## Business Activity

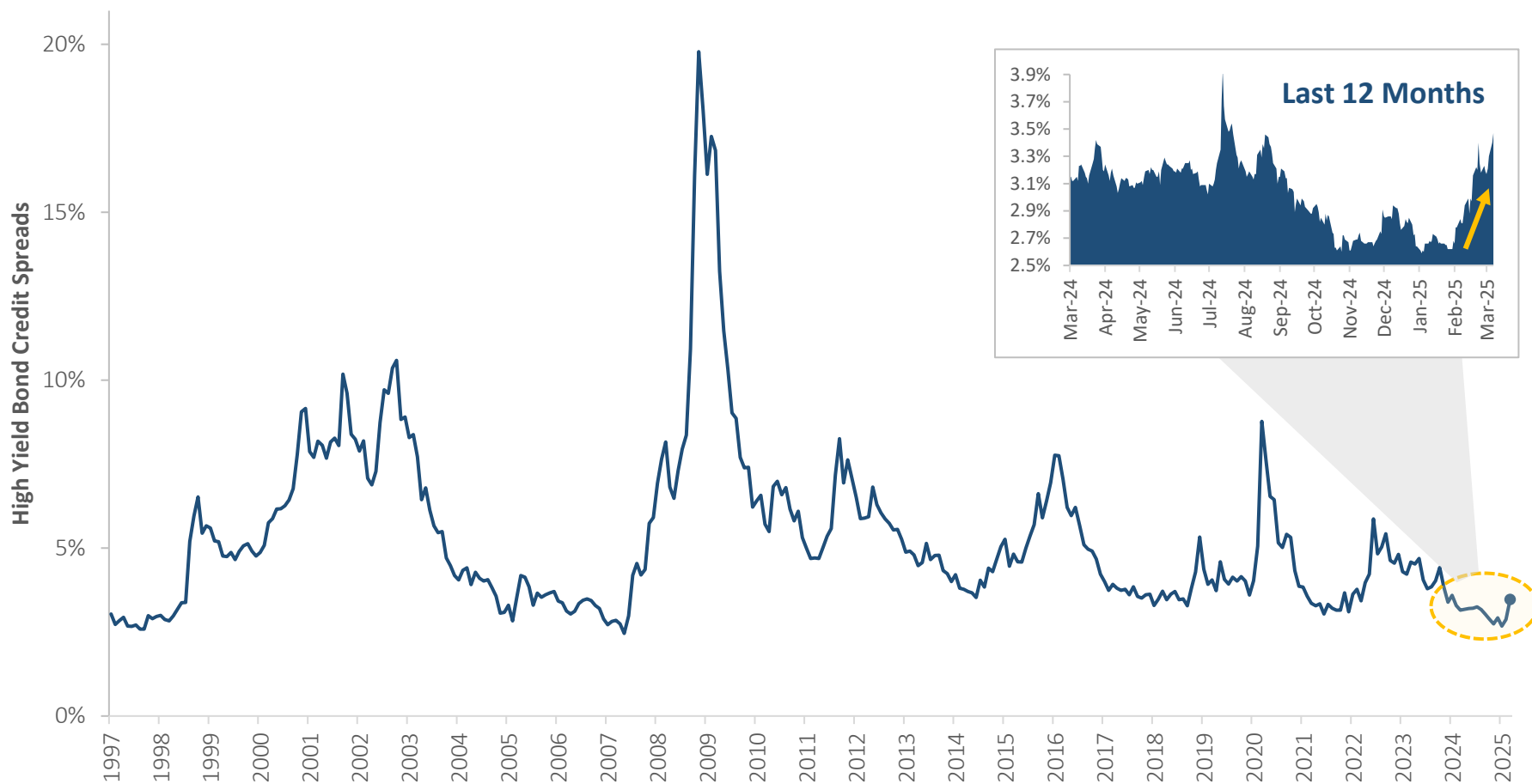
Industrial Production (year-over-year growth)

**Improving**



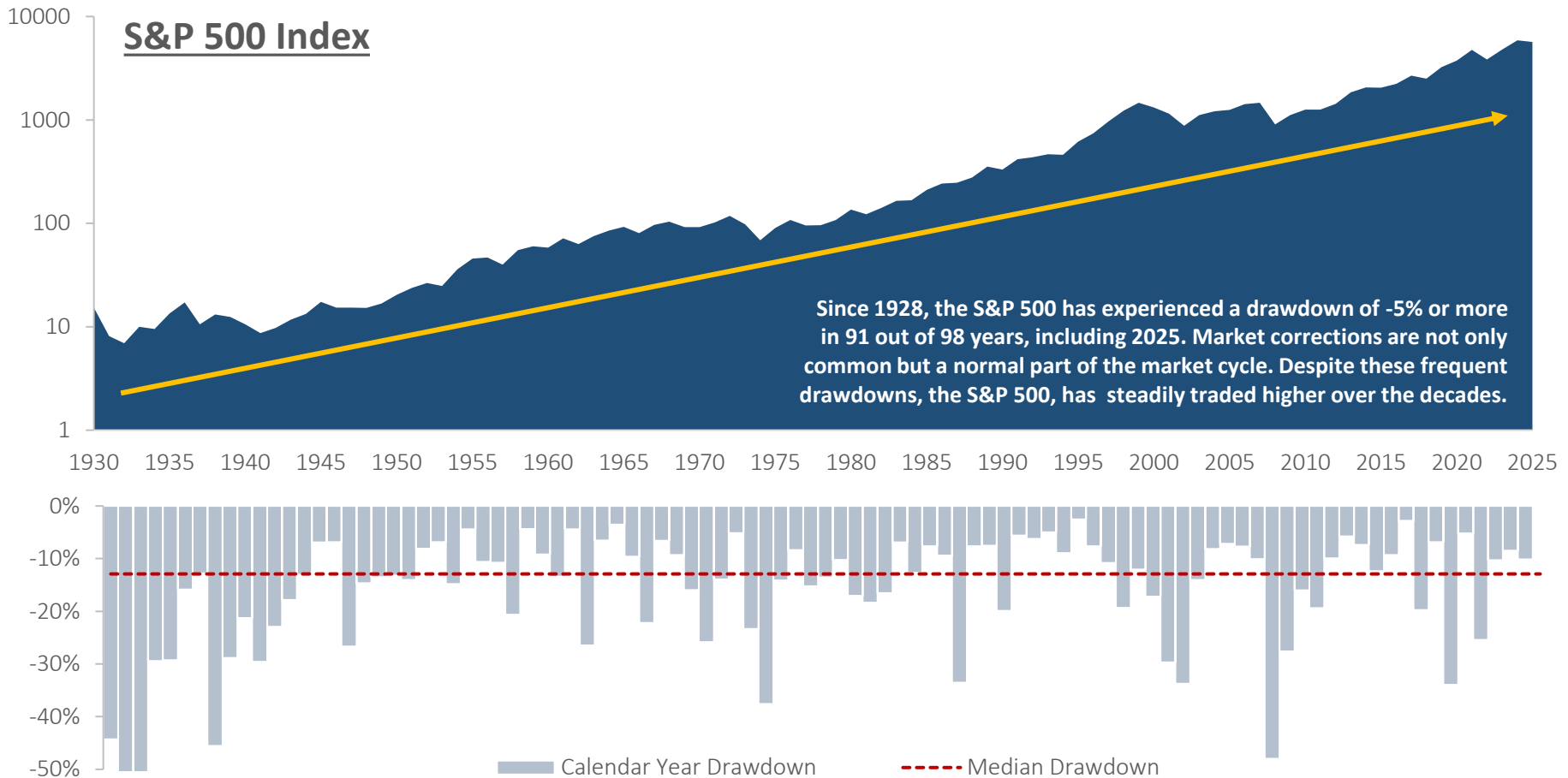
Disclosures: Department of Labor, U.S. Census Bureau, and Federal Reserve. Latest available data as of 3/31/2025.

# What We're Monitoring – High Yield Corporate Bond Spreads



Disclosures: Federal Reserve – ICE BofA US High Yield Index Option-Adjusted Spread. Insert dates here.

# Long Term Perspective – Market Volatility is a Normal Part of Investing



Disclosures: A logarithmic (lognormal) chart is used to graph the S&P 500, which makes it easier to analyze the long-term market trend. S&P Global. The performance of this index is provided for informational purposes only and does not represent an actual investment. Index performance is for illustrative purposes only and does not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results. Latest available data as of 3/31/2025.

# Questions?

**Get in Touch!**

Email: [info@finsyn.com](mailto:info@finsyn.com)

713-623-6600

# Definitions

---

**2Y / 10Y / 30-Year Treasury Bonds:** Treasuries are debt obligations issued and backed by the full faith and credit of the U.S. government.

**Consumer Price Index (CPI):** Measures the changes in the price level of a basket of consumer goods and services purchased by households.

**Federal Fund's Rate:** The target interest rate set by the Federal Reserve at which commercial banks borrow and lend excess reserves overnight.

**Federal Reserve:** The Federal Reserve System is the central bank of the United States. It was founded by Congress in 1913 to provide the nation with a safer, more flexible, and more stable monetary and financial system.

**Forward Price to Earnings Ratio:** The forward P/E ratio (or forward price-to-earnings ratio) divides the current share price of a company by the estimated future ("forward") earnings per share (EPS) of that company.

**Growth Stocks:** Growth stocks are companies expected to grow sales and earnings at a faster rate than the market average.

**Inflation:** A general rise in price level relative to available goods and services.

**ISM Purchasing Managers Index (PMI):** The ISM manufacturing index, also known as the purchasing managers' index (PMI), is a monthly indicator of U.S. economic activity based on a survey of purchasing managers at more than 300 manufacturing firms. It is considered to be a key indicator of the state of the U.S. economy.

**Price Return:** The rate of return on an investment portfolio, where the return measure takes into account only the capital appreciation of the portfolio, not including income generated in the form of interest or dividends.

**Prime Interest Rate:** A base rate used by banks to price short-term consumer and business loans.

**Real Yield:** The interest rate earned on a fixed income investment after factoring in the impact of inflation as measured by the Consumer Price Index (CPI).

**Total Return:** Return on a portfolio of investments including capital appreciation and income received on the portfolio.

**Unemployment Rate:** A lagging economic indicator which is calculated as the percent of the labor force that is jobless.

**Value Stocks:** Stocks that are inexpensive relative to the broad market based on measures of fundamental value (e.g., price to earnings or price to book).

# Disclosures

---

This quarterly market themes presentation is prepared by Financial Synergies Wealth Advisors, an SEC-registered investment advisor. The information contained herein is for informational purposes only, and does not constitute financial or investment advice, an offer to sell or a solicitation of an offer to buy any securities or investment products. The data, analysis, and opinions provided in this report are based on sources believed to be reliable but are not guaranteed as to accuracy or completeness.

## Investment Risks

Investing involves risks, including the possible loss of principal. Past performance is not indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment will either be suitable or profitable for a client's investment portfolio.

## Market Conditions

Market conditions can vary widely over time and can affect the performance of any investment strategy or portfolio. The views expressed in this report are those of Financial Synergies as of the date of the report and are subject to change without notice.

## No Personalized Advice

This report is not intended to provide personal investment advice and does not take into account the specific investment objectives, financial situation, or particular needs of any individual client. Clients should consider whether any advice or recommendation in this report is suitable for their particular circumstances and, if necessary, seek professional advice before taking any action.

## Forward-Looking Statements

Certain statements in this report may contain forward-looking information or projections. These statements are based on current expectations and assumptions and are subject to risks and uncertainties that could cause actual results to differ materially from those anticipated.

## Confidentiality

This report is intended solely for the use of the individual or entity to which it is addressed and may contain confidential information. Any unauthorized review, use, disclosure, or distribution is prohibited.

## Contact Information

For further information or questions regarding this report, please contact Financial Synergies Wealth Advisors at 713-623-6600.