

MONTH IN REVIEW

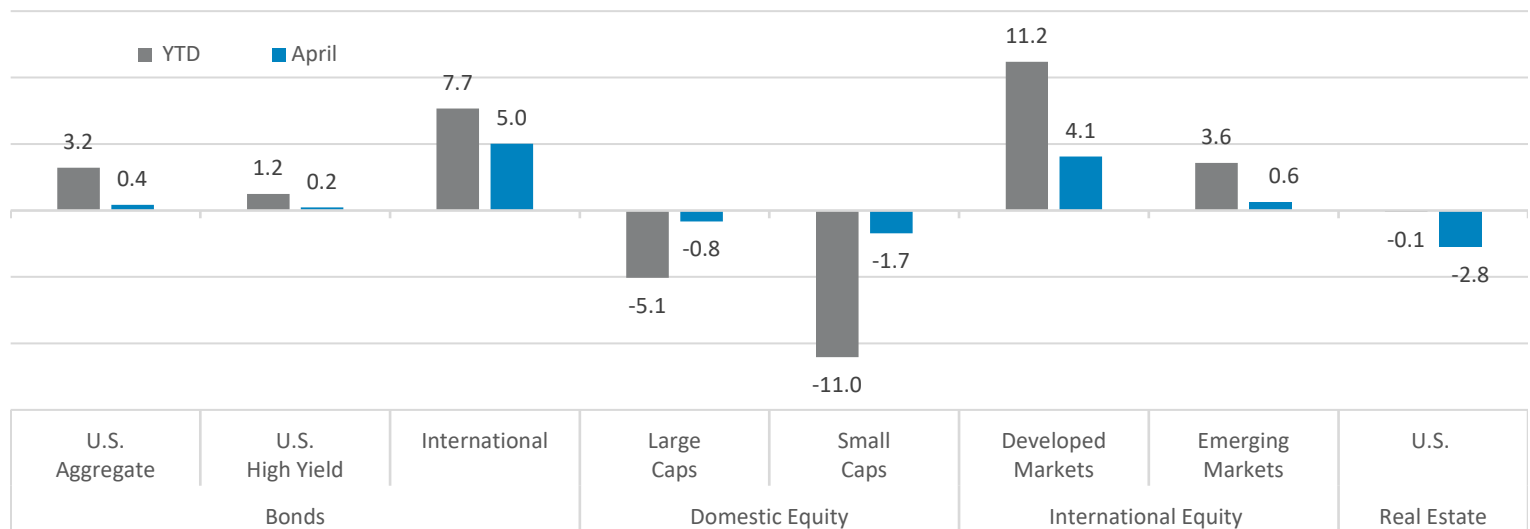


Quick Takes

- **Stocks Lower.** U.S. equity indices were relatively unchanged in April as weak sentiment and trade policy changes continued to worry investors. The S&P 500 fell 1.1% and the Nasdaq 100 rose 0.7%. The Magnificent 7, which has driven the market over the last few years, fell about 1% in April.
- **Inflation and Interest Rates.** The 10Y treasury yield remained flat in April at 4.2% as President Trump and congressional Republicans look to cut spending and taxes. Core PCE inflation for March was in line with expectations at 2.6% while headline PCE inflation was 2.3%.
- **Liberation Day.** On April 2, President Trump announced a new set of tariffs on select trade partners in response to what the administration has claimed are unfair trade barriers on U.S. goods. The tariffs included an additional 34% on China, 20% on the E.U., 46% on Vietnam, 32% on Taiwan, 26% on India, 24% on Japan, and others. Trump paused the tariffs for 90 days, one week after announcing them.
- **Ukraine Minerals Deal.** The U.S. and Ukraine signed a deal for U.S. access to Ukrainian minerals on April 30. The deal dropped a key Trump demand that Ukraine allow the U.S. to recoup billions of dollars in military aid in exchange for mineral access.

Asset Class Performance

Large caps outperformed small caps in April. U.S. stocks underperformed international stocks for the third consecutive month as trade policy uncertainty, weak consumer sentiment, and negative earnings revisions hurt U.S. markets. Bonds and international stocks were up in April while U.S. stocks and real estate fell.



Source: Bloomberg, as of February 4, 2025. Asset-class performance is presented by using total returns for an index proxy that best represents the respective broad asset class. U.S. Bonds (Barclays U.S. Aggregate Bond TR), U.S. High Yield (Barclays U.S. HY 2% Issuer-Capped TR), International Bonds (Barclays Global Aggregate ex USD TR), Large Caps (S&P 500 TR), Small Caps (Russell 2000 TR), Developed Markets (MSCI EAFE NR USD), Emerging Markets (MSCI EM NR USD), Real Estate (FTSE NAREIT All Equity REITS TR).

April 2025

Markets & Macroeconomics

Spending jumps and sentiment weakens as tariff policy clouds outlook

NFIB Small Business Optimism Index

Small Business Optimism has fallen for three straight months



Source: Bloomberg, National Federation of Independent Businesses

In March, inflation came in cooler than expected on both the consumer and producer sides of things. Headline CPI inflation came in at 2.4% versus the forecasted 2.5% and core CPI came in 2.8% higher than last year versus the expected 3.0% jump. Producer price inflation also declined in March with headline PPI at 2.7% versus the expected 3.3% and core PPI at 3.3% versus the projected 3.6% for the month. All of these inflation figures for March were lower than February levels. Much of this shift downward is attributable to a decline in food and beverage and healthcare services inflation. Conference board consumer confidence fell in March for the fifth consecutive month from 92.9 to 86.0. University of Michigan consumer sentiment increased slightly after falling for three straight months with consumers expecting inflation to remain very elevated for the foreseeable future with 1Y inflation expectations at 6.5% and five-to-ten-year expectations at 4.4%. Small business optimism also fell for the

third consecutive month. Despite the decline in sentiment, retail sales rose in March by 1.4%. Housing market data was mixed as housing starts fell 11.4% in March while building permits rose 0.5% from the prior month. MBA mortgage applications fell for four of the last five weeks. New home sales grew by 7.4% during the month, but existing

U.S. Core Inflation

Consumer Inflation fell in March



Source: Bloomberg, Bureau of Labor Statistics, Bureau of Economic Analysis

home sales fell by 5.9%. In the labor market, U.S. job growth accelerated in March as the US added 228K jobs compared to economists' expectations of 140K and February's 151K jobs. Despite the strong jobs print, unemployment rose from 4.1% to 4.2% while the labor force participation rate increased from 62.4% to 62.5%. Average hourly earnings grew slower than economists were expecting but still grew by 3.8% year-over-year. In manufacturing, the ISM manufacturing index for March came in at 49.0, indicating a contraction in activity while the S&P Global Manufacturing PMI came in at 50.2, indicating a small expansion of activity. Various Fed manufacturing indices showed declining activity in March. Industrial production declined during the month by 0.3% from February's level. Q1 GDP growth was negative at an annualized -0.3% on a higher trade deficit as consumers and businesses bought more in anticipation of higher tariffs and prices.

Bottom Line: Unemployment remains low and job creation remains resilient, but consumer and business sentiment is weakening as tariff policy changes continue to reduce visibility through the end of the year and into 2026.

April 2025

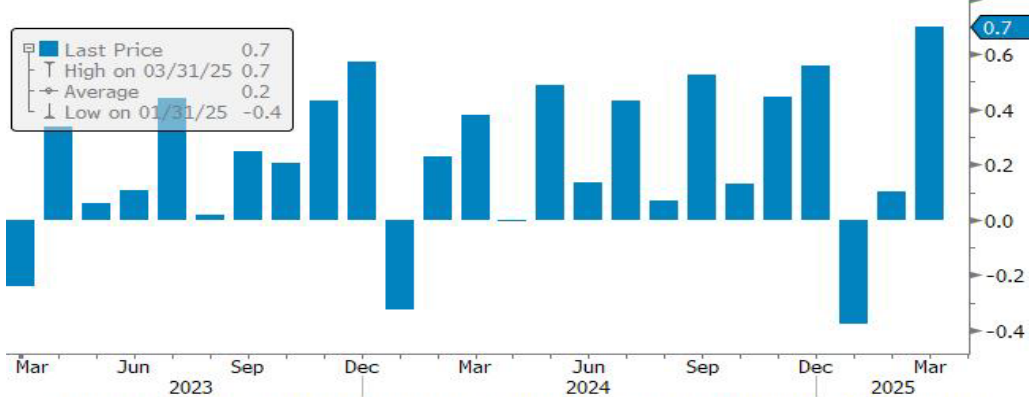
What's Ahead

Consumers' and companies' reaction to tariffs and trade policy changes

During the first 100 days of the second Trump administration, headlines about trade policy changes have been a key driver of markets. April gave a first glimpse of how companies and executives are experiencing tariff impacts as companies across industries and sectors reported results for the first quarter. Major banks reported results that generally exceeded expectations. Markets and trading revenue was a particular area of strength across firms as market volatility contributed to more trading activity in Q1. JP Morgan raised its net interest income guidance for 2025 to reflect higher markets net interest income. Despite the strong results, bank executives did express concerns about the economy for the rest of the year. JP Morgan CEO Jamie Dimon indicated that consumers are not yet showing signs of distress, but that credit card spending does seem to be front-loaded in anticipation of tariffs and that there is considerable uncertainty around trade policy and the economy. Major airlines including Delta Airlines and United Airlines have indicated that tariff and macroeconomic concerns started to negatively impact corporate and consumer travel at the end of Q1 and at the start of April. Both companies grew revenue year-over-year in Q1 and

Personal Spending Change MoM

Personal spending rose sharply in March despite lower confidence



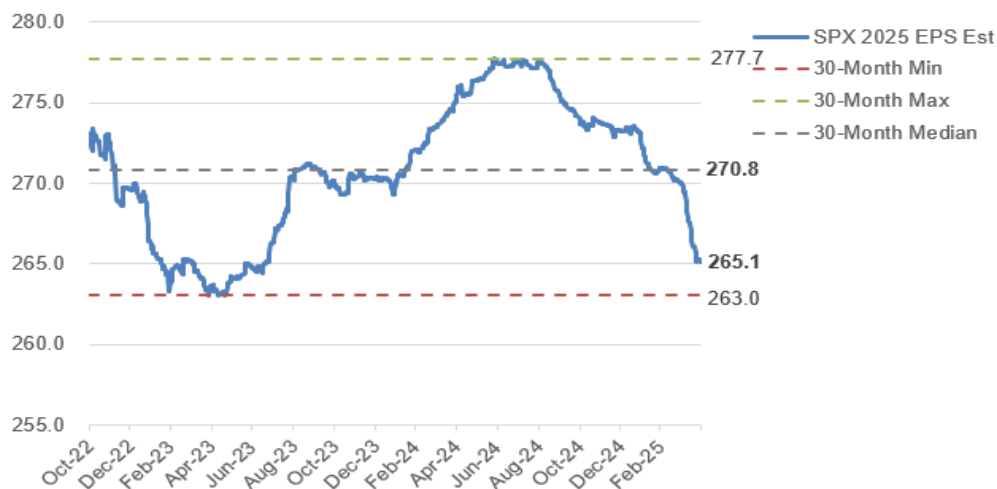
Source: Bloomberg

paid down debt, but indicated that demand had weakened recently. Capacity expansion is also likely to suffer through the end of the year as demand slows. United CFO Mike Leskinen said that capacity would be roughly 4% lower by the end of the year because of economic concerns. Homebuilders also seem to be getting hit by uncertainty. DR Horton, the largest homebuilder in the U.S., reported results for the first three months of 2025 that fell well short of expectations on both revenue and earnings. Revenue fell over 15% year-over-year. DR Horton CEO Paul Romanowski indicated that the spring selling season was off to a slower

start than usual because of affordability constraints and declining consumer confidence. The company cut their 2025 revenue and profit guidance. Pulte Group followed suit and indicated that they expect average home prices to rise by \$5,000 if the tariffs go into effect. Both companies expect tariff impacts to hit home prices by 2026. Railroads and trucking companies reported their results for the quarter in the second half of the month. Union Pacific and CSX both reported lower than expected revenues and profits. Volume growth remained strong overall, but Union Pacific indicated that tariffs could negatively impact volumes, especially in their automotive segment and on cross-border volumes with Mexico through the end of the year. CSX indicated that there could be potential benefits from more U.S. production brought by tariffs despite near-term difficulties. Old Dominion Freight Line indicated that their shipment volume was in line with seasonal trends while SAIA indicated that their volumes were lower. Both companies expect lower volumes in April and Old Dominion reduced its capital investment outlook for the year as tariff impacts and tax and regulatory uncertainty pose risks.

S&P 500 2025 EPS Estimates

EPS Estimates for 2025 were near a 21-month low at the end of April



Source: Bloomberg

Bottom Line: Companies are seeing mixed impacts on the economic front from the whirlwind of policy changes. More results in May will tell investors about how the economy could fair through the rest of the year.

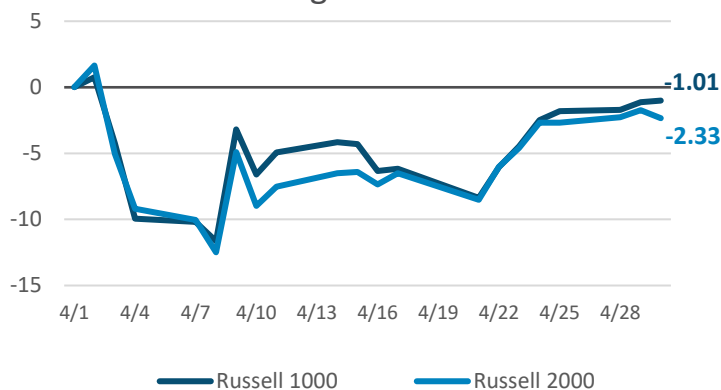
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Equity Themes

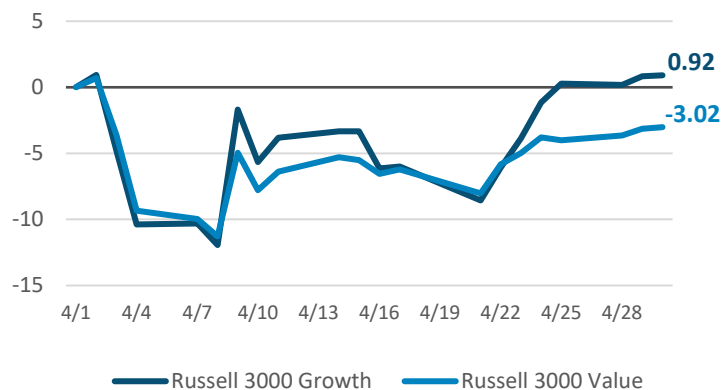
What Worked, What Didn't

- **Large Outperformed Small while Growth Outperformed Value.** Market participants moved more into growth stocks in April than value as investors continued to look to add risk in the back-half of the month after markets pulled back.
- **High Beta and Momentum Outperformed.** High beta outperformed low volatility and momentum outperformed quality in April.
- **International Over Domestic, Developed Over Emerging.** International equities outperformed domestic stocks again in April. Developed markets outperformed emerging markets during the month.

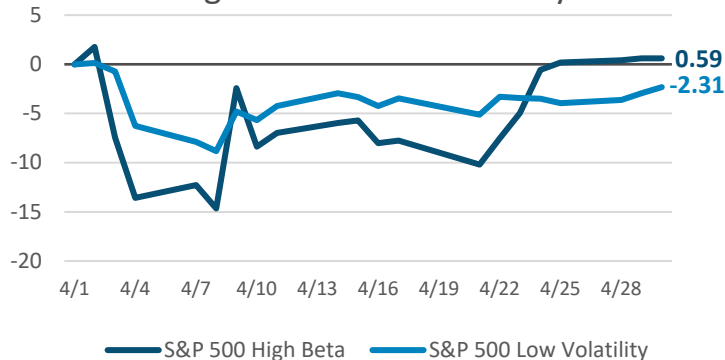
Large vs Small



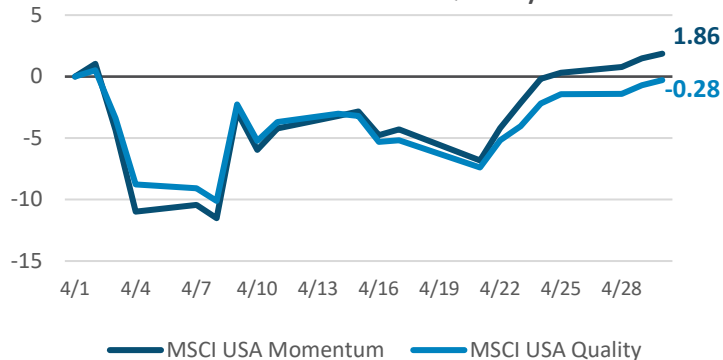
Growth vs Value



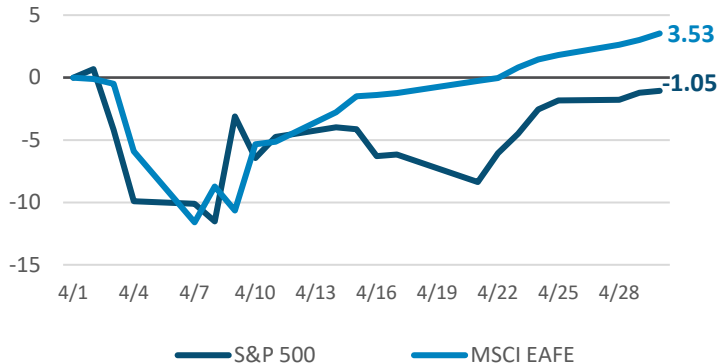
High Beta vs Low Volatility



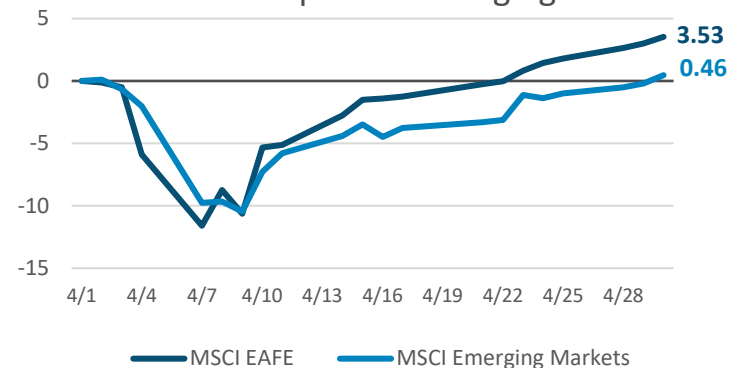
Momentum vs Quality



Domestic vs. International



Developed vs. Emerging



Source: Bloomberg.

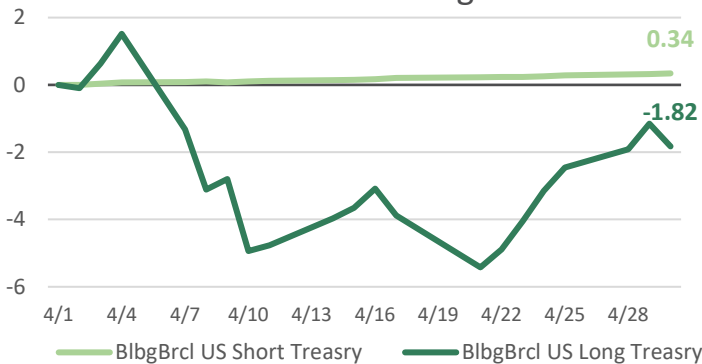
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Bond Themes

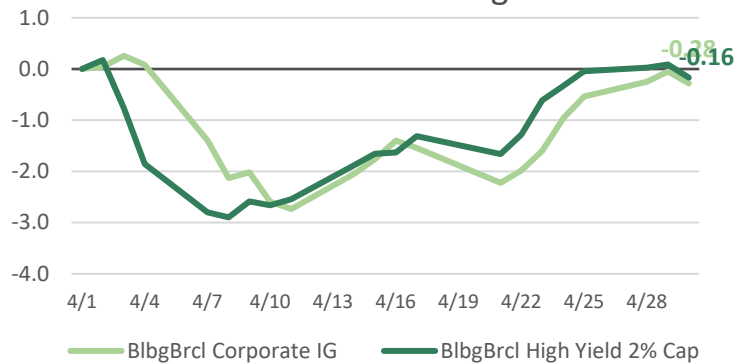
What Worked, What Didn't

- **Short Duration Outperformed while High Yield and Investment Grade were Near Even.** Short duration treasuries performed better in April outperforming long duration. High yield and investment grade performed similarly during the month.
- **Credit Tops Duration while Treasuries Beat TIPS.** In April, credit outperformed duration while treasuries outperformed TIPS despite elevated inflation expectations.
- **Taxable Beat Munis and International Strongly Outperforms Domestic.** Taxable bonds outperformed municipal bonds, while U.S. bonds significantly underperformed their international peers in April.

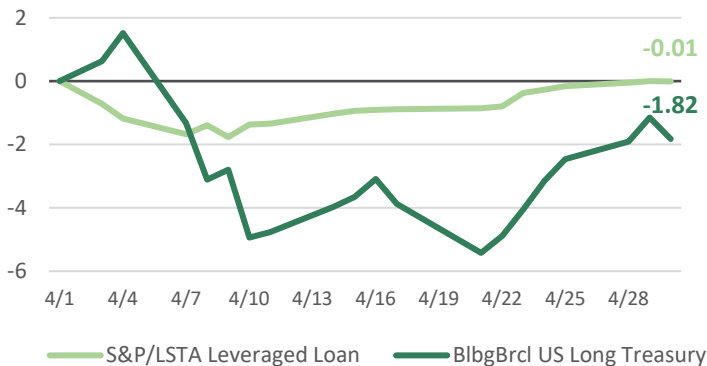
Short Duration vs Long Duration



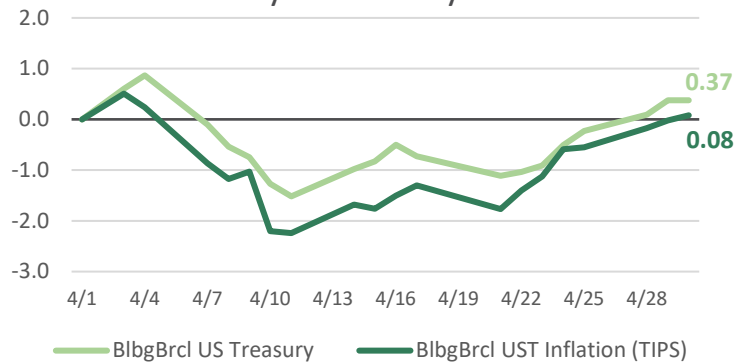
Investment Grade vs High Yield



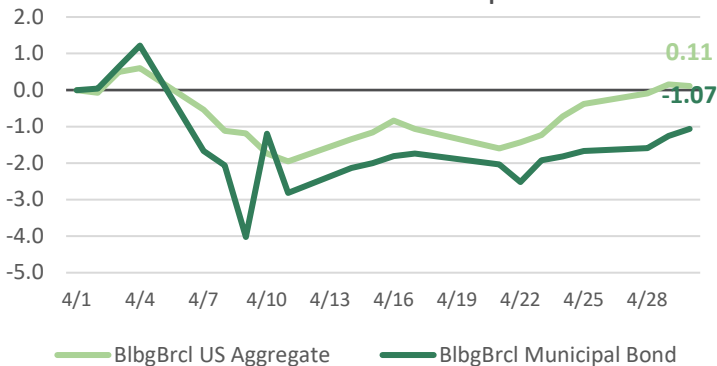
Credit vs Duration



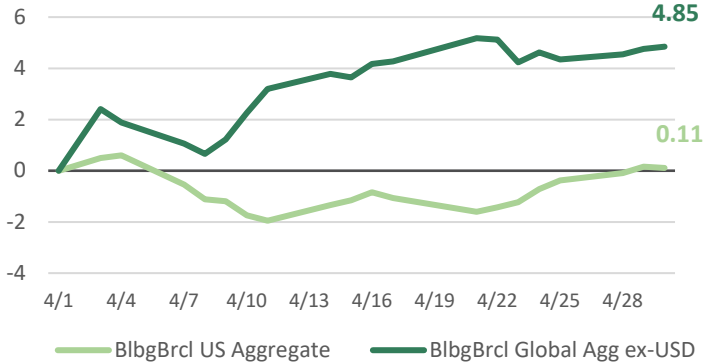
Treasury vs Treasury Inflation



Taxable vs. Municipal



Domestic vs. International

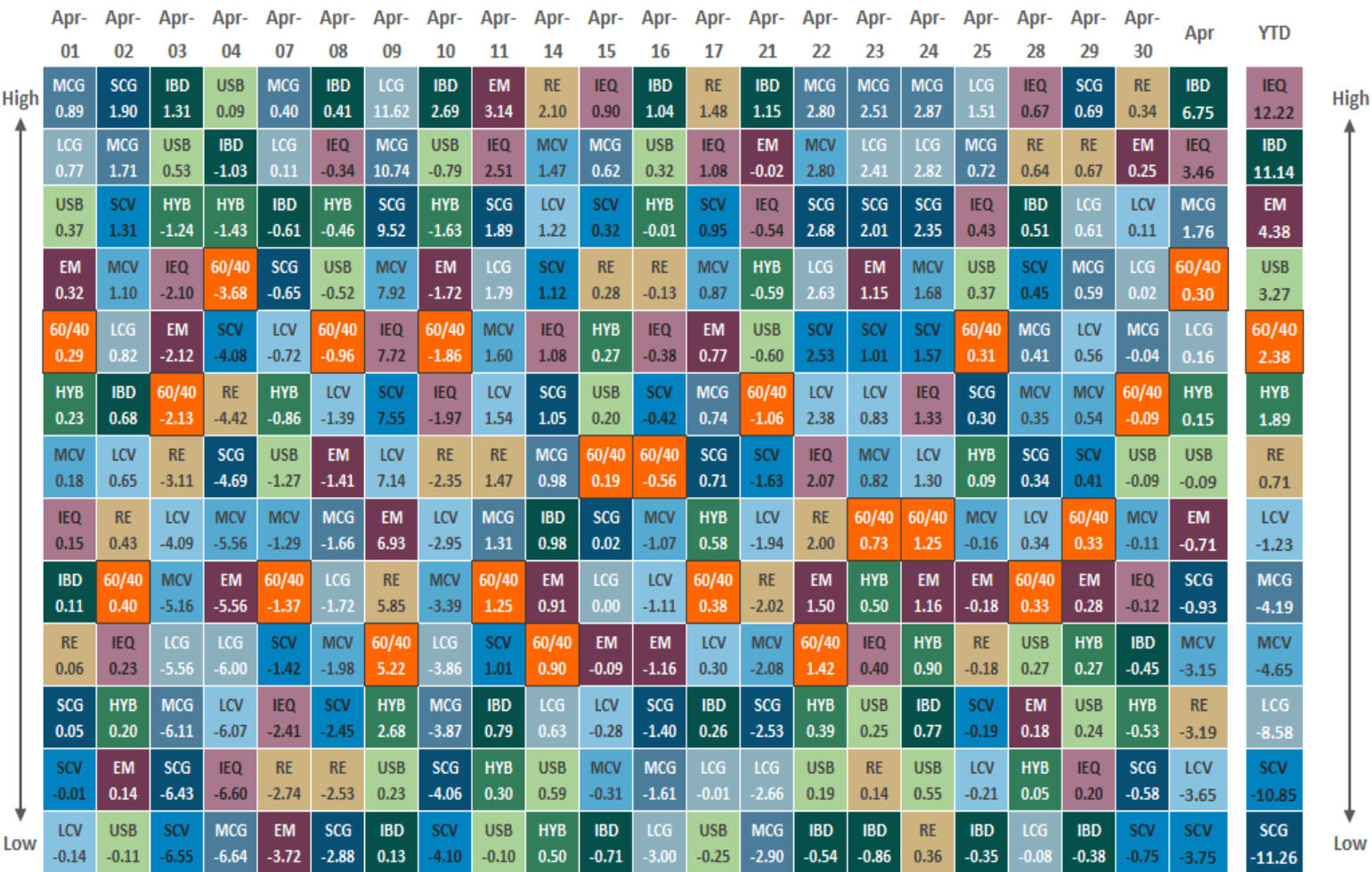


Source: Bloomberg.

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Asset Class Performance

The Importance of Diversification. From period to period there is no certainty what investment will be the best, or worst, performer. Diversification mitigates the risk of relying on any single investment and offers a host of long-term benefits, such as less portfolio volatility, improved risk-adjusted returns, and more effective compounding.



Legend

60/40 Allocation
(60/40)

Large Growth
(LCG)

Large Value
(LCV)

Mid Growth
(MCG)

Mid Value
(MCV)

Small Growth
(SCG)

Small Value
(SCV)

Intl Equity
(IEQ)

Emg Markets
(EM)

U.S. Bonds
(USB)

High Yield Bond
(HYB)

Intl Bonds
(IBD)

Real Estate
(RE)

Source: Sources for this market commentary derived from Bloomberg. Asset-class performance is presented by using market returns from an exchange-traded fund (ETF) proxy that best represents its respective broad asset class. Returns shown are net of fund fees for and do not necessarily represent performance of specific mutual funds and/or exchange-traded funds recommended by the Prime Capital Financial. The performance of those funds in February may be substantially different than the performance of the broad asset classes and to proxy ETFs represented here. U.S. Bonds (iShares Core U.S. Aggregate Bond ETF); High-Yield Bond (iShares iBoxx \$ High Yield Corporate Bond ETF); Intl Bonds (SPDR® Bloomberg Barclays International Corporate Bond ETF); Large Growth (iShares Russell 1000 Growth ETF); Large Value (iShares Russell 1000 Value ETF); Mid Growth (iShares Russell Mid-Cap Growth ETF); Mid Value (iShares Russell Mid-Cap Value ETF); Small Growth (iShares Russell 2000 Growth ETF); Small Value (iShares Russell 2000 Value ETF); Intl Equity (iShares MSCI EAFE ETF); Emg Markets (iShares MSCI Emerging Markets ETF); and Real Estate (iShares U.S. Real Estate ETF). The return displayed as "Allocation" is a weighted average of the ETF proxies shown as represented by: 30% U.S. Bonds, 5% International Bonds, 5% High Yield Bonds, 10% Large Growth, 10% Large Value, 4% Mid Growth, 4% Mid Value, 2% Small Growth, 2% Small Value, 18% International Stock, 7% Emerging Markets, 3% Real Estate. 080223006 - MAH

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