



The first quarter of 2025 saw a stark contrast to Q4 2024, with large-cap U.S. growth stocks (LC growth) falling over 8%, while diversified portfolios outperformed. International stocks and bonds played a key role in stabilizing portfolios, with international equities outperforming LC growth by nearly 15%.

As we discussed last quarter, the high valuations of LC growth stocks (S&P 500 Growth Total Return Index) raised concerns, and diversification proved beneficial. Large-cap U.S. value stocks (S&P 500 Value Total Return Index) held up better this quarter, rising .3%. Developed international led foreign equities (FTSE Developed ex US All Cap Net Tax [US RIC] Index), gaining 5.8% on the backdrop of a weaker U.S. dollar. Bonds also contributed positively, benefiting from falling yields as the stock market sagged. Intermediate-term treasuries (Bloomberg US Treasury 3-10 Year Total Return Index) led the way with a return of 3.1%.

Tariffs became a major focus, as President Trump introduced a large trade agenda. While tariffs aim to protect U.S. interests, they bring market uncertainty, potentially raising inflation and affecting currency and supply chains. This has led to volatility and shifted expectations for growth and inflation. The Federal Reserve has adopted a cautious stance, with interest rates on hold for now, but the impact of tariffs on the economy is still unclear.

There are two notable concerns with tariffs: higher inflation and a stronger U.S. Dollar. The relationship between inflation and the USD is complicated, with many variables. Generally, higher inflation can weaken the USD. However, if higher inflation prompts the Federal Reserve to raise interest rates, it can strengthen the USD. For the first quarter, the US Dollar Index (DXY) fell about 4% and weakened in the first few days of April.

In sum, while LC growth stocks had a strong run, their pullback was expected, and tariffs acted as the catalyst. We maintain that a diversified portfolio is the best strategy to navigate market fluctuations, ensuring steady, long-term returns.

We thank you for your trust and remain committed to prudent, disciplined investing in the face of market uncertainty.



Miller Wealth Advisors

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Sources:

1. Wall Street Journal, "S&P, Nasdaq Log Worst Quarter Since '22", April 1, 2025
2. ValMark Investment Forum, April 15, 2025

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