Leigh Baldwin & Co.

Investment Brokerage

The first quarter is over for 2025. We started off the year with a positive January (which has historically boded well for the full year) followed by new record highs in mid-February. Then the proverbial wheels fell off, and we just booked the worst quarter for US stocks since 2022. This early action does prove two things, first, markets can go up and down, which is a reminder after two consecutive years of 20% plus growth in the S&P 500. Secondly, in a global economy, money tends to flow to where it is treated best, which again makes the case for portfolio diversification.

Market participants all expected some volatility to begin the year as the new White House Administration charged ahead with their aggressive initiatives. Another thing likely proven then is that equity markets typically do not like uncertainty, and we are now living in Uncertainty Land. For the record, the S&P 500 is down by about 4.6%, the Nasdaq has fallen close to 10% (and is in correction territory), and the venerable Dow is lower by about 1.5%. Tech stocks are now a bit out of fashion.

Quietly, while all eyes remain fixed on US stocks, other markets have done surprisingly well. In fact, the performance divergence between the S&P 500 and international stocks, represented by the EAFE index, may be one of the widest ever as the EAFE is up about 10% year to date. In the background, interest rates are trending lower, and the bond market (US Aggregate index) is up about 2.5%. The recent losses in the more aggressive stock indexes have been somewhat muted by gains in asset classes like international and fixed income. Our final proof then is that a well-diversified portfolio, designed to withstand periods of volatility, can be a potent tool to help investors stay on course with their financial plan.

Looking ahead, the possibility of turmoil and potential trade wars has sparked a transformation of European economies. For example, Germany has initiated over 1 trillion (Euros) in new infrastructure and defense spending and has triggered similar stimulus spreading throughout Europe. This government spending combined with low equity valuations, could be a recipe for money flowing to where it is treated best. We appreciate your continued support and confidence in our firm, and we look forward to discussing the design of your portfolio and how we can help you to achieve your financial goals.

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