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Highland ReCAP

A Review of Capital Markets

March 2025

Summary

U.S. stocks tumbled in March, finishing off a rocky first quarter of 2025. Tariff talk continued to dominate the headlines as measures targeting steel, lumber, and the auto industry were met with countermeasures from Canada, the Eurozone, and Asia. Domestic bonds provided some diversification but still only managed to end the month flat. Inflation measures were mixed, and the Fed maintained their holding pattern on interest rates, while consumer confidence surveys showed some slight weakening. International markets held up better but still struggled to generate positive returns, while commodities outpaced global stocks and bonds, and gold traded at new highs.

Equities

Domestic stocks suffered a major pullback in March, with large cap equities falling 5.8% for the month, and small caps ending down 6.8%. The selloff pushed first quarter returns for US equities into negative territory and marked the worst start to the year since 2022. Developed international stocks were unable to hold onto earlier gains and finished the month with a return of -0.4%, while emerging markets shrugged off concerns around the impact of US tariffs on global trade to produce a positive return of 0.6% in March.

Fixed Income

Bonds were not insulated from tariff concerns in March yet managed to weather the storm with slightly positive returns. The 10-year Treasury traded between 4.1% and 4.4% during the month before finishing flat, as investors weighed the risks of an economic slowdown against the prospect of higher future inflation. The yield curve steepened and credit spreads widened off of historically tight levels as shorter duration, higher quality bonds were favored by fixed income investors in March.

Market Trends

As of March 31, 2025



	1M	3M	1Y	3Y	5Y	10Y
US Large Cap ¹	-5.8%	-4.5%	7.8%	8.7%	18.5%	12.2%
US Small Cap ²	-6.8%	-9.5%	-4.0%	0.5%	13.3%	6.3%
Developed Non-US ³	-0.4%	6.9%	4.9%	6.1%	11.8%	5.4%
Emerging Markets ⁴	0.6%	2.9%	8.1%	1.4%	7.9%	3.7%
US Aggregate Bonds ⁵	0.0%	2.8%	4.9%	0.5%	-0.4%	1.5%
Long Gov/Credit ⁶	-1.1%	3.6%	1.7%	-4.5%	-3.7%	1.0%
US High Yield ⁷	-1.0%	1.0%	7.7%	5.0%	7.3%	5.0%
Gold ⁸	9.9%	18.2%	39.4%	16.3%	13.2%	9.2%
Broad Commodities ⁹	3.9%	8.9%	12.3%	-0.8%	14.5%	2.8%

1 – Russell 1000, 2 – Russell 2000, 3 – MSCI EAFE, 4 – MSCI Emerging Markets, 5 – Bloomberg US Agg, 6 – Bloomberg US Long Gov/Credit
7 – Bloomberg US Corporate High Yield, 8 – Bloomberg Gold Subindex, 9 – Bloomberg Commodity

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Disclosure Statements

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