

# Highland ReCAP

*A Review of Capital Markets*

## April 2025

### Summary

April 2025 tested global markets in ways that have not been felt since March of 2020. The stress kicked off on April 2 (Liberation Day) with President Trump's global tariff announcement. His stated plan was to tax imports from every country in the world at a minimum of 10%, with some trading partners facing rates approaching 50%.

The market reaction was swift and severe as stocks nosedived in tandem with the dollar. After an initial flight to Treasuries, the U.S. bond market sold off, with the 10-year Treasury rising from a yield just under 4% to nearly 4.5% in less than a week of trading. Global investors paused to question the safety of U.S. debt and the dollar more broadly. Subsequent delays and adjustments in tariff implementation were met with relief rallies, which enabled risky assets to recoup most of the losses by the close of the month. In the end, U.S. stocks still finished lower in April, underperforming international equities for a fourth consecutive month, while high quality bonds ended modestly higher with elevated volatility.

### Equities

U.S. stocks continued their slide in the wake of President Trump's tariff announcement. Major U.S. indexes declined 10-12% in the five trading days after April 2, before snapping back on subsequent news of a 90-day pause on tariff implementation. Large cap stocks ultimately finished 0.6% lower on the month as the market continued its tumble from lofty highs, marking the fourth negative month out of the last five. Small caps were battered once again and have lost nearly 19% after a post-election pop last November.

Outside of the U.S., investors fared better, as developed international equities continued to widen their outperformance year-to-date, returning 4.6% in April. The MSCI EAFE Index has managed to outpace U.S. markets by nearly 17% thus far in 2025. Emerging market stocks ended the month relatively unscathed, finishing 1.3% higher. EM returns have been positive in each of the first four months of 2025.

### Fixed Income

Bonds took an interesting journey through the course of April as well. Treasury yields traded in a wide range with the 10-year Treasury note varying between 4 and 4.5% during the month. Broad concerns over the reaction to the U.S. as a safe haven for assets in the wake of the Liberation Day stock selloff. The selloff also permeated fixed income markets for most of the month, as global allocators seemed to question the protection offered by U.S. debt, and the U.S. dollar. Corporate credit spreads widened off of low levels, wiping out the month's income gains for below investment grade assets. Trading on high-grade debt settled a bit as the month progressed, but bond investors remained on edge entering the month of May.

# Market Trends

As of April 30, 2025



	1M	3M	YTD	1Y	3Y	5Y	10Y
US Large Cap <sup>1</sup>	-0.6%	-8.0%	-5.1%	11.9%	11.9%	15.4%	12.0%
US Small Cap <sup>2</sup>	-2.3%	-13.8%	-11.6%	0.9%	3.3%	9.9%	6.3%
Developed Non-US <sup>3</sup>	4.6%	6.2%	11.8%	12.6%	10.1%	11.4%	5.4%
Emerging Markets <sup>4</sup>	1.3%	2.4%	4.3%	9.0%	3.8%	6.3%	3.1%
US Aggregate Bonds <sup>5</sup>	0.4%	2.6%	3.2%	8.0%	2.0%	-0.7%	1.5%
Long Gov/Credit <sup>6</sup>	-1.2%	1.9%	2.4%	6.4%	-1.7%	-4.8%	1.1%
US High Yield <sup>7</sup>	0.0%	-0.4%	1.0%	8.7%	6.2%	6.3%	4.9%
Gold <sup>8</sup>	5.7%	17.2%	25.0%	42.6%	19.3%	13.1%	9.8%
Broad Commodities <sup>9</sup>	-4.8%	-0.3%	3.6%	4.1%	-3.7%	13.7%	1.7%

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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