Cornerstone
ASSET MANAGEMENT GROUP, LLC

Economic & Investment Overview | April 2025 | By Kim W. Suchy & Brett E. Suchy

www.csamg.com I Kim.Suchy@csamg.com I Brett.Suchy@csamg.com

Spring and the baseball season have just begun, and the markets have already delivered on expectations for a volatile 2025. If you are a White Sox fan, there's only one way to go; up! For investors, there are an array of outcomes as interest rates and stock prices continue to swing in wide ranges, influenced by erratic economic data and shifting policy announcements. While these short-term movements are nerve wracking, our focus remains on the bigger picture—helping our clients to remain focused on asset allocation and staying on course amid uncertainty.

Despite some big swings in economic data, the U.S. economy remains resilient despite ongoing market volatility. Real-world economic activity, as measured by key indicators such as retail sales, jobless claims, and industrial production, remains stable. The Dallas Fed's weekly economic series suggests growth in the 2%–2.5% range—well above recession territory. While survey-based data reflects a decline in consumer and business sentiment, actual economic performance tells a different story. We, however, keep a keen eye on sentiment as it is a bellwether for the markets.

Labor market conditions remain supportive. Initial jobless claims, a key forward-looking indicator, have remained low, telling us that businesses continue to hire, albeit at a methodical pace. Manufacturing output and capital goods orders remain solid, despite uncertainties surrounding trade policy…perhaps activity is heightened due to prospective tariffs so we take a wait and see on these factors. Strength in vehicle sales, housing starts, and new home sales further support the case for continued economic expansion, especially if rates continue to edge lower.

Referring to the equity markets, they have faced increased volatility, with the SP500 recently entering correction territory—down 10% from its all-time high. As we have reported to you, corrections feel miserable even though they are a normal occurrence. In fact, they occur in 57% of calendar years. Importantly, these declines do not necessarily signal the start of an extended downturn. We view them as opportunities to adjust portfolios thoughtfully and take advantage of attractive valuations.

The market's concentration in a handful of large-cap technology stocks is shifting. While the "Magnificent Seven" dominated returns in 2023, their influence has diminished, with several of these stocks experiencing declines in 2025. Thankfully, market participation has broadened, with a larger percentage of SP500 companies outperforming the index compared to last year's historic lows. This signals a healthier market environment where diversified portfolios can benefit from a wider range of opportunities. This is holding our clients in good stead.

In uncertain times, diversification remains a powerful tool for managing risk. A balanced mix of growth equities, income-based equities and quality bonds has delivered positive returns year-to-date, demonstrating the importance of staying invested through market turbulence. We continue to favor active management strategies that seek out attractively valued opportunities while mitigating exposure to the most expensive areas of the market.

Market uncertainty is inevitable, but it does not have to lead to investment paralysis. The fundamentals of the U.S. economy remain solid, and while challenges persist, we are confident in our ability to navigate them successfully. By maintaining a disciplined, diversified approach, we position our clients for long-term success—regardless of whether the next market move comes up heads or tails.

Here is your look at developments in the global marketplace.

POSITIVE DEVELOPMENTS

- Housing starts and existing home sales surged in February, rising 11.2% and 4.2%, respectively. The rally in bonds sent the 10yr UST yield lower, which in turn sent mortgage rates down. Lower mortgage rates are key to unlocking the stagnant housing market as homeowners and buyers wait for more affordable monthly payments.

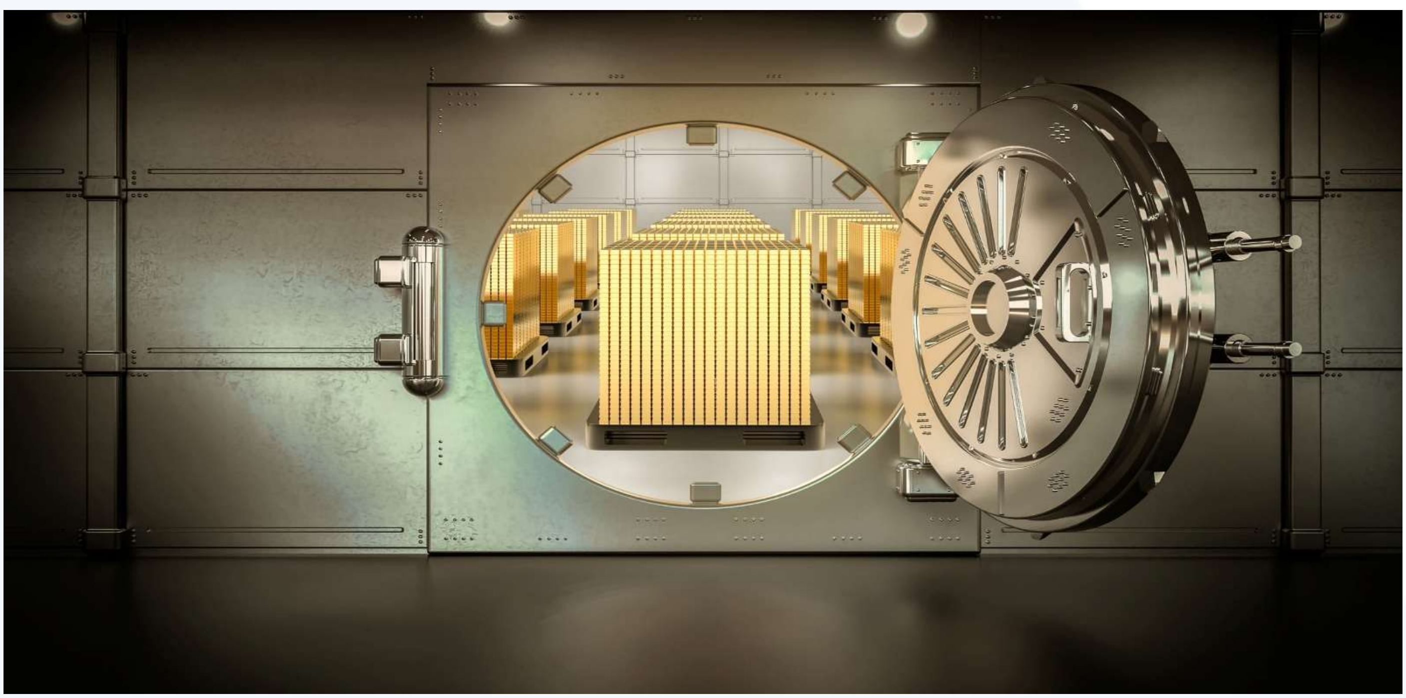
- Inflation was lower than anticipated in February. This fact applied to both year-over-year and month-to-month inflation. This, coupled with signs of a possible slowing of economic activity, this inflation news boosts the likelihood that the Fed will engage in multiple interest rate reductions this year. In fact, the futures markets are pricing in a 60% probability of 3 or more rate cuts this year. That is up from a 7.4% probability last month..

- European (EU) markets have been outperforming U.S. markets this year. Key drivers of EU market gains are the aerospace & defense sectors have surged due to the Russia/Ukraine conflict, with EU defense spending plans, including an €800 billion proposal. In addition, EU banks, benefiting from higher interest rates and strong capital returns, have outperformed, delivering a 34.7% YTD return while still trading at a discount to U.S. banks.

- The National Association of Realtors reported that February *existing* home sales rose 4.2% to an a/r of 4.3M. This was a big surprise, since economists were expecting Feb. sales to decline 3.2%. The inventory of existing homes for sale rose 5.1% to 1.2M.

- Gold prices have soared to new all-time highs, driven by growing economic uncertainty, inflation concerns and a weakening U.S. dollar. This rush into gold signals a broader shift in sentiment—investors are diversifying away from U.S. assets…Broadening their asset allocation.

- New orders for durable goods surprised to the upside in February, rising 0.9% following a 3.3% jump in January. That comfortably outpaced the consensus expected 1.0% decline, while prior months data were revised slightly upward as well



NEUTRAL DEVELOPMENTS

- Equity markets continue to suggest that economic growth outside of the US is increasingly likely to improve while downside risks to US growth are edging higher. As a result, US stock valuation multiples are falling closer to their international counterparts as international markets have outperformed US ytd.

- The Federal Reserve decided to keep the federal funds rate steady at a range of 4.25-4.50%. This move was widely expected and unsurprising given the uncertainty around how these new tariffs will ultimately affect the economy in terms of economic growth and inflation.

- *New* home sales posted a modest gain in February, rebounding from their drop in January. Looking at the big picture, buyers purchased 676k homes at an a/r, well below the highs of the pandemic and basically unchanged from 2019. The future cost of financing remains a question, lower priced options and heftier inventories will help fuel new home sales in 2025.

- The American Society of Civil Engineers 2025 Report Card gave U.S. infrastructure a C, the highest grade since the report's inception in 1998, however, key areas like roads, energy, and wastewater still require significant improvements. The bipartisan infrastructure law has helped, but the investment gap has grown to $3.7T from $2.6T in 2021.

NEGATIVE DEVELOPMENTS

- The index of consumer confidence fell sharply in February. It declined to its lowest level since November 2023. The decline was led by a 19% drop in buying conditions for durable goods. Consumers became more averse to such purchases due to fears of tariff-fueled price increases.

- Internationally, the tariff issue looms. April 2 is shaping up to be a major inflection point for markets. That’s when Trump is expected to lay out reciprocal tariff plans, which could either calm markets or reignite fears of a messy trade war. Until then markets remain unsettled.

- A surge of changes coming out of the Trump Administration regarding tariffs, federal layoffs and immigration has raised questions about the path of inflation and growth which sent the U.S. stock market into correction mode and has the Fed cautious on inflation and growth.

THE MARKETS

March came in like a lion and out like something very loud and ugly! The U.S. markets were lower across the board with the Dow, SP500, NASDAQ and Russell 2000 all closing March in the red. European markets followed suit as most markets finished in negative territory. The Asian markets were mixed with China ending the month in slightly positive territory and India broadly higher. Japan closed much lower posting a -4.6% return.

Bonds were slightly higher in March as monies gravitated towards safe harbors. The 10-year yield closed at 4.25% after dipping to 4.18% to just below its 200-day moving average on the last trading day of March.

U.S Index	Last Month (% return)	YTD (%)
S&P 500	-2.9	-4.6
Dow Jones	- 1.1	-1.2
NASDAQ Comp	-5.5	-10.6
Russell 2000	-3.1	-9.6

Source: https://tradingeconomics.com/stocks

‘A Tradition Unlike Any Other’…and a Nap Unlike Any Other

Thoughts on the Masters, Spring’s Return, and Why This Tournament Hits Right for Everyone

By: Brett Suchy

Throughout my life, the beginning of April has always served as a blessing, especially after surviving another Midwest winter. The trees and flowers are showing signs of life, the Vitamin D intake becomes more regular with frequent sunshine, the feeling in your fingertips returns after long dog walks, the rain and breeze brings smells that have been dormant outside of your synthetic bathroom candle, the new age of weather brings prolonged outdoor activity back into play, and the Illinois golf courses become closed to dogs.

Obviously, my personal view of what April brings will differ from others…much of what I referenced above is due to my geographic origins. Think: Floridians rarely ever see the skeletons of trees, feel the sub-0 temperatures conquer every bone, know of Vitamin D deficiency, or have played an uninterrupted round of golf with their dogs in 39-degree weather. Instead, they will soon begin to fear the blistering heat, daily 1PM rainstorms, and resulting humidity. However, in most experiences, April represents some sort of change, or the beginning and end of a chapter, for a lot of people and organizations.

With that said, there is a new organizational chapter that comes every April that just about anyone can enjoy. That is, Masters season, which is golf’s unofficial New Year. Once the April Fool’s Day jokes are played, laughed at, cried over, attention then turns to making sure that the Master’s Tournament is on the calendar (April 10-13). Whether you are in Illinois, Florida or London, many people look forward to and tune in for many different reasons, and you don’t have to be a fan of the game. Here’s why.

Magnolia Lane: Entrance to Augusta National Golf Club

It’s no secret that Augusta National is one of the most pristine courses in the world. The tournament TV coverage will capture everything: the blooming azaleas, sunlight filtering through the pine trees, glassy reflections off the water, and the mind-blowing detail over every square inch of the course. Every blade of grass looks individually trimmed and every bunker raked with surgical precision. It is a golf version of a Monet painting and is everyone’s backyard dream. And, honestly, if the tournament disappeared tomorrow, a 6-hour drone coverage simply filming the landscape would still pull decent ratings.

Second, let’s talk about the whispery golf commentators. Even if you’ve never played a round in your life, you’ve probably flipped on a tournament, and it suddenly felt like you just plopped onto some memory foam. There is something about soft narration, coupled with the birds chirping, a gentle piano playing as the leaderboard is presented or in conjunction with commercial breaks, that makes it feel more like a nature documentary than a sporting event. Personally, whenever the sun is showing its slightest rays, there’s only two things that can lull me into a nap: an airplane engine, or Jim Nantz whispering, “Hello friends.” So, even if you don’t know how to hit a tiny ball straight and consistent or know how to keep *score*, at least you know you can *score* a nap.

Third, for the golf junkies, this tournament is sacred. The Masters is the majors or all majors. Same course, same traditions, same deep respect. From the ceremonial tee shots to the green jacket presentation, everything about this tournament feels holy. Every shot matters more, the nerves are heavier, the roars are louder, the crowd is more eerily quiet, and the collapses are harder to watch. Every golfer knows that this tournament will make and break legends.

But, golf fans like me don't just tune in for leaderboard updates, but rather for what feels like magic. To see pros attempt the same shots that we chunk at our courses. To gawk at someone carving a 200-yard draw through two thin Georgia pines with the ball laying down on a root, and then, to see it land four feet from the stick. To see shots no one's ever tried before, or a wedge spun back on a green sloped like a skateboard ramp. We empathize with the "Amen Corner" because we know how easily it could chew us up. And, even if most of us will never sniff Augusta's fairways, we all share that glimmer of hope that maybe one day, somehow, we'll get an invite. But, until then, we just watch, dream, and judge the pros for missing four-foot putts that we also miss all the time.

So, whether you're a scratch golfer, die-hard fan, or just a casual observer, the Masters gives everyone a reason to tune in. Maybe it's the beauty of the course, the tension in every shot, or just a peaceful break from the world. But like spring, it's a reminder of fresh starts and things coming back to life. It's about tradition, hope, and the idea that something simple, like a golf tournament, can bring people together.

Augusta National Golf Club Credit: wellesenterprises

NEWS YOU CAN USE

The origin of April Fool's Day dates to the 16th century when France switched from the Julian to Gregorian calendar. Those that didn't get the memo and continued to celebrate New Year's in late March were dubbed "April fools". According to a 2021 YouGov survey, 45% of Americans think April Fools' Day pranks are amusing, while 47% consider them annoying. The Global economic cost (missed meetings, downtime, etc.) is hard to track, but it seems like productivity could take a small hit. At any rate, resulting laughter from pranks can release endorphins and reduce stress – stick to pranks that are harmless mischief rather than embarrassment.

YouGov - April Fool's Day

Global coffee prices have risen dramatically due to adverse weather conditions in major producing countries like Brazil and Vietnam (which account for 50% of global production). This, in turn, has led to reduced exports. Companies like Lavazza, Nestle, and JDE Peet's are in discussions with retailers to raise consumer prices by up to 25% to offset these increased costs. In the US, JM Smucker (producer of Folgers), has already raised prices and anticipates further increases in the coming months. Perhaps some substitution effect will take place here and Red Bull's become more prevalent.

NY Post - Coffee Prices

During the COVID pandemic, a volunteer photographer, Adrian Budnick, began creating humorous TikTok videos to promote dog adoptions at Nashville's Metro Animal Care and Control. She invented names such as "Himalayan fur goblin" and "Teacup werewolf", and TikTok series that have gone viral. Adoptions have increased over 25% from 2021 to 2024, attracting nationwide attention and donations, coming as far as Canada. She has created a more effective approach to consider adoption by showcasing their unique characteristics and personalities and throwing in a little spice of humor.

AP News - Nashville Animal Shelter

As always, if we can be of additional guidance, please feel free to call us at 312.485.6847.

Best regards,

Kim W. Suchy - CEO
Brett E. Suchy, CIMA® - COO
Cornerstone Asset Management Group, LLC
5411 Commonwealth Ave; Western Springs, IL 60558