

APRIL 2025

OCIO Observes ... Our Thoughts On The Economy & Markets

Dear valued client,

We hope this note finds you well and that you find it of value. We are grateful for the trust and confidence you have placed in Orion OCIO. Please contact us if we can assist you in any way.

Tim Holland

[A Look Back](#)

- The S&P 500 entered a correction in March, trading off 10% from its all-time high and down 6% for the month. Uncertainty around trade policy and signs of a slowing economy weighed on sentiment and risk assets.
- We think Wall Street was expecting the Trump Administration to focus on trade, tax cuts and regulatory relief; instead, the focus has been almost exclusively on trade policy, including a new baseline tariff and reciprocal tariffs announced in early April that came in at levels well above Wall Street's expectations.
- High quality fixed income was one of the few bright spots last month, with the Bloomberg US Aggregate Index flat for the month of March, and now up 3% year to date as investors seek shelter from the equity market storm.

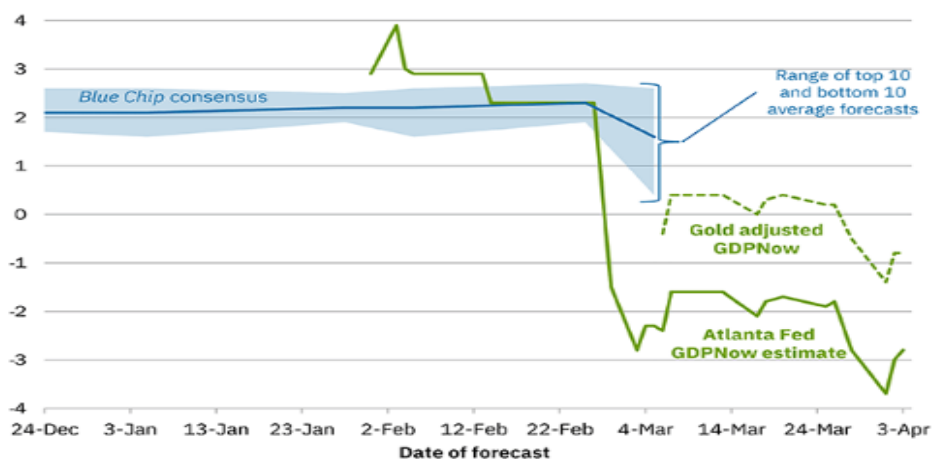
[A Look Ahead](#)

- The US Dollar fell 3% in March as measured by the ICE US Dollar Index. We think the US Dollar remains on the backfoot, weighed down by our large fiscal deficit and what seems to be the Trump Administration's preference for a weaker dollar.
- One contrarian indicator we take comfort in is the extreme level of pessimism towards US equities. The AAI Investor Sentiment Survey just registered four consecutive weeks of bearish readings above 57%, a first in its nearly four-decade history. We are hopeful much of the bad news is priced into equities.
- The Fed held rates steady at its March meeting, keeping the Fed Funds Rate at 4.25% to 4.5%, and guiding to two rate cuts this year. We think market volatility and economic uncertainty have increased the odds the Fed cuts interest rates this year, and cuts more than two times. The next Fed meeting is May 7th.

[A Look At A Datapoint Worth Discussing](#)

- The US economy likely shrank in Q1 – the latest Atlanta Fed GDPNowcast puts Q1 GDP growth at -2.8% (see chart). That said, we don't think a recession is pre-ordained, and as it concerns Q1, the most meaningful headwind to growth was a jump in our trade deficit, as companies looked to get ahead of potential tariffs.

Evolution of Atlanta Fed GDPNow real GDP estimate for 2025: Q1
Quarterly percent change (SAAR)

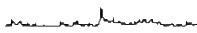


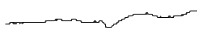








Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts
Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

This Month's Dataset

Category	Index	March	QTD	YTD	1-Year	3-Year	5-Year	10-Year
Large Cap	S&P 500	-5.63	-4.27	-4.27	8.22	9.04	18.53	12.46
Large Cap	NASDAQ Composite	-8.14	-10.26	-10.26	6.34	7.59	18.42	13.88
Small Cap	Russell 2000	-6.81	-9.48	-9.48	-3.99	0.52	13.23	6.27
Growth	Russell 3000 Growth	-8.36	-10.00	-10.00	7.16	9.61	19.50	14.49
Value	Russell 3000 Value	-2.93	1.64	1.64	6.63	6.26	16.08	8.60
Developed	MSCI EAFE	-0.29	7.01	7.01	5.39	6.58	12.27	5.89
Emerging	MSCI Emerging Markets	0.67	3.01	3.01	8.61	1.90	8.36	4.10
China	MSCI China	1.98	15.06	15.06	40.60	3.73	1.62	2.68
Core Fixed Income	Bloomberg Barclays Aggregate	0.04	2.78	2.78	4.86	0.52	-0.40	1.46
High Yield	Bloomberg Barclays High Yield	-1.02	1.00	1.00	7.66	4.97	7.27	4.99
Commodities	Bloomberg Commodity	3.93	8.88	8.88	12.23	-0.77	14.47	2.76
Commodities	Bloomberg Composite Crude Oil	3.42	2.97	2.97	-1.52	2.15	29.92	2.39
Commodities	Bloomberg Copper	11.09	25.13	25.13	27.16	3.93	18.58	6.18

Source: FactSet. Performance shown on an annualized basis (%) for trailing periods ending 3/31/2025.

Economic Indicator	Reference	LATEST	1Y Avg	3Y Avg	5Y Avg	10Y Avg	LT Trend	10Y History
Volatility	CBOE Volatility Index	30.0	17.0	18.8	20.8	18.3	Increasing	
Valuation	S&P 500 - P/E NTM	19.5	21.0	19.2	20.0	18.6	Neutral	
Earnings Growth	S&P 500 - EPS, YoY Growth (%)	10.8	12.6	7.7	10.8	8.7	Increasing	
Profit Margin	S&P 500 - Operating Margin (%)	22.5	22.3	21.5	21.2	20.5	Neutral	
Short-term Yields	2Y Treasury Yield (%)	3.7	4.4	4.0	2.5	2.1	Neutral	
Long-dated Yields	10Y Treasury Yield (%)	4.1	4.2	3.1	2.7	2.5	Increasing	
FI Yields	Bloomberg US Aggregate - YTW (%)	4.5	4.8	4.4	3.2	2.9	Increasing	
FI Duration	Bloomberg US Aggregate - Duration (years)	6.1	6.2	6.3	6.3	6.1	Neutral	
Credit Yields	Bloomberg US Corporate Credit - YTW (%)	8.0	7.6	7.9	6.8	6.7	Increasing	
Crude Oil Price	WTI Crude Oil - Spot Price (\$/bbl)	67.0	75.8	82.3	71.3	62.8	Decreasing	
	52-Week High	87.7						
	52-Week Low	66.3						

Source: FactSet. All data as of 3/31/2025.

Disclosure

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An index is an unmanaged group of assets considered to be representative of a select segment or segments of the market in general, as determined by the index manager for the purposes of managing a specific index. You cannot invest directly in an index.

The S&P 500 Index is an unmanaged composite of 500-large capitalization companies. This index is widely used by professional investors as a performance benchmark for large-cap stocks

The Nasdaq Composite Index is an index that follows approximately 5000 stocks that trade on the Nasdaq exchange. It is considered a good benchmark for smaller company stocks.

The Russell 2000 is an index comprised of the 2,000 smallest companies on the Russell 3000 Index and offers investors a benchmark for small-cap stocks.

The Russell 3000 Index is an unmanaged index considered representative of the U.S. stock market. The index is composed of the 3,000 largest U.S. stocks.

The MSCI EAFE Index is a composite index which tracks performance of international equity securities in 21 developed countries in Europe, Australia, Asia, and the Far East.

The MSCI Emerging Markets (or EM) Index is an index which tracks performance of international equity securities in developed countries in Europe, Australia, Asia, and the Far East, excluding the U.S. and Canada.

The MSCI China Index captures large and mid cap representation across China A shares, H shares, B shares, Red chips, P chips and foreign listings (e.g. ADRs).

The Bloomberg Barclays US Aggregate Bond Index measures the performance of the total United States investment-grade bond market.

The Bloomberg Barclays U.S. Corporate High Yield Index measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds.

The Bloomberg Commodity Index is made up of 22 exchange-traded futures on physical commodities and represents 20 commodities that are weighted to account for economic significance and market liquidity.

The Bloomberg Composite Crude Oil Index is composed of futures contracts on WTI and Brent Crude Oil.

The Bloomberg Copper Index is a commodity group subindex of the BCOM composed of futures contracts on Copper.

The CBOE Volatility (VIX) Index is a calculation designed to produce a measure of constant 30-day expected volatility of the U.S. stock market, derived from real-time, mid-quote prices of the S&P 500 Index (SPX) call and put options.

The Bloomberg US Corporate Index measures the investment grade, fixed-rate, taxable corporate bond market.

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