ORION OCIO

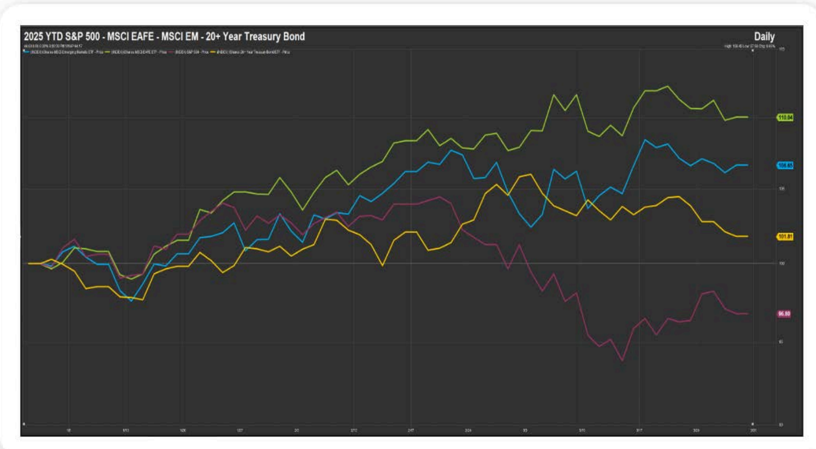
MARCH 31, 2025

Weekly Note

Orion OCIO On What Wall Street Is Wondering About, Worrying Over, Or Wishing For This Week…

In Like a Lion, Out Like a Lion

- The origin of the saying "in like a lion, out like a lamb" is unknown (one theory points towards astrology, another the Bible). We do know the saying speaks to the transitional nature of March from a weather perspective, with the month marked by harsh, rough, winter-like weather at its beginning and mild, calm, docile weather at its end. Well, as it concerns U.S. equities, it seems March has come in like a lion and is going out like a lion (think harsh and rough), with the S&P 500, the Nasdaq Composite, and the Russell 2000 off about 4.4%, 5.5%, and 4.5% month to date. The U.S. dollar has also struggled, off approximately 4% this month. That written, other markets have been more lamb-like as we exit March (think calm and docile), with the MSCI EAFE Index, MSCI EM Index, and the price of gold up around 2%, 3%, and 8%. If we take a step back, those price patterns hold for the year-to-date period, while fixed income, as measured by the iShares 20+ Year Treasury Bond ETF, has gained nearly 2% this year. A few high-level thoughts on why some markets have caught a bid and some markets have faltered in 2025 …
    - S&P 500: Uncertainty around U.S. trade and tax policy; elevated valuations
    - Nasdaq Composite: China's Deepseek large language model a potential threat to the U.S. AI trade; elevated valuations
    - Russell 2000: Still high borrowing costs for many small cap companies; worries about a potential U.S. economic slowdown
    - US Dollar: Persistent and large U.S. budget deficits; uncertainty around U.S. trade policy; the Trump Administration seems to favor a weaker dollar
    - MSCI EAFE: Positive policy developments in Western Europe (new, significant spending on defense and infrastructure likely); attractive valuations
    - MSCI EM: A weaker U.S. dollar; attractive valuations; a more pro-business posture from the Chinese government
    - Gold: A perceived hedge against both global economic uncertainty and the possibility of persistent inflation
    - Fixed Income: Signs of a slowing U.S. economy; Fed rate cuts still likely this year; U.S. government bonds remain a safe haven
- We remain optimistic on the U.S. economy and U.S. stocks. That said, we are big believers in the benefits of diversification. In that vein, a portfolio with approximately 42% exposure to the S&P, 12% exposure to international developed equities, 6% exposure to international emerging equities and 40% exposure to U.S. government bonds — a classic 60/40 portfolio with a bias to U.S. stocks — would be up about 1% year to date (see chart below).



Source: FactSet, 3/28/2025

Market data cited as of 3/28/2025

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 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.

An index is an unmanaged group of stocks considered to be representative of different segments of the stock market in general. You cannot invest directly in an index.