



Market Volatility Update

Chief Investment Office

March 6, 2025

2025's Sideways Chop

Why has the market come under pressure?

A combination of 1) “Great Expectations” going into the year (stretched positioning, valuations, sentiment, and policy/growth forecasts) left little room to absorb downside surprises; 2) policy volatility as DC prioritizes “restructuring” over growth and sparking recession fears; 3) seasonality

How far and deep will the correction go?

The market is slightly oversold, so we could see a short term bounce, but we see rising risk that we don't get a V-shape recovery, with stocks potentially rolling over at resistance (not making new highs quickly) and remaining volatile. We continue to expect a sideways chop for 2025 and are not calling for a recession, with growth slowing but not collapsing for multiple quarters.

Is equity weakness buyable?

History shows that even if it is not the ultimate low, buying stocks once they have corrected and are trading below their 200 day moving average increases forward returns.

How can investors take advantage of volatility?

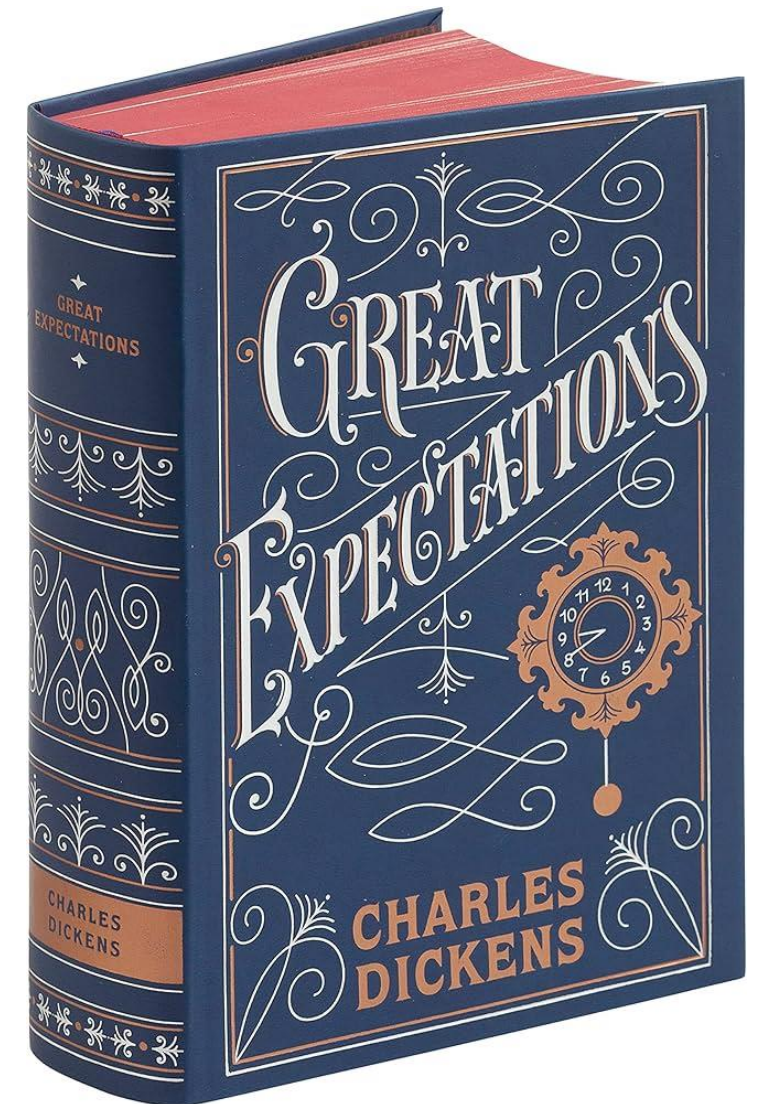
Our Strategic Portfolio Priorities from our 2025 Outlook remain relevant.



Why Has the Market Come Under Pressure?

2025 Outlook: Great Expectations

- Everywhere we look, we see *Great Expectations* for the U.S. economy and markets to deliver strong results in 2025
- Starting points matter, with the bullish and optimistic view for 2025 a notable contrast to 2023 and 2024's bearish and pessimistic views
- This does not mean that we cannot achieve these *Great Expectations*, but the bar to surprise to the upside is now much higher
- Said another way: optimism is warranted, but optimism is also crowded
- We think that where the bond and equity markets end exactly on December 31, 2025 is far less important than how investors handle the volatility we expect to present itself over the course of the year.
- A world of *Great Expectations* has the following implications on investors:
 - It creates the potential for more volatility, as expensive and crowded markets cannot absorb shocks as easily, but volatility creates opportunity
 - It argues for finding ways to diversify away from equity/credit and interest rate risks into uncorrelated assets
 - It suggests that lower returns make tax and fee efficiency even more important

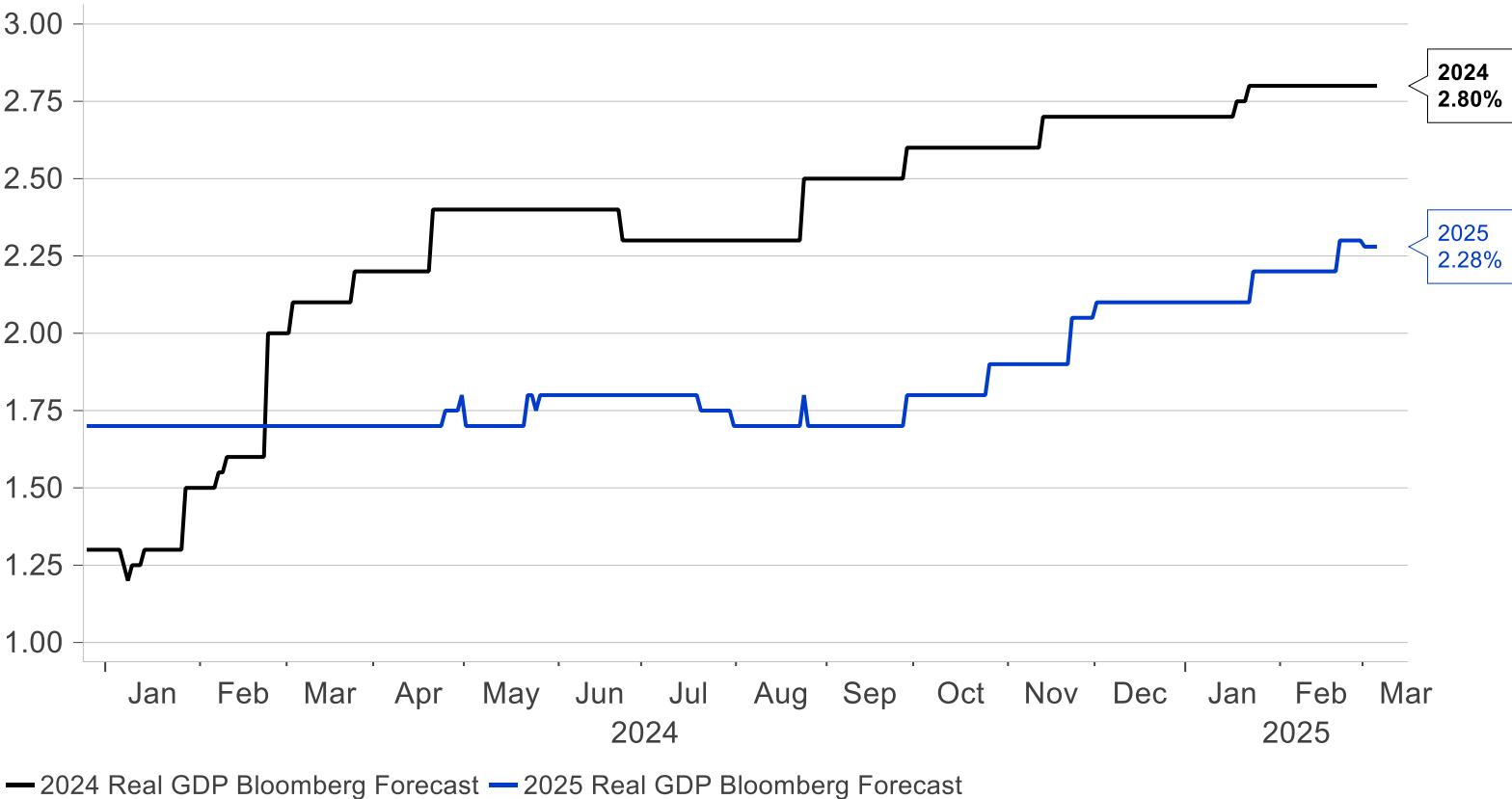


Stock Prices Diverged from Earnings



GDP Growth Forecasts Still Elevated

Bloomberg Consensus U.S. Real GDP Growth Forecast for 2024 and 2025



Source: NewEdge Wealth, Macrobond, Bloomberg

Watch Credit Spreads for Signs of Growth Fears

Bloomberg US Corporate High Yield Average OAS



Source: NewEdge Wealth, Macrobond, Bloomberg

Credit Remains Contained For Now

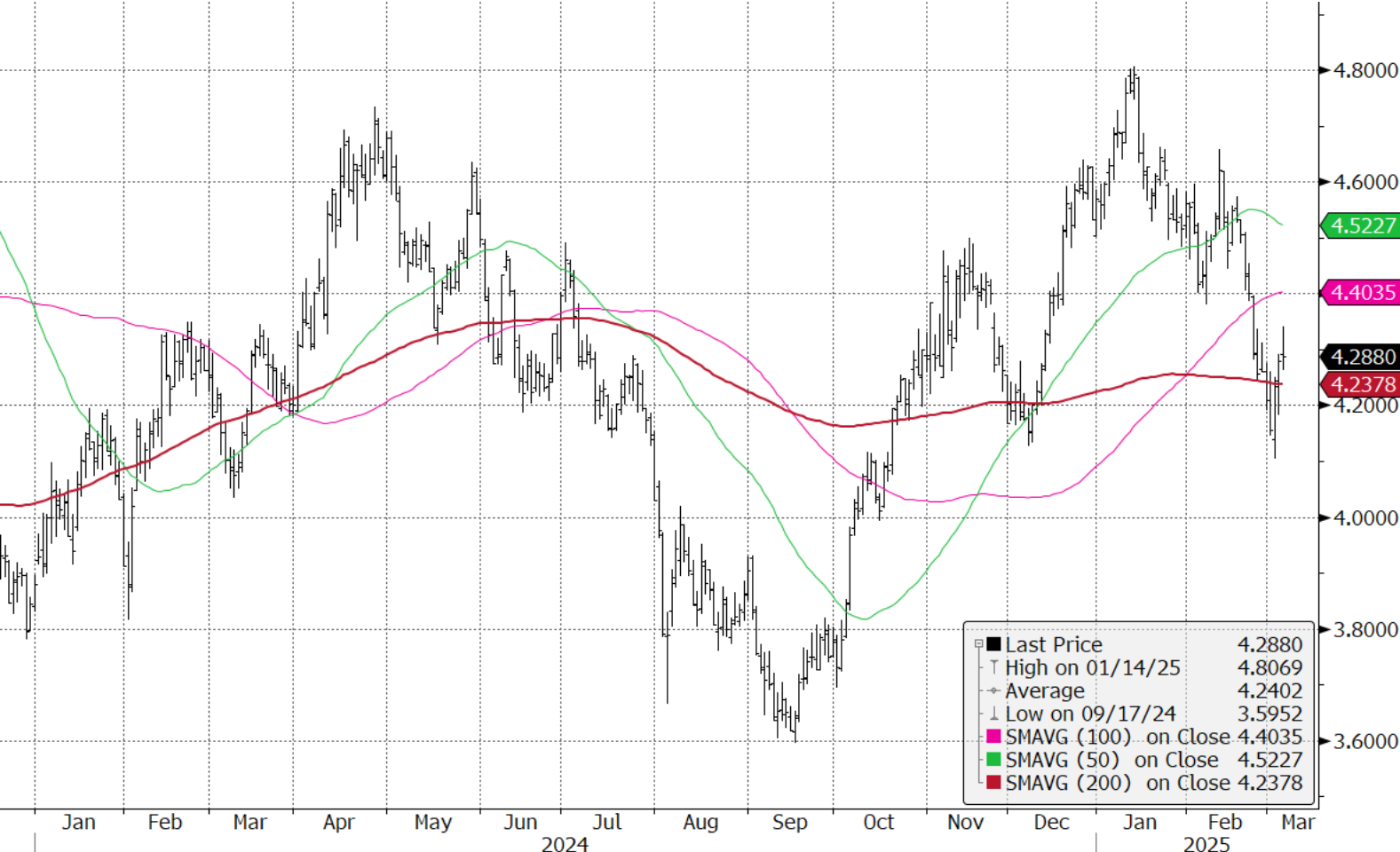
Bloomberg US Corporate High Yield Average OAS



Source: NewEdge Wealth, Macrobond, Bloomberg

10 Year Yield a “Be Careful What You Wish For”

10 Year Treasury



USGG10YR Index (US Generic Govt 10 Yr) US 10 Year Treasury 6m Daily 16DEC2023-07MAR2025 Copyright© 2025 Bloomberg Finance L.P. 06-Mar-2025 16:14:00



How Far and Deep Will the Correction Go?

S&P 500 Below the 200 Day Moving Average

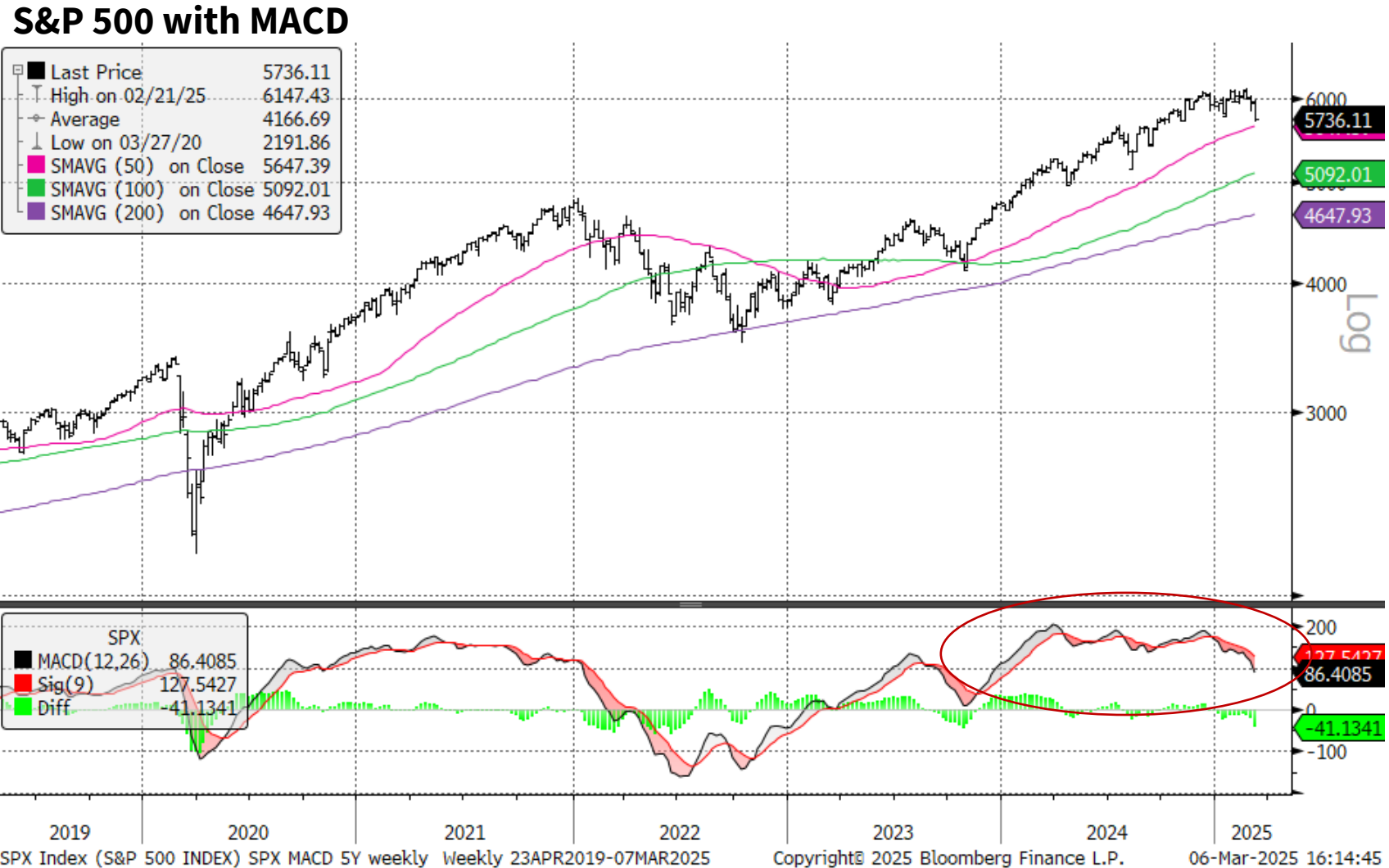
S&P 500 with Daily Relative Strength Index



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S&P 500 Has Had Fading Momentum



The Path From Here? Potential Bounce and Struggle at Resistance

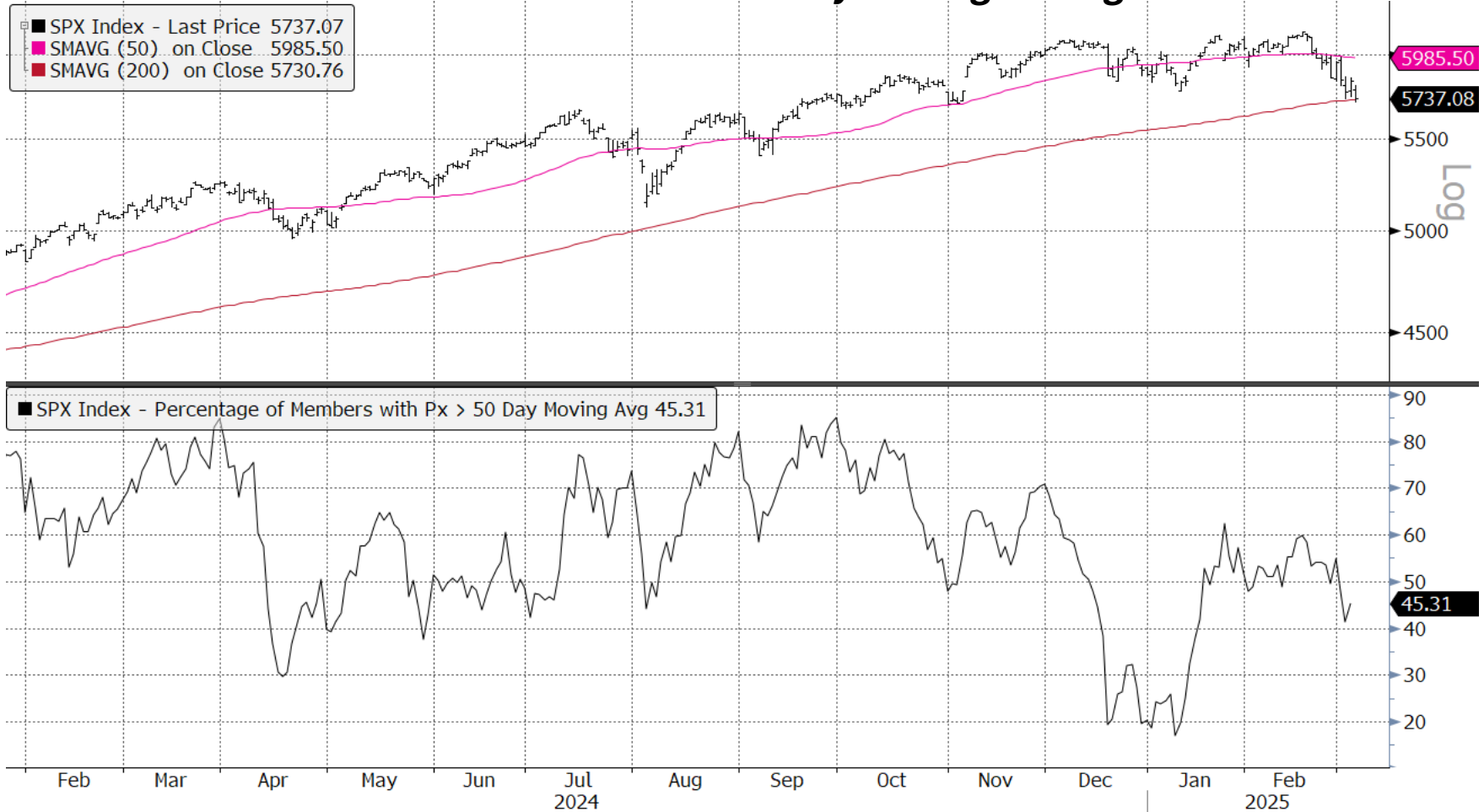
S&P 500 with Daily Relative Strength Index



SPX Index (S&P 500 INDEX) SPX RSI 1Y daily Daily 10DEC2023-07MAR2025 Copyright© 2025 Bloomberg Finance L.P. 06-Mar-2025 16:13:57

S&P 500 Not Oversold Internally

S&P 500 with % of Members Above Their 50 Day Moving Average



SPX Index (S&P 500 INDEX) % ABOVE 50DMA 10Y Daily 25JAN2024-07MAR2025

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Because Weakness is Most Pronounced in Mag 7/Growth

Magnificent 7 Absolute and Relative to the S&P 500



BM7T Index (Bloomberg Magnificent 7 Total Return Index) RELATIVE Daily 03MAR2024-07MAR2025

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Is Weakness Buyable?

What Happens When the S&P 500 Trades Below the 200 Day Moving Average?

S&P500 - Historical Breaks Below the 200 Day Moving Average since GFC Low (Q1 2009)

Date SPX Broke 200D MA	Additional Downside till Market Trough	Date of Recovery Above Break Level	Time Underwater (Days)	Next 1 YR Return (if invested on date of break)	Next 3 YR Return (if invested on date of break)	Annualized 3 YR Return (if invested on date of break)
5/6/2010	-8%	9/10/2010	127	21%	80%	16%
7/29/2011	-16%	1/10/2012	165	10%	63%	18%
6/1/2012	-1%	6/5/2012	4	30%	76%	21%
11/8/2012	-3%	11/18/2012	10	31%	62%	18%
10/10/2014	-5%	10/20/2014	10	8%	42%	13%
8/19/2015	-13%	4/13/2016	238	7%	46%	13%
6/27/2016	-1%	6/29/2016	2	24%	56%	16%
11/4/2016	0%	11/5/2016	1	27%	57%	16%
2/9/2018	0%	2/10/2018	1	5%	58%	17%
4/2/2018	-1%	4/5/2018	3	13%	65%	18%
10/11/2018	-15%	2/15/2019	127	11%	69%	19%
5/29/2019	-2%	6/1/2019	3	12%	57%	16%
2/27/2020	-25%	5/28/2020	91	30%	40%	12%
1/20/2022	-21%	6/15/2023	511	-10%	40%	12%
10/20/2023	-3%	11/1/2023	12	41%	?	?
3/6/2025	?	?	?	?	?	?
Average	-8%		87	17%	58%	16%
% Positive				93%	100%	100%

Total	15
No further Downside	2 13%
Downside <5%	9 60%
Downside <10%	10 67%
Downside >10%	5 33%

Source: Bloomberg as of 3/6/25. Total Returns gross of fees.

Past performance is no guarantee of future results.



How Can Investors Take Advantage of Volatility?

NewEdge Wealth Strategic Portfolio Priorities for 2025

- **“Shore Up the 60”** with U.S. Large Cap Equities at historically expensive levels
 - Look beyond the S&P 500 and Mag7, recalling market behavior in 2000
 - Consider Quality SMID Cap for your “next dollar”
 - Expect better *relative* returns on Value even if the market is not up as much as in 2023/24
- **“Rebalance and Recharge”** after a multi-year period of outsized public equity market returns
 - Be quicker to deploy cash with short-term rates now less attractive
 - Increase alternatives exposure via private markets and uncorrelated strategies
 - Make sure you have enough bonds!
- **“Prepare for Policy Uncertainty”** by managing or monetizing market volatility
 - Employ SNIP/SNAP strategies
 - Avoid assets/asset classes driven primarily by speculation
 - Embrace the illiquidity of private markets (e.g., Infrastructure/Real Estate) where possible

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TIPS: Bloomberg Barclays Global Inflation-Linked: U.S. TIPS Total Return Index Unhedged
Municipals 5-Year: Bloomberg Barclays Municipal Bond 5 Year (4-6) Total Return Index Unhedged USD
Core Bond: Bloomberg Barclays US Agg Total Return Value Unhedged USD
U.S. MBS: Bloomberg Barclays US MBS Index
High Yield Municipals: Bloomberg Barclays Muni High Yield Total Return Index Value Unhedged USD
High Yield: Bloomberg Barclays US Corporate High Yield Total Return Index Value Unhedged USD
Foreign Bond: Bloomberg Barclays Global Aggregate ex-USD Total Return Index Value USD (50/50 blend of hedged and unhedged)
EM Debt (unhedged): J.P. Morgan GBI-EM Global Diversified Composite Unhedged USD
U.S. Large Cap: S&P 500 Total Return Index
U.S. Small Cap: Russell 2000 Total Return Index
International Developed: MSCI EAFE Net Total Return USD Index
Emerging Markets: MSCI Emerging Markets Net Total Return USD Index
World: MSCI ACWI Net Total Return USD Index
U.S. Equity REITs: FTSE Nareit Equity REITs Total Return Index USD
Commodities: Bloomberg Commodity Total Return Index
Midstream Energy: Alerian MLP Total Return Index
Hedge Funds: Hedge Fund Research HFRI Fund of Funds Composite Index
U.S.: MSCI USA Net Total Return USD Index


Europe: Euro Stoxx 50
United Kingdom: UK FTSE 100
Japan: Tokyo TOPIX Stock Exchange Index
China: Hang Seng Index
Brazil: Ibovespa Brasil Sao Paulo Stock Exchange Index
India: NSE Nifty Index
South Korea: Korea Stock Exchange KOSPI Index
Taiwan: Taiwan Stock Exchange Index

REITs Diversified: FTSE Nareit Eqty Diversified Total Return Index
REITs Healthcare: FTSE Nareit Eqty Health Care Total Return Index
REITs Industrial: FTSE Nareit Eqty Industrial Total Return Index
REITs Lodging/Resorts: FTSE Nareit Eqty Lodging/Resorts Total Return Index
REITs Office: FTSE Nareit Eqty Office Total Return Index
REITs Residential: FTSE Nareit Eqty Residential Total Return Index
REITs Retail: FTSE Nareit Eqty Retail Total Return Index
REITs Self Storage: FTSE Nareit Eqty Self Storage Total Return Index
REITs Data Centers: FTSE Nareit Equity Data Centers Total Return Index
REITs Specialty: FTSE Nareit Equity Specialty Total Return Index
Real Assets Agriculture: Bloomberg Sub Agriculture Total Return Index
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Any questions?

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