

Spring 2025

Dear Friends:

Markets were mixed to start 2025, with U.S. equity markets seeing a decline while international equities, especially in Europe, soared. The Trump administration took office in late January and began laying out a policy agenda that seeks to cut government spending and upend the status quo of global trade. The Federal Reserve indicated a pause in rate cuts will continue as it assesses the new landscape.

Domestic equities appeared poised to continue the outstanding performance from 2023 and 2024 as the S&P 500 hit a fresh all-time high in mid-February. However, a slew of bad news and uncertainty turned the index negative and the S&P 500 into correction territory. The DeepSeek shock and tariff threats from the Trump administration led the tech-heavy Magnificent 7 into a steeper decline than the broader market, ending the quarter down more than 15%. Value (+1.64%) far outperformed Growth (-10.0%) for the quarter.

By contrast, overseas markets had a banner start to the year as American economic exceptionalism was called into question. As several European countries (most notably Germany) grapple with the potential for diminished economic and military integration with the U.S., they have committed to increased spending, which may pull them out of recession. China has committed to stimulus to pull itself out of stagnation, focusing on government worker wage hikes and support for their real estate and banking sectors. International markets have also benefitted from a weakening U.S. dollar, which has declined against most major currencies.

U.S. economic indicators continue to reflect a solid foundation. The unemployment rate has stuck to a narrow band between 4.0%-4.2% since May 2024. The Federal Reserve lowered rates by 100 basis points in 2024 but indicated that they will hold rates steady for the immediate future. Consensus expectations are for two additional rate cuts later in 2025. Ten-year Treasury rates briefly climbed to 4.79% before dropping to 4.23% as investors sought safety from turbulent equity markets.

Below is a summary of the major market indices for the first quarter of 2025 and the prior one-year rolling period, as of March 31, 2025:

Market Index	YTD	1-Year
S&P 500	-4.3%	8.3%
MSCI EAFE	6.7%	4.9%
MSCI Emerging Markets	2.9%	8.1%
Bloomberg Barclays U.S. Aggregate Bond	2.8%	4.9%
Bloomberg Commodity Index	8.9%	12.3%

A typical endowment with Foundation For The Carolinas was up 1.1% through the first quarter of 2025 and up 6.4% over the rolling one-year period ending March 31, 2025 – compared to benchmark returns of 0.9% and 6.4%, respectively.

Sincerely,



Natalie Wolf, CIMA®, Director of Investments

Luski ♦ Gorelick
Center for Philanthropy

220 North Tryon Street
Charlotte, NC 28202

Phone: 704.973.4500
Toll Free: 800.973.7244
Fax: 704.973.4599

www.fftc.org