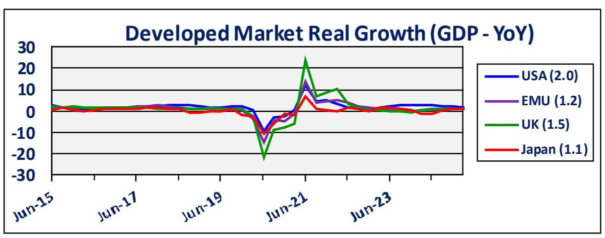
STAIRWAY PARTNERS
INVESTMENT ADVISORS

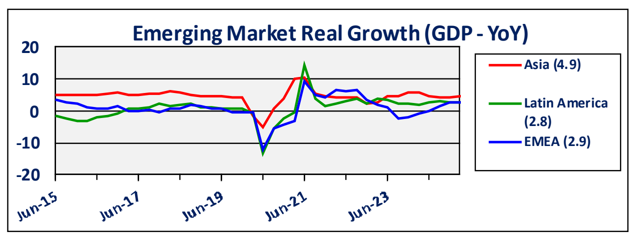
First Quarter 2025

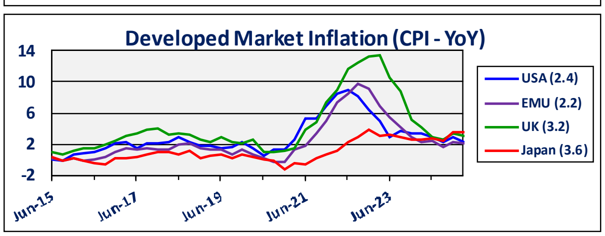
Global Market and Economic Perspective

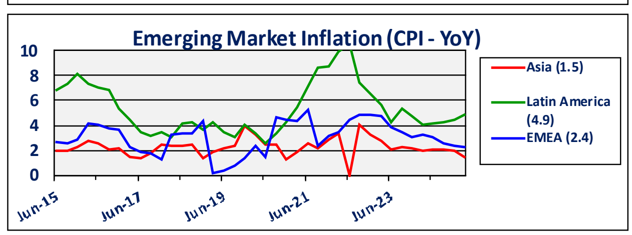
Global Economic Commentary

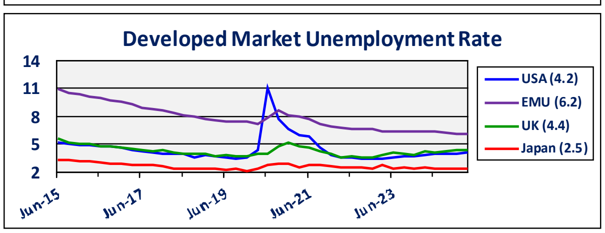
- **Real economic growth in the first quarter slowed abruptly in the U.S. relative to expectations at the beginning of the year. This was driven by a surge in imports which increased the trade deficit in anticipation of extensive global tariffs in early April. Outside of the U.S., growth matched or exceeded expectations with China reporting growth above 5% and all other major economies above 1%.**
- **In an interesting juxtaposition, inflation is currently the highest in Japan among the developed economies and the Bank of Japan hiked rates again in the first quarter and for the third time in this tightening cycle. In contrast, the ECB has continued along a steady path of lowering policy rates, cutting twice in Q1. While realized inflation in the U.S. also came in slightly below expectations during the first quarter, the Fed remains on hold as expectations of future inflation picked up in parallel with reduced growth expectations. Inflation in most emerging markets remains subdued, save for Brazil.**
- **Unemployment during the first quarter remained at or near its recent lows in most countries. U.S. employers continued to add more workers to their payrolls to meet demand, and layoffs remained at low levels in the private sector while some cuts are expected in the public sector.**

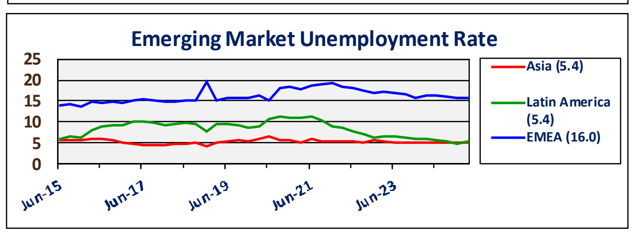












Notes: Emerging market economic statistics are estimated by region using eight countries, which represent roughly 80% of the MSCI Emerging Market Equity Index.
Recent observations may be estimated where reporting lags make official data unavailable at the time of this report.

Global Market and Economic Perspective – Q1 2025

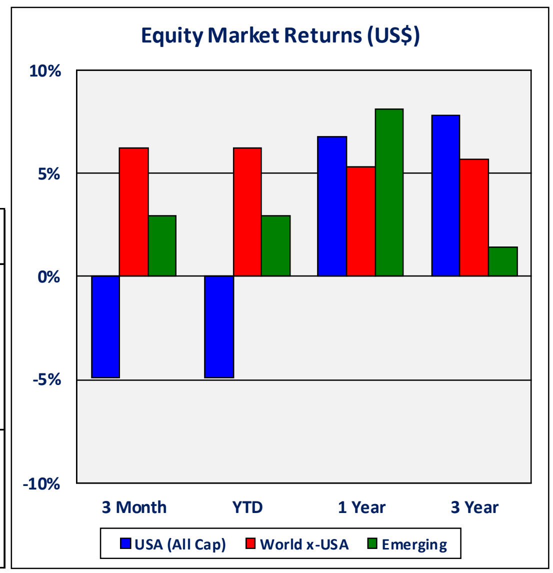
Global Equity and Currency Commentary

- **In the first quarter, global equity markets were marked by a meaningful reversal of the prior outperformance of a handful of large U.S. growth stocks. While the broad U.S. equity market declined by 5% for the quarter, the value sector was up nearly 3% and the growth sector was down 11%. Small-cap stocks underperformed for the quarter.**
- **Similarly, non-US equity markets, both developed and emerging, delivered strong outperformance relative to U.S. equities with gains of 6% and 3% respectively for the quarter. The performance was a result of positive local market results coupled with dollar weakness across the board relative to foreign currencies, most notably against the euro and yen.**
- **The broad-based dollar weakness relative to foreign currencies in the first quarter was consistent with declining U.S. yields on slowing inflation as well as the ebbing of expectations for robust U.S. economy activity and greater uncertainty around future inflation in anticipation of forthcoming tariff policy changes.**

Global Equity Market Returns (MSCI)

3/31/2025	Returns (US$) 3 Month	YTD	1 Year	3 Year	Returns (Local) 3 Month	YTD	1 Year	3 Year
United States								
USA (All Cap)	**-4.9%**	**-4.9%**	**6.8%**	**7.8%**				
USA Growth	-11.0%	-11.0%	8.3%	9.8%				
USA Value	2.7%	2.7%	7.1%	6.1%				
USA SC Growth	-9.6%	-9.6%	-4.7%	1.7%				
USA SC Value	-6.0%	-6.0%	-0.5%	2.1%				
Foreign Developed								
World x-USA	**6.2%**	**6.2%**	**5.3%**	**5.7%**	**2.7%**	**2.7%**	**5.3%**	**8.6%**
Europe	10.5%	10.5%	6.9%	7.3%	6.2%	6.2%	5.7%	8.1%
Far East	1.2%	1.2%	1.5%	4.7%	-3.1%	-3.1%	0.3%	10.9%
Australia	-2.6%	-2.6%	-2.2%	0.0%	-3.2%	-3.2%	2.4%	6.4%
Canada	1.1%	1.1%	8.8%	2.9%	1.2%	1.2%	15.7%	7.8%
Emerging Markets								
Emerging	**2.9%**	**2.9%**	**8.1%**	**1.4%**	**2.7%**	**2.7%**	**11.1%**	**4.7%**
Asia	1.3%	1.3%	9.8%	1.9%	1.6%	1.6%	12.2%	5.0%
Latin America	12.7%	12.7%	-13.6%	-2.0%	7.4%	7.4%	-0.9%	2.4%
EMEA	8.1%	8.1%	12.9%	0.8%	6.9%	6.9%	12.9%	4.5%

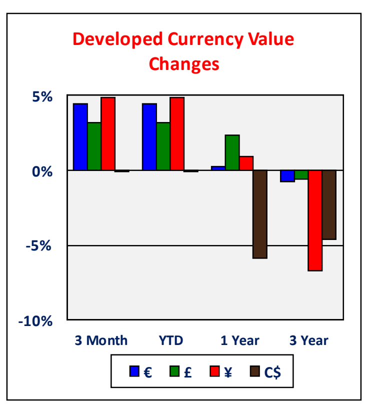
Annualized if greater than one year

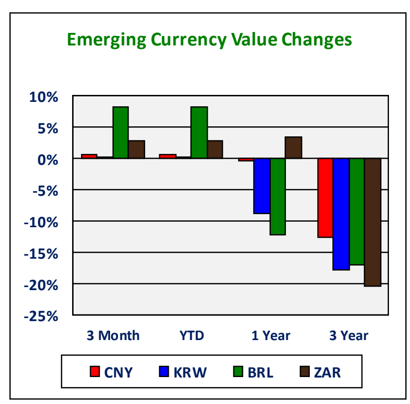


Foreign Exchange Rate History (Bloomberg)

3/31/2025	Current Level	Change (Foreign Currency versus $) 3 Month	YTD	1 Year	3 Year
Developed					
Euro (€)	**1.08**	4.5%	4.5%	0.3%	-0.8%
British Pound (£)	**1.29**	3.2%	3.2%	2.3%	-0.6%
Japanese Yen (¥)	**150**	4.8%	4.8%	0.9%	-6.7%
Canadian Dollar (C$)	**1.44**	0.0%	0.0%	-5.9%	-4.6%
Emerging					
Chinese Renminbi (CNY)	**7.26**	0.6%	0.6%	-0.4%	-12.6%
Korean Won (KRW)	**1474**	0.3%	0.3%	-8.7%	-17.8%
Brazilian Real (BRL)	**5.71**	8.2%	8.2%	-12.1%	-16.9%
South African Rand (ZAR)	**18.32**	2.8%	2.8%	3.4%	-20.3%

Annualized if greater than one year





Global Market and Economic Perspective – Q1 2025

US Fixed Income and Fed Commentary

- **In the first quarter, yields on Treasuries fell across all maturities. The FOMC left the current level of short-term interest rates unchanged and maintained their median expectations for the future path of the Fed Funds rate. However, market expectations embedded a somewhat greater likelihood of cuts, as the first quarter inflation data surprised lower yet was tempered by uncertainty around forthcoming tariff policy changes.**
- **The Fed's monetary policy dilemma is driven by its anticipation of the direction of forthcoming tariff policy changes leading toward slower growth and increased inflation (yet the magnitude and duration of these impacts remains quite debatable and fluid). This has the Fed in a wait and see mode on the timing of their next cut as they seek a better reading on whether changes in growth/employment or in inflation will dominate. Additionally, tax and regulatory policy changes are also in the works and are generally assumed to be supportive of economic activity.**
- **While the Treasury yield curve shifted lower leading to solid gains in high-quality fixed income, credit spreads increased from near all-time tight levels. This was observed across the corporate credit spectrum as well as tax-exempt municipals. The combination of lower Treasury yields and credit spread widening resulted in corporate bonds delivering returns that were good but not as good as government bonds.**

FOMC Fed Funds Rate Projections as of March 2025 Meeting

	Current	Dec-25	Dec-26	Dec-27	Dec-27	Long Run
Lower	4.33%	3.90%	3.10%	2.90%	2.90%	2.60%
Median	**4.33%**	**3.90%**	**3.40%**	**3.10%**	**3.10%**	**3.00%**
Upper	4.33%	4.40%	3.90%	3.60%	3.60%	3.60%

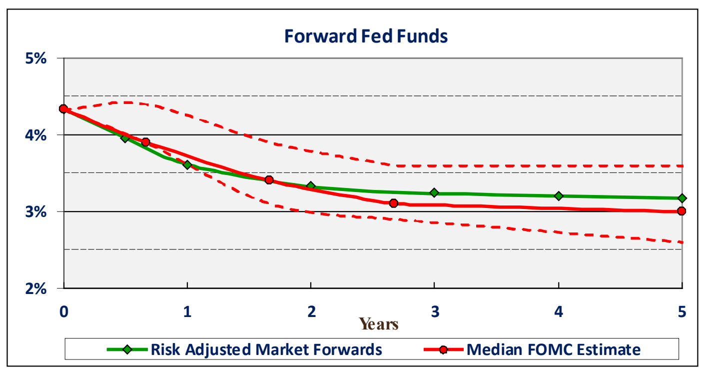
Market Implied Fed Funds Rate as of Apr 01, 2025

Current	6 Month	1 Year	2 Year	3 Year	4 Year	5 Year
4.33%	**3.96%**	**3.61%**	**3.33%**	**3.24%**	**3.21%**	**3.18%**

Notes

Upper and lower bands show central tendency for FOMC projections.

Market implied Fed Funds rates are risk adjusted.



US Bond Yield and Spread History (Bloomberg)

	Current Level	Change Through March 2025 3 Month	YTD	1 Year	3 Year
US Treasury					
Short	**3.93%**	-0.37%	-0.37%	-0.59%	1.56%
Intermediate	**4.09%**	-0.40%	-0.40%	-0.12%	1.67%
Long	**4.62%**	-0.24%	-0.24%	0.20%	2.06%
US High Yield					
Yield	**7.73%**	0.25%	0.25%	0.07%	1.72%
Spread	***3.45%***	*0.58%*	*0.58%*	*0.42%*	*0.24%*
Tax-Exempt Muni.					
Short	**2.84%**	-0.09%	-0.09%	-0.10%	0.86%
Intermediate	**3.32%**	0.11%	0.11%	0.40%	0.99%
Long	**4.13%**	0.29%	0.29%	0.54%	1.29%