

First Quarter 2025 Market Review

Volatility returned to U.S. stocks in First Quarter 2025, with most major domestic indices posting declines for the period. International and alternative asset classes, however, fared much better.

For the quarter, the Dow Jones Industrial Average dropped 0.87%, while the broader S&P 500 index declined 4.27%. Meanwhile, the Russell 2000 index of small U.S. stocks dropped 9.48%.

International stocks generally fared much better than U.S. stocks in First Quarter 2025. The MSCI EAFE index of large stocks in Europe, Australasia and the Far East gained 6.86%, while the MSCI EAFE small cap index gained 3.69%.

Alternative asset classes also enjoyed gains during First Quarter. The Dow Jones U.S. REIT (real estate stock) index gained 1.17%, while the Dow Jones Global REIT gained 7.28%. Meanwhile, the MSCI Emerging Markets index gained 2.93%.

Fixed income was a mixed bag for the quarter, with the Bloomberg Intermediate Govt/Credit index gaining 2.42% while the Bloomberg Municipal bond index dropped 0.22%.

“Why diversify outside of large U.S. stocks?”

We hear this question frequently, especially from the talking heads in the financial media. Indeed, when the household brands in the Dow and S&P 500 are leading the market for an extended period, it’s easy to question the benefits of diversifying into other asset classes.

But successful investing is all about playing the long game. A big part of that game is not putting all our eggs in one basket because the risks of being in a concentrated portfolio—even one comprised of large U.S. stocks—are simply not worth it.

We believe diversifying outside the U.S. market into international and alternative asset classes just makes good sense no matter which segment of the market has been hot lately.