

# March madness

## March 2025 market review



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March 2025 was a difficult month for investors, as both equity and bond markets reacted to the stop-start nature of the changed US tariff policy.

Equally as important, March saw a response from the European Union (EU), or more specifically Germany, to the changed geopolitical landscape. In March, Germany enacted a constitutional change to enable a government spending stimulus that would support investment in both infrastructure and defence. As a result, we have seen a continued retrenchment in US equity returns in Q1 2025 and a fall in US bond yields<sup>1</sup>. This is in contrast to the gains made in European equities so far in 2025 and a rise in European bond yields<sup>2</sup>.

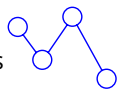
### Tariffs to the fore

- ▶ US tariffs dominated the headlines during March. As at end of March, tariffs had been applied to China, Canada and Mexico and globally to cars.
- ▶ On 02.04.25, we had the so-called US “liberation day” meaning reciprocal<sup>3</sup> US tariffs are now being applied to countries, including the EU, that have the greatest trade deficits with the US<sup>4</sup>. This has had a dramatic impact on equity markets – on 03.04.25 markets had the steepest losses since the Covid-19 period<sup>5</sup>.



### US economic slowdown

- ▶ There was further evidence of a slowdown in the US economy as the US Federal Reserve revised their forecast of economic growth to 1.7%<sup>6</sup> (after inflation) for 2025.
- ▶ We've also seen a significant drop in US consumer confidence, with surveys showing consumers are less confident about their future position than they've been in the past 12 years<sup>7</sup>.



### Germany's “whatever it takes” moment

- ▶ In response to the Trump's administration's tariff positioning on Europe, the German government has made a change to its constitution enabling up to a €1 trillion spend on infrastructure and defence, the largest single planned spend since reunification in 1990<sup>8</sup>.
- ▶ The impact of this was felt in higher bond yields, as investors now seek higher returns, and a positive performance from European equities.



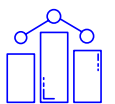
### Rotations within the equity market

- ▶ As Q1 2025 came to a close, 2025's winners have been Q1's biggest losers and vice versa.
- ▶ The US equity market lost 8.4%, while Europe gained 5.9%<sup>9</sup>.
- ▶ The Magnificent 7<sup>10</sup>, the drivers of returns in 2024, lost 19.6%, while Germany's leading stock market index gained 11.3% and Europe's defence and aerospace stocks gained 29%<sup>11</sup>.



### Company valuations fall

- ▶ Q4 2024 company earnings were exceptionally strong with the US delivering 17.1% while Europe gained 8% year-on-year<sup>12</sup>.
- ▶ That has had a significant impact on company valuations - with the US market cheapening, from a forward price-earnings ratio<sup>13</sup> of 26.6 times (or x) down to 20.9x.
- ▶ The impact in Europe is less pronounced but it has still seen valuations drop from 15.6x to 14.3<sup>14</sup>.



<sup>1</sup> Yield is the annualised rate of return of a bond expressed as a percentage. <sup>2</sup> Source: Bloomberg, 02.04.25 <sup>3</sup> Reciprocal tariffs are where the US will match import duties that other countries impose on American goods. <sup>4</sup> A trade deficit occurs when the value of a country's imports exceeds the value of its exports. <sup>5</sup> Source: Bloomberg, 04.04.25. <sup>6</sup> Source: Reuters 20.03.25. <sup>7</sup> Source: Bloomberg 01.04.25. <sup>8</sup> Sources: TS Lombard cited by Bloomberg 20.03.25. <sup>9</sup> Source: Bloomberg 01.04.25. <sup>10</sup> Apple, Alphabet, Amazon, Meta, Microsoft, NVIDIA, and Tesla. <sup>11</sup> Source: Bloomberg, 01.04.25. <sup>12</sup> Source: LSEG I/B/E/S 02.04.25. <sup>13</sup> Price-earnings ratio is the current market price of a company share divided by the earnings per share of the company. <sup>14</sup> Source: Bloomberg, 01.04.25.

**Warning: Past performance is not a reliable guide to future performance.**

**Warning: The value of your investment may go down as well as up.**

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## Outlook for April 2025



- ▶ With the so-called US "liberation day" on 02.04.25 bringing in a swath of reciprocal tariffs, markets will remain concerned that these will cause the global economy to slow and impact all countries including the US itself.
- ▶ Indeed in early April, we saw a significant market sell-off in response to the reciprocal US tariffs announced, with some of the steepest losses in markets since the Covid-19 period.
- ▶ The environment is likely to remain quite choppy as we await the response from the EU and others. Even if we have now seen the peak in tariffs from the US, markets won't be entirely content until they know whether further escalation is likely or not and the extent of this.
- ▶ Over the coming months, we are likely to see pockets of volatility of the kind we have seen so far this year repeat for much of 2025.



## March 2025 market snapshot

- ▶ So far 2025 has seen policy uncertainty reach unprecedented levels and as a consequence we have seen a marked divergence in how markets have performed.
- ▶ US equities have soured, while US bonds have made gains – a reflection of a softening in the American economy.
- ▶ In contrast, European equities have done exceptionally well in Q1, while European bonds have seen losses – a reflection of the changed stance of Germany in particular.
- ▶ Company earnings were exceptionally strong in Q4 2024 but look like they may be cooling somewhat in the near-term.
- ▶ March 2025 also saw a changed stance from central banks, with the US Federal Reserve now more likely to be cutting interest rates slightly more than the European Central Bank, while the Bank of Japan may be disposed to increase interest rates further.

For the long-term investor, periods like this can be unsettling, but they are also an intrinsic part of the investment experience. Investors who stay invested in the market over the long-term have the potential to reap rewards that make the turmoil worthwhile. We encourage you to talk to your Advisor before making any change to your investment portfolio.

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# Performance Snapshot

01 April 2025

New Ireland Risk Rating



## Performance Snapshot of Our Risk Managed Funds (Gross)

(Figures as at 01.04.25 are quoted gross of tax & charges)

Risk Rating	Asset Class	ifunds	1 Mth	3 Mth	1 Yr	3 Yrs p.a.*	5 Yrs p.a.	10 Yrs p.a.	Investment Manager/ Advisor
3	Multi-Asset	ifunds 3	-1.9%	-0.6%	3.8%	2.9%	3.9%	2.1%	Bank of Ireland Investment Markets
4	Multi-Asset	ifunds 3 Alpha	-2.2%	-0.4%	5.1%	3.7%	6.2%	3.6%	
4	Multi-Asset	ifunds 4	-3.6%	-2.1%	3.9%	4.3%	7.1%	4.1%	
4	Multi-Asset	ifunds 4 Alpha	-4.0%	-2.0%	4.8%	4.7%	9.1%	5.1%	
5	Multi-Asset	ifunds 5	-5.4%	-3.7%	4.3%	6.2%	11.0%	6.6%	
6	Equities	ifunds Equities	-7.5%	-5.4%	4.8%	8.6%	15.9%	9.0%	

Risk Rating	Asset Class	PRIME funds	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	10 Yrs p.a.	Investment Manager/ Advisor
3	Multi-Asset	PRIME 3	-2.3%	-0.8%	4.3%	2.6%	4.3%	-	STATE STREET GLOBAL ADVISORS
4	Multi-Asset	PRIME 4	-5.3%	-3.3%	4.5%	4.7%	7.8%	-	
5	Multi-Asset	PRIME 5	-6.6%	-4.5%	4.2%	6.0%	10.4%	-	
6	Equities	PRIME Equities	-7.4%	-5.1%	6.0%	7.0%	14.8%	-	

Risk Rating	Asset Class	PruFunds	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	10 Yrs p.a.	Investment Manager/ Advisor
3	Multi-Asset	PruFund Cautious	0.4%	1.2%	9.8%	-	-	-	M&G Investments
4	Multi-Asset	PruFund Growth	0.4%	1.4%	14.4%	-	-	-	

Risk Rating	Asset Class	Sentinel II Fund	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	10 Yrs p.a.	Investment Manager/ Advisor
3	Multi-Asset	Sentinel II Fund	-3.2%	-2.0%	1.8%	2.0%	-	-	Bank of Ireland Investment Markets

Note: Performance is based on the price calculated for 01.04.25, which is calculated using close of market prices from the previous working day.

Source: New Ireland. Performance is quoted gross of taxation and fund management charges.

\* P.A. - per annum

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To find out how our funds performed in March, visit our



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**Warning: The value of your investment may go down as well as up.**

**Warning: If you invest in these funds you may lose some or all of your investment.**

**Warning: These funds may be affected by changes in currency exchange rates.**

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