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2025 Q1 markets review: 10 charts to remember

Under-performance of US equities, rebound of European and Chinese markets, gold hitting new highs.

Here are 10 charts that highlight the first three months of the year.

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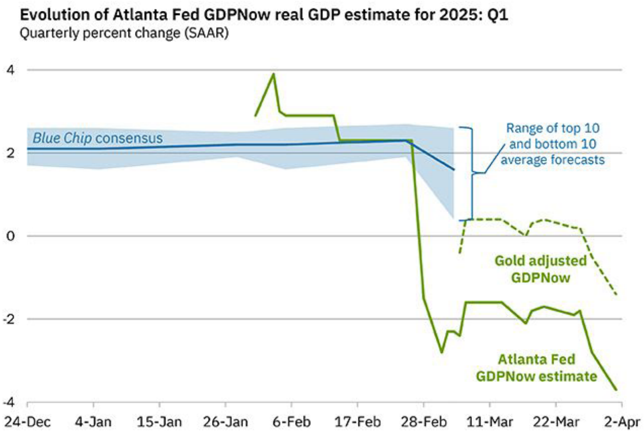
Chart #1

Fear of US stagflation

Trade tensions have escalated in recent months, with the United States imposing tariffs on imports from Canada, Mexico, and China. This is likely to be expanded to a broader range of countries and goods. Trade frictions along with some specific factors such as the surge in US imports of gold bars have fuelled fears of an inflationary spillover. For instance, the US 1-year inflation swap rose by 72 basis points in Q1, reaching 3.25%, the largest quarterly increase in three years. This upward pressure was reinforced by the latest PCE inflation data, the Fed's preferred gauge, which showed the 3-month annualised rate of core PCE at 3.6% in February, its highest reading since March 2024.

The trade frictions also led to a pronounced deterioration in "real-time" gauges of US economic growth. US GDP projections have been revised lower by the Fed and most forecasters, and the recession probabilities, now at 35% according to Goldman Sachs, for the US has increased.

The other driver of the deterioration in Q1 growth estimates has been the drop in consumer sentiment, with gauges of current assessment and expectations falling with fears of higher tariff-driven inflation ahead.



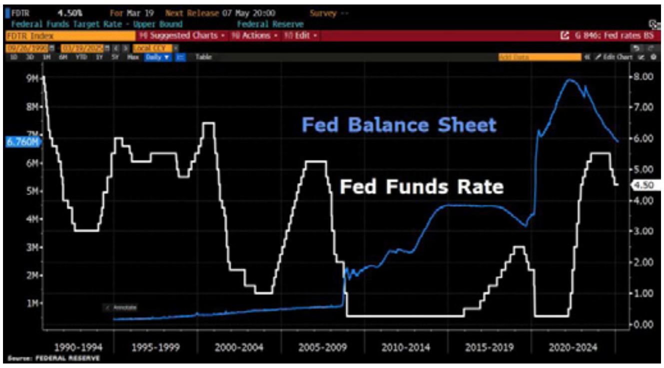
Source: Federal Reserve Bank of Atlanta

Chart #2

Central banks in an elevated uncertainty environment

Given heightened global uncertainty, the Federal Reserve opted to hold rates steady in Q1 and maintained its guidance for just two cuts in 2025, as its December stance. However, the Fed signalled a more cautious approach to liquidity withdrawal by slowing the pace of quantitative tightening, the monthly runoff of Treasury holdings is to be reduced from $25 billions to $5 billion starting from 1 April.

Across the Atlantic, the European Central Bank accelerated its easing cycle, delivering a 25bp rate cuts in both January and March, bringing the deposit rate to 2.50%. Markets are now pricing in an additional 60bp of cuts by the end of 2025. In contrast, the Bank of Japan continued its slow exit from ultra-loose policy, and delivered another rate hike in January, bringing the policy rate to 0.50% and signalling a willingness to pursue further normalisation ahead.



Source: Bloomberg, ZeroHedge

Chart #3

Worst quarterly performance for the S&P 500 since Q3 2022

The first quarter of the year witnessed severe market turbulence in the United States. US equities delivered their worst quarterly performance relative to the rest of the world for 23 years. The Nasdaq-100 plunged -8.1% while the S&P 500 declined by -4.3%, its weakest quarterly performance since Q3 2022.

The so-called «Magnificent 7» had a historically poor start to the year, all members posting double-digit losses: Tesla fell -29.98%, Nvidia -17.77%, Alphabet -16.58%, Amazon -10.66%, Apple -10.59%, Microsoft -9.34% and Meta -0.27% on a year-to-date basis. Yet, the sell-off was concentrated: 7 out of the 11 S&P 500 sectors remained positive YTD, suggesting this was particularly an AI and consumer discretionary correction.

The first catalyst came from the release of DeepSeek's new AI model in January which sparked a sharp sell-off in mega-cap tech names and reignited concerns over the sustainability of U.S. big tech valuations and sparked doubts over the "US tech exceptionalism" narrative. The Nasdaq dropped -3.07% and Nvidia sank -16.97% on January 27 alone.

The broader correction, however, was driven by the wave of aggressive tariffs under President Trump, with trade tensions escalating beyond his first-term scope. Markets remain on edge as reciprocal tariffs are set to take effect in early Q2.

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Q1 '25
Japan TOPIX 54.4%	US S&P 500 13.7%	Japan TOPIX 12.1%	UK FTSE All-Share 16.8%	MSCI Asia ex-Japan 42.1%	US S&P 500 -4.4%	US S&P 500 31.5%	MSCI Asia ex-Japan 25.4%	US S&P 500 28.7%	UK FTSE All-Share 0.3%	Japan TOPIX 28.3%	US S&P 500 25.0%	MSCI Europe ex-UK 6.4%
US S&P 500 32.4%	Japan TOPIX 10.3%	MSCI Europe ex-UK 9.1%	US S&P 500 12.0%	MSCI EM 37.8%	UK FTSE All-Share -9.5%	MSCI Europe ex-UK 27.5%	MSCI EM 18.7%	MSCI Europe ex-UK 24.4%	Japan TOPIX -2.5%	US S&P 500 26.3%	Japan TOPIX 20.5%	UK FTSE All-Share 4.5%
MSCI Europe ex-UK 24.2%	MSCI Europe ex-UK 7.4%	US S&P 500 1.4%	MSCI EM 11.6%	Japan TOPIX 22.2%	MSCI Europe ex-UK -10.6%	UK FTSE All-Share 19.2%	US S&P 500 18.4%	UK FTSE All-Share 18.3%	MSCI Europe ex-UK -12.2%	MSCI Europe ex-UK 17.3%	MSCI Asia ex-Japan 12.5%	MSCI EM 3.0%
UK FTSE All-Share 20.8%	MSCI Asia ex-Japan 5.1%	UK FTSE All-Share 1.0%	MSCI Asia ex-Japan 5.8%	US S&P 500 21.8%	MSCI Asia ex-Japan -14.1%	MSCI EM 18.9%	Japan TOPIX 7.4%	Japan TOPIX 12.7%	US S&P 500 -18.1%	MSCI EM 10.3%	UK FTSE All-Share 9.5%	MSCI Asia ex-Japan 1.9%
MSCI Asia ex-Japan 3.3%	UK FTSE All-Share 1.2%	MSCI Asia ex-Japan -8.9%	MSCI Europe ex-UK 3.2%	MSCI Europe ex-UK 14.5%	MSCI EM -14.2%	MSCI Asia ex-Japan 18.5%	MSCI Europe ex-UK 2.1%	MSCI EM -2.2%	MSCI Asia ex-Japan -19.4%	UK FTSE All-Share 7.9%	MSCI Europe ex-UK 8.1%	Japan TOPIX -3.4%
MSCI EM -2.3%	MSCI EM -1.8%	MSCI EM -14.6%	Japan TOPIX 0.3%	UK FTSE All-Share 13.1%	Japan TOPIX -16.0%	Japan TOPIX 18.1%	UK FTSE All-Share -9.8%	MSCI Asia ex-Japan -4.5%	MSCI EM -19.7%	MSCI Asia ex-Japan 6.3%	MSCI EM 8.1%	US S&P 500 -4.3%

Source: FTSE, LSEG Datastream, MSCI, S&P Global, TOPIX, J.P. Morgan Asset Management. All indices are total return in local currency, except for MSCI Asia ex-Japan and MSCI EM, which are in US dollars. Past performance is not a reliable indicator of current and future results. Data as of 31 March 2025.

Source: World stock market returns, J.P. Morgan Asset Management

Chart #4

Warren Buffett's bet pays off

While the S&P 500 slipped into correction territory in Q1, Berkshire Hathaway's stock defied the trend, outperforming the market and reaching a new all-time high. Its Class B shares now command a market capitalisation of $1.13 trillion, making it the only non-tech company to cross the $1 trillion threshold.

The company's strong positioning is no accident. Warren Buffett had been a net seller of stocks for nine consecutive quarters during the bull markets of 2023 and 2024, amassing a record $334.2 billion in cash. This massive pile of cash has drawn investors in search of safe-haven assets during the current market volatility. Investor confidence was further boosted by February's robust earnings report. The company reported a 70% increase in after-tax operating profits for Q4.

Berkshire Hathaway vs. S&P 500 since 1987

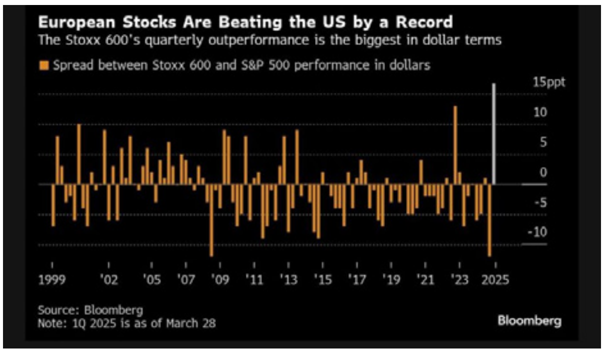
Source: Dividend Talks on YouTube

Chart #5

Make Europe Great Again

The final trading day of March brought the first monthly loss of the year for the Stoxx 600, down 4.18% according to LSEG data, as global markets reacted to the looming implementation of President Trump's trade tariffs. Despite this dip, the European benchmark continues to outperform the US S&P 500 YTD, buoyed by a surge in defence-related stocks following renewed political momentum around military investment.

Fears that the US may scale back its NATO commitments have triggered a rally in European defence equities. This was further reinforced by European Commission President Ursula von der Leyen's proposal of nearly €800 billions to strengthen the bloc's defence capabilities. The plan includes €150 billion in fresh EU borrowing and €650 billion in additional fiscal flexibility, allowing member states to ramp up military budgets without breaching EU fiscal rules.



Source: Bloomberg

Chart #6

Momentum returns to Chinese markets

After a prolonged period of under-performance, Chinese equities rebounded in Q1, and the MSCI China Index surged nearly 16%. The renewed policy support from Beijing has helped restore investor confidence. Since autumn 2024, Beijing has implemented a series of stimulus measures aimed at stabilising the economy, supporting domestic consumption, and offsetting the weakness in exports. Some of the momentum may also reflect front-loaded manufacturing exports to the US ahead of anticipated tariff hikes.

Adding to the optimism is the breakout debut of DeepSeek's R1, a generative open-source AI model viewed as a potential rival to OpenAI's ChatGPT. Capable of solving complex tasks at a fraction of the cost of Western peers, R1 has reinforced confidence in China's capacity to compete in the AI race.

Source: Reuters

Chart #7

Strong fixed income performance

In the US, rising recession fears and easing inflation expectations drove a rally in government bonds, with Treasuries returning a respectable 2.9%. The 10-year yield fell 36 basis points over the quarter to 4.2%, as investors positioned for potential rate cuts later in the year.

In contrast, European sovereign bonds came under pressure, due to the prospect of increased government spending. German Bunds posted a -1.6% quarterly return, following Berlin's decision to suspend its constitutional debt brake to finance expanded defence spending. The announcement triggered a sharp rise in Bund yields, up more than 30 basis points on the day, marking the biggest quarterly move since 2023 and the first time Bunds have diverged from Treasuries since 2021.

2016	2017	2018	2019	2020	2021	2022	2023	2024	Q1 '25
UK 10.7%	Global 7.5%	Spain 2.5%	Italy 10.6%	Global 9.7%	Japan -0.2%	Japan -5.4%	Italy 9.3%	Italy 5.3%	US 2.9%
Spain 4.1%	US 2.3%	Germany 1.9%	Spain 8.3%	UK 8.9%	US -2.3%	US -12.5%	Spain 6.9%	Spain 3.4%	Global 2.4%
Germany 3.4%	UK 2.0%	Japan 1.0%	UK 7.1%	US 8.0%	Germany -2.9%	Global -16.8%	Germany 5.7%	Germany 1.2%	UK 0.4%
Japan 3.2%	Spain 1.1%	US 0.9%	US 6.9%	Italy 7.9%	Italy -3.0%	Italy -17.2%	Global 4.3%	US 0.6%	Italy -0.7%
Global 1.7%	Italy 0.8%	UK 0.5%	Global 5.6%	Spain 4.3%	Spain -3.0%	Germany -17.4%	US 4.1%	Global -3.1%	Spain -1.1%
US 1.0%	Japan 0.2%	Global -0.7%	Germany 3.1%	Germany 3.0%	UK -5.3%	Spain -17.5%	UK 3.6%	Japan -3.2%	Germany -1.6%
Italy 0.8%	Germany -1.0%	Italy -1.3%	Japan 1.7%	Japan -0.8%	Global -5.8%	UK -25.1%	Japan 0.5%	UK -4.0%	Japan -2.4%

Source: performance des obligations d'État, JPMorgan Asset Management

Chart #8

Gold, the winner of the quarter

Gold, long considered a safe haven asset, surged 18.8%, marking its best quarterly performance since 1986, driven by President Trump's escalating trade war.

As for other commodities, oil prices were relatively volatile, influenced both by supply and demand dynamics and by persistent geopolitical tensions in the Middle East. Copper rose by 11%, as markets feared new tariffs on this strategic industrial metal. In agricultural commodities, raw arabica coffee surged by 18%, almost double that of last year, as severe drought disrupted supply.

Looking ahead, Q2 is unlikely to bring much relief. With geopolitical tensions unresolved and policy uncertainty persisting, commodity market volatility is expected to remain elevated.

Source: Goldsilver

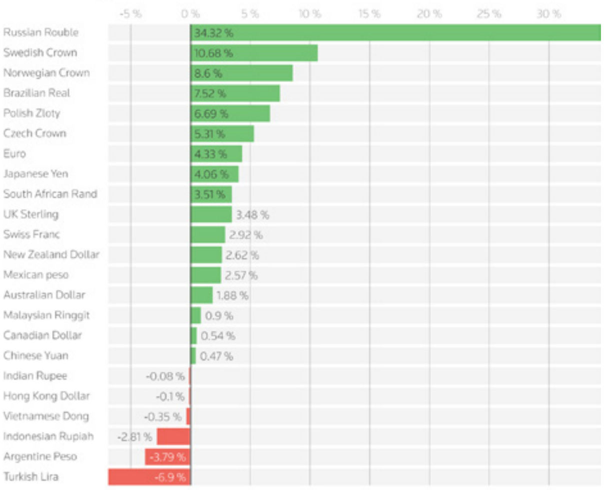
Chart #9

The US Dollar under pressure

The US dollar is off to its weakest start to a year since the 2008 financial crisis, the Dollar Index (DXY) fell by nearly 4% in Q1. This broad decline has opened the door for emerging market currencies to outperform.

Even North American currencies, despite being caught in tariff crossfire, posted gains: both the Mexican peso and Canadian dollar ended the quarter in positive territory.

Currencies against the dollar in 2025



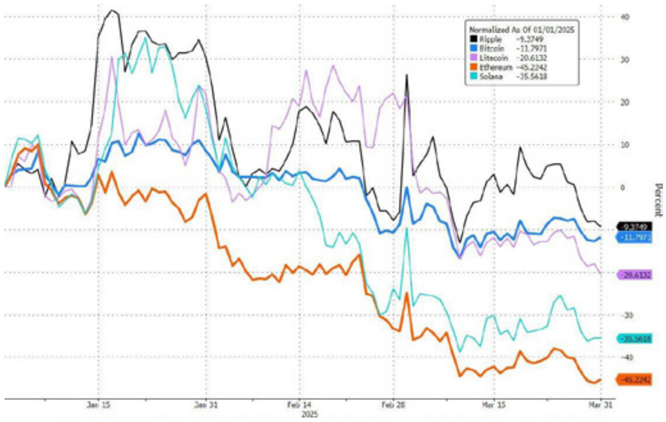
Source: Reuters

Chart #10

A poor quarter for cryptocurrencies

Cryptocurrencies endured a rough ride in Q1. Most major tokens posted losses for the quarter, led by a sharp 45% decline in Ethereum (ETH), which weighed heavily on the broader market.

Bitcoin remained volatile. It initially rallied nearly 20% following President Trump's return to office, reflecting early optimism around his crypto-related agenda. However, that momentum faded quickly after his proposal for a US cryptocurrency reserve failed to convince markets. Bitcoin dropped nearly 30% from its highs and slipped below its 200-day moving average, though it remains above pre-election levels for now.



Source: Bloomberg

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