SpirePoint Private Client

MARKET INSIGHTS | MAY 2025

APRIL SHOWERED, WILL MAY BLOOM?

The month of April brought a level of volatility not seen in several years. From its February peak to the low on April 8th, the S&P 500 declined 18.9%, driven by sharp and sustained selling pressure. While a subsequent rebound of 11.77% through month-end has recaptured a portion of the losses, broad uncertainty remains across asset classes. Importantly, this volatility has not been confined to equities. The U.S. dollar declined in value, as did the overall bond market, resulting in higher yields from Treasury Bonds to municipal bonds.

Amid this turbulence, the financial media cycle has been particularly active—flooded with theories, expert forecasts, and reactionary commentary. While often engaging, these narratives tend to shift as quickly as market momentum itself, underscoring the importance of maintaining a disciplined perspective. For long-term investors, navigating market volatility requires clarity of purpose, not reactive behavior.

Periods like these serve as a critical reminder: portfolio construction should anticipate volatility, not react to it. A well-designed asset allocation can inherently account for both risk management and opportunity. In environments where equity prices decline materially, the intention is not to exit in panic, but rather to evaluate whether portfolios have become misaligned with long-term targets. Rebalancing, when done deliberately, allows investors to harvest gains from areas of previous strength—often by selling profitable equities—and reallocate these proceeds into lower-risk or opportunistic exposures, such as purchasing fixed income or cash equivalents. Conversely, sharp equity sell-offs may present the opportunity to rotate back into stocks from a now overweight bond allocation. This has historically helped to avoid the destructive cycle of selling low and buying high.

We caution strongly against reactionary moves to “de-risk” entirely. Attempting to time the market carries significant danger—particularly because the strongest daily equity gains historically tend to occur in the immediate aftermath of bear market troughs. Missing even this single day of market bounce may meaningfully impair long-term performance.

At SpirePoint, we have been positioning client portfolios for a higher volatility regime since last year. This includes increasing exposure to sectors historically resilient during market stress—namely healthcare and industrials, and defensive sectors of the market. While history may seem to rhyme, every market cycle is different. For example, Energy was a standout in the 2022 equity downturn but has underperformed in the current environment, reinforcing the importance of forward-looking sector analysis over rearview mirror investing. Equity pullbacks of 10–15% are not anomalies—they are historical norms. On average, markets experience intra-year declines of approximately 13%, even in years that end in positive territory. With this in mind, we remain focused on identifying opportunities within defensive sectors while patiently preparing for rotation when market leadership changes.

As we often remind our clients: not all flowers bloom at once. Strategic positioning, patience, and preparation are the cornerstones of successful long-term investing.

CONTACT US

Your dedicated wealth advisory team is always available to discuss your portfolio, planning needs, or any questions you may have.

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