Raiffeisen
Investiční společnost

Commentary on the Financial Markets

05/25

Stock Markets in April 2025: Volatility and Turnaround

April 2025 brought considerable volatility to stock markets, but at the end of the month the situation began to stabilise.

The US S&P 500 stock index fell 0.9% in April, Europe's Euro Stoxx 600 fell 1.6%, while the more diversified MSCI World rose 0.5%. The main reason for the volatility of the markets was the announcement of the US president to introduce high tariffs on imports from almost all countries of the world. At the end of the month, however, most indices began to rise, erasing some of their previous losses.

After the tariffs were announced, the S&P 500 fell dramatically by more than 10%, raising fears of a possible recession It was only when the yield on the 10-year US Treasury bond headed over 4.5%, which would mean higher costs of financing US debt in the future, that the US president succumbed to pressure and postponed the tariffs for 90 days.

The postponement of tariffs has brought relief to both stock and bond markets and has helped to reassure investors. The volatility index (VIX) has fallen from highs of around 60 points to 25, with the long-term average hovering around 19. However, President Trump's criticism of Fed Chairman Powell has caused further volatility in the markets. For Czech investors in dollar assets, April was also marked by a decline in the USD against the crown by more than 5%.

Sectoral performance in April 2025

The best sectors were:

1. Utilities: +0,6 %
2. Technology: +1.3%
3. Durable Sector: +1.3%

On the other hand, the worst sectors were:

1. Energy sector: -11.5%
2. Healthcare: -4.6%
3. Materials: -2.9%

Interest rates and yields

The Fed maintains the base interest rate at 4.5% p.a. The next meeting is scheduled for 7 May 2025, with the rate expected to remain unchanged. However, the market expects it to decrease during the year. At the end of April, the yield on the 10-year "treasury" fell below 4.2% p.a., which is a positive signal for the markets.

Volatility, earnings season and stock valuation

We expect volatility to decrease in the coming days as individual states, including the US, seek agreement to reduce tariffs. In the US, corporate earnings season for the first quarter is underway, with 73% of companies reporting better-than-expected earnings and 64% better-than-expected revenues.

The S&P 500 index trades with a P/E of around 19.8, which is close to the ten-year average of 18.3 (source: FactSet). Stock valuations are now more attractive than in previous weeks.

Transactions in RIS Funds

Within the RIS funds, adjustments have been made in both the equity and bond components. Shares were bought at local lows, which led to an overweight of stock positions by 4 to 6 percentage points.

From the regional point of view, investments were mainly made in American, European and Japanese companies. Of the sectors, non-cyclical basic consumer goods were reduced, while cyclical sectors such as technology and communications were purchased. Investments were also made in individual stocks, such as Amazon and American Express. Equity purchases were mainly counteracted by sales of longer-maturity bonds in euros and US dollars.

Risks and outlook

Risks still include the introduction of high tariff barriers, which may lead to higher inflation and cooling of economies. Geopolitical risks, such as the conflict between Ukraine and Russia or tensions between Iran and the US, also remain present in the markets.

Investment strategy

In terms of investment strategies, we overweight stocks over bonds. Regionally, we overweight North America, we overweight Europe and emerging markets, and we slightly underweight the Pacific. In sectors, we prefer cyclical sectors such as technology, communications, and industrials, as well as the dividend stock segment. In bond strategies, we maintain a slightly overweighted duration on koruna and euro bonds and an underweighted duration on US dollars.

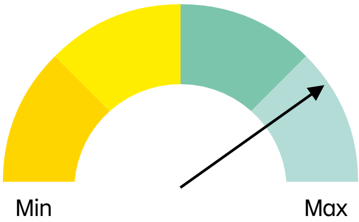
We wish you a lot of success in the next period!

Michal Ondruška
CIO, Member of the Board

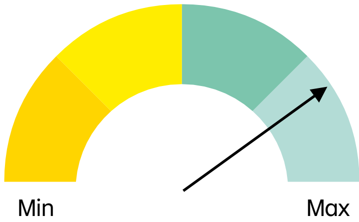
Investment Strategy Summary

Tactical Allocation
Overweighting of stocks in portfolios

Current

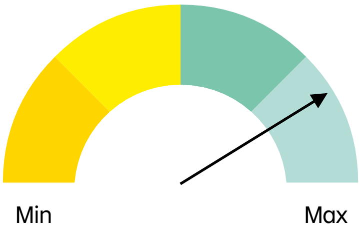


3-month outlook

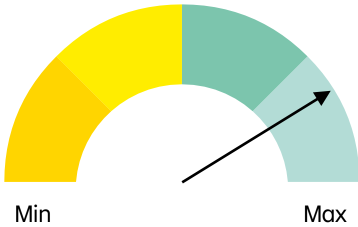


Interest Rate Risk
Average duration of bonds

Current

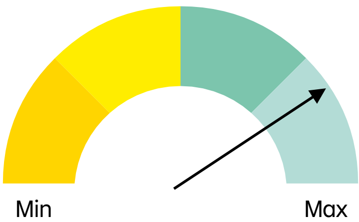


3-month outlook

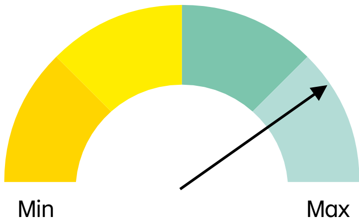


Credit Risk
Share of corporate bonds

Current

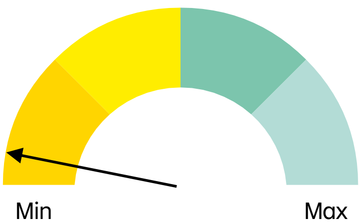


3-month outlook

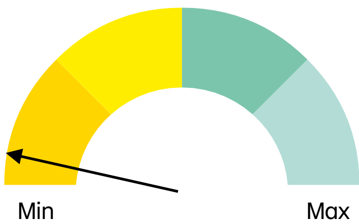


Currency Risk
Unhedged positions in foreign currency

Current



3-month outlook



source: Raiffeisen investiční společnost, a. s., as of April 30th, 2025

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