

WEBINAR

April 2025 Market Update Webinar

A Deep Dive into CNR's Economic and Investment Outlook

April 24, 2025

This summarizes the key takeaways from the April 2025 City National Rochdale market update webinar, focusing on insights relevant to sophisticated investors. The presentation offered a nuanced perspective on the U.S. economy, balancing optimism with a healthy dose of caution regarding potential future challenges.

U.S. Economic Outlook: A Cautiously Optimistic Forecast

Economic Forecasts

- April changes adjusted for the impact of Tariff policy.

<ul style="list-style-type: none">• GDP growth is expected to remain positive, but it may be weighed down by policy decisions.• Corporate profits should be stable in 2025, rising above trend.• Inflation pressures are likely to stay elevated based on the new administration’s policy.• The Fed may cut rates 1-2 times, which is supportive of continued growth.• Structural pressure will likely keep 10-year Treasury yields over 4%.	City National Rochdale Forecasts			
		2024	Current 2025e	Tariff Drag
	Real Annual GDP Growth	2.5%	2.0% to 2.5%	-1.0% to -1.5%
	Corporate Profit Growth	9.6%	10.0% to 14.0%	-4.0% to -6.0%
	Headline CPI Year End	2.9%	2.50% to 2.75%	+0.5% to +1.0%
	Interest Rates			
	Federal Funds Rate	4.25% to 4.50%	3.75% to 4.25%	No Change
	Treasury Note, 10-Yr.	4.57%	4.0% to 4.5%	No Change

Gross domestic product (GDP) is the total monetary or market value of all the finished goods and services produced within a country’s borders in a specific time period.

e: estimate.

The Consumer Price Index (CPI) measures the monthly change in prices paid by U.S. consumers.

Sources: Bloomberg, FactSet, proprietary opinions based on CNR Research, as of April 2025.
Information is subject to change and is not a guarantee of future results.

CNR's leadership team projects moderate, but sustained, U.S. economic growth for both 2024 and 2025, forecasting GDP growth within the range of 1.5% to 2.25% for each year. This projection considers the lingering effects of past monetary tightening and anticipates adjustments in fiscal policy. While consumer spending remains a crucial driver, fueled by ongoing job growth and wage increases, the impact of higher interest rates and potentially slowing wage growth requires close monitoring.

Inflation and Monetary Policy: A Delicate Balancing Act

Inflation is anticipated to continue its downward trend, with CNR projecting core CPI to end 2024 between 2.5% and 3.0%. The Federal Reserve's aggressive rate-hiking cycle is expected to conclude, with potential rate cuts possibly beginning in the latter half of 2024 (two to three cuts are considered likely). However, CNR stresses that the Fed's approach will be cautious, emphasizing a gradual easing of monetary policy.

Navigating Fiscal Uncertainty: Trade, Taxes and the National Debt

The upcoming U.S. elections inject significant uncertainty into the economic outlook, particularly regarding trade and tax policies. Potential new tariffs pose a risk to consumer prices and business sentiment, potentially slowing economic growth. Furthermore, the expiration of the Tax Cuts and Jobs Act in 2025 creates fiscal challenges. Extending these tax cuts would exacerbate the federal deficit, potentially pushing interest rates higher and impacting the municipal bond market. CNR advises investors to closely track these developments.

Fixed Income and Treasury Markets: A Shifting Landscape

The U.S. Treasury's projected issuance of over \$3 trillion in debt by 2029 necessitates a closer examination of market dynamics. The decrease in foreign holdings of Treasury debt (to 33%) coupled with an increase in domestic holdings (to 48%), albeit more price sensitive, suggests increased volatility in interest rates is likely.

Investment Opportunities and Strategic Allocation

Given the economic climate, CNR suggests focusing on opportunities in high-yield municipal bonds (benefiting from tax advantages) and investment-grade corporate bonds (offering attractive returns with lower risk compared to high-yield options). In the equity market, a focus on high-quality U.S. stocks with strong fundamentals is recommended, with a gradual increase in equity exposure as economic risks diminish. A conservative investment strategy is emphasized, prioritizing quality over speculative growth.

Global Economic Considerations: A Cautious Approach

While international investment opportunities exist, CNR maintains a cautious approach, citing concerns over currency stability and ongoing geopolitical risks. The firm advocates for a wait-and-see approach before significantly increasing exposure to overseas markets.

Conclusion: A Measured Outlook

CNR's April 2025 Market Update provides a balanced assessment of the economic landscape. While acknowledging significant potential risks associated with fiscal policy and global uncertainties, the firm remains optimistic about continued growth and highlights several attractive investment opportunities for well-informed, risk-managed portfolios.

Investors should remain vigilant and adapt their strategies to the evolving market conditions.

Review Your Portfolio with Your Financial Advisor Today

City National Rochdale encourages you to review your investment portfolio with your advisor. Contact our financial professionals today to get help with your wealth planning needs.

The Standard & Poor's 500 Index (S&P 500) is a market capitalization-weighted index of 500 common stocks chosen for market size, liquidity and industry group representation to represent U.S. equity performance.

Definitions

A consumer price index (CPI) measures changes in the price level of a market basket of consumer goods and services purchased by households. The CPI is a statistical estimate constructed using the prices of a sample of representative items whose prices are collected periodically.

Gross Domestic Product (GDP) is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period.

Important Information

The views expressed represent the opinions of City National Rochdale, LLC (CNR), which are subject to change and are not intended as a forecast or guarantee of future results. Stated information is provided for informational purposes only, and should not be perceived as personalized investment, financial, legal or tax advice or a recommendation for any security. It is derived from proprietary and non-proprietary sources that have not been independently verified for accuracy or completeness. While CNR believes the information to be accurate and reliable, we do not claim or have responsibility for its completeness, accuracy or reliability. Statements of future expectations, estimates, projections and other forward-looking statements are based on available information and management's view as of the time of these statements. Accordingly, such statements are inherently speculative as they are based on assumptions that may involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those expressed or implied in such statements.

All investing is subject to risk, including the possible loss of the money you invest. As with any investment strategy, there is no guarantee that investment objectives will be met, and investors may lose money. Diversification may not protect against market risk or loss. Past performance is no guarantee of future performance.

There are inherent risks with equity investing. These risks include, but are not limited to stock market, manager, or investment style. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.

There are inherent risks with fixed income investing. These risks may include interest rate, call, credit, market, inflation, government policy, liquidity, or junk bond. When interest rates rise, bond prices fall. This risk is heightened with investments in longer duration fixed-income securities and during periods when prevailing interest rates are low or negative.

Indices are unmanaged, and one cannot invest directly in an index. Index returns do not reflect a deduction for fees or expenses.

CNR is free from any political affiliation and does not support any political party or group over another.

© 2025 City National Rochdale, LLC. All rights reserved.

NON-DEPOSIT INVESTMENT PRODUCTS: • ARE NOT FDIC INSURED • ARE NOT BANK GUARANTEED • MAY LOSE VALUE

