

April 2025 Update & Market Outlook

The Michele Carby Practice



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Introduction

As we enter the second quarter of 2025, the global investment landscape presents both challenges and opportunities for investors. The past year has been marked by a mix of resilient growth, inflationary pressures, and significant geopolitical events that have shaped the market's trajectory. With interest rates remaining elevated in many regions and ongoing economic uncertainty, the path forward for investment returns is increasingly complex.

At the Michele Carby Practice, our objective is to provide you with a clear framework to navigate these uncertainties and capitalize on emerging trends. In this outlook, we will delve into key themes, including the evolving economic recovery, shifts in global trade and supply chains, and the impact of technological innovations on various sectors. Additionally, we will assess the risks and opportunities presented by central bank policies, geopolitical developments, and environmental sustainability trends.

At the Michele Carby Practice – we take pride in ensuring that by understanding these critical factors and taking a disciplined, forward-looking approach, we aim to position portfolios for resilience and growth in the face of market volatility.

Let's explore the key drivers and strategies that will define the investment landscape in the year ahead.

Kind regards,

Payal Trehan

Senior Investment Strategist



U.S. Market Outlook

Q1 2025 Review & Q2 Outlook

As we wrap up the first quarter of 2025, it's important to take stock of what's happened across the markets and the economy—and more importantly, how these developments could impact your investment strategy going forward. Below is our analysis of key trends from Q1 and a forward-looking perspective for Q2.

Market Performance in Q1 2025: A Volatile Start to the Year

U.S. equity markets stumbled out of the gate in 2025, with broad-based declines driven by policy uncertainty, interest rate anxiety, and shifting global trade dynamics.

S&P 500: The index fell 4.6% in the first quarter, its worst quarterly showing since the fall of 2022. This pullback followed five consecutive quarters of gains, and reflects a broad cooling in investor sentiment, particularly toward large-cap U.S. equities.

Nasdaq Composite: Tech stocks were hit even harder, with the Nasdaq dropping 10.4%. Investors rotated out of high-growth technology names amid concerns over rising input costs, slowing innovation pipelines, and waning AI enthusiasm.

The declines have created a more cautious market tone, with investors reevaluating risk exposures and shifting toward more defensive and value-oriented positions.

Economic Indicators: Growth with Caution

While markets declined, the economic data painted a slightly more nuanced picture:

GDP Growth: The U.S. economy expanded at a 2.4% annualized rate in Q4 2024, suggesting momentum carried into the new year. However, early Q1 indicators point to a possible slowdown, with tighter financial

conditions and trade headwinds weighing on activity.

Inflation: The Consumer Price Index (CPI) rose 3.0% in Q1, up from 2.3% in Q4. Much of this increase is attributed to supply chain pressures and higher prices in energy and food. If inflation continues to rise, it could limit the Federal Reserve's flexibility on rate cuts.

Unemployment: The labour market held steady, with an average unemployment rate of 4.2%. However, we are starting to see signs of softening—particularly in sectors exposed to trade policy shifts and reduced corporate hiring.

Key Drivers Behind the Numbers

Several factors contributed to this challenging environment:

Trade Policy Uncertainty: The Trump administration's announcement of a new wave of tariffs—targeting imports from Canada, Mexico, and China—has reawakened fears of a global trade war. These tariffs, set to take effect in Q2, could disrupt supply chains, raise input costs, and weigh on business investment.

Declining Consumer Confidence: U.S. consumer sentiment has deteriorated steadily over the past four months, now sitting at its lowest level since 2021. Elevated prices and concerns about job security have contributed to reduced household spending—a key pillar of the U.S. economy.

Looking Ahead to Q2 2025: What to Watch

As we turn the page to Q2, here are the key trends and risks we're monitoring:

Tariff Fallout: The rollout of "Liberation Day" tariffs will be a major theme. Expect inflationary pressure to persist in affected sectors (e.g., autos, electronics), with downstream effects on consumer behaviour

and business margins. Some economists now place recession odds at around 35% for 2025.

Federal Reserve Policy Shift: With inflation ticking up, the Fed faces a difficult balancing act. Markets had priced in up to three rate cuts this year, but those expectations may shift if inflation remains sticky. Fed policy will likely be a key driver of market sentiment in the coming months.

Sector Rotation: We anticipate continued strength in value stocks, particularly in sectors like industrials, financials, and healthcare. Growth-oriented stocks, especially in tech and consumer discretionary, may face headwinds as earnings forecasts are revised downward and borrowing costs remain elevated.

Liberation Day – US Tariffs

The U.S. is poised to enter a new era of trade policy, with President Trump preparing to unveil what could be the most sweeping set of import restrictions in a century. At the core of the plan are "reciprocal tariffs"—duties designed to match the barriers U.S. exporters face abroad. While the intent is to protect American industries and rebalance trade relationships, the lack of clarity around implementation has left investors, business leaders, and policymakers around the world navigating an increasingly uncertain environment.

Understanding Reciprocal Tariffs: More Than Meets the Eye

Unlike traditional tariffs, the "reciprocal" model extends beyond simple rate matching. It may include non-tariff barriers such as local taxes, regulatory hurdles, and even overall trade surpluses. This broader definition raises the stakes considerably, especially for countries with significant trade imbalances with the U.S. Nations likely to be targeted include China, the EU, India, Japan, South Korea, Vietnam, Mexico, and Canada.

Estimates suggest this new approach could affect up to \$33 trillion in global trade. Some projections show average U.S. tariff rates rising by as much as 15 percentage points—three times the increase seen during past protectionist periods. Bloomberg Economics warns that such a dramatic shift could shave 4% off U.S. GDP and lift consumer prices by 2.5% over two to three years.

Market Reactions and Business Concerns

The potential economic consequences are already rippling through financial markets. The first quarter of 2025 was the weakest for U.S. equities since 2023, with the S&P 500 reflecting investor anxiety over inflation and growth prospects. Meanwhile, gold prices have hit new highs, Treasuries have rallied, and the U.S. dollar has weakened—all classic signs of investor unease.

Corporate America is also sounding alarms. Many executives fear that new duties will raise input costs, squeeze margins, and disrupt global supply chains. Some foreign firms are even considering relocating manufacturing to the U.S. to avoid tariffs—though such moves take time and come with high upfront costs.

While some sectors like infrastructure and heavy manufacturing may benefit from "onshoring," the broader business community is grappling with a lack of predictability. With details still emerging on which products and countries will be hit—and whether tariffs will be stacked on existing ones—many companies are holding off on investment and hiring decisions.

Consumer Sentiment and Spending Slowdown

Consumers, too, are feeling the strain. Surveys show that awareness of tariffs has surged in recent months and so have concerns. Over 80% of Americans now recognize tariff-related developments, with many expressing fear that already high prices will climb further. More

than half say they've adjusted their purchasing decisions, cut back on discretionary spending, or cancelled travel plans.

Retailers are taking note. Several major chains have cited declining foot traffic and weaker-than-expected sales early in 2025—not solely due to weather or seasonal factors, but also because of consumer caution tied to tariff-related inflation. With many companies yet to fully bake increased costs into their pricing, analysts warn that earnings downgrades may be on the horizon.

The Bigger Picture: Policy and Economic Strategy

While tariffs are the headline, they represent just one element of a broader economic agenda. Former Commerce Secretary Wilbur Ross has emphasized the role of complementary tax policy and domestic investment in the administration's vision. Significant U.S. projects—like Taiwan Semiconductor's \$100 billion plant in Arizona and Eli Lilly's \$30 billion investment in domestic pharmaceutical manufacturing—highlight long-term strategies to rebuild critical industries at home.

Still, the timeline for such benefits to materialize remains uncertain. In the short term, the risks—ranging from market volatility to consumer fragility and potential stagflation—are front and centre. Analysts are particularly wary of the policy's potential to mirror the stagflationary pressures of the 1970s, where sluggish growth and rising prices created lasting economic pain.

What It Means for Investors

For investors, this environment demands vigilance and flexibility. Trade policy is now a key market driver, with implications for everything from sector rotation to inflation hedging. While some opportunities may emerge—particularly in domestic manufacturing, infrastructure, and select

commodities—the overarching theme is uncertainty.

As always, maintaining a well-diversified portfolio, staying informed, and preparing for a range of outcomes will be essential.

Inflation, Interest Rates, and Tariffs: What Investors Need to Know Now

Recent economic data paints a mixed but increasingly complex picture of the U.S. economy, one in which inflation remains stubborn, consumer behaviour is shifting, and trade policies are introducing new variables—all against a backdrop of growing market volatility. For investors, understanding the convergence of these factors is critical as we navigate the months ahead.

Inflation Remains Sticky—Even Before Tariffs Take Hold

February's inflation figures, particularly the Federal Reserve's preferred metric—the Core Personal Consumption Expenditures (PCE) Index—came in hotter than anticipated. Year-over-year core inflation reached 2.8%, a slight uptick from January and above consensus expectations. Monthly growth in core prices also edged higher at 0.4%, reflecting persistent price pressures across both goods and services.

Notably, these figures were released before the full impact of new tariffs has begun filtering through the economy. Several Federal Reserve officials, including Chair Jerome Powell and Boston Fed President Susan Collins, have acknowledged that tariffs could further elevate price levels in the near term. While some view this inflationary effect as temporary, others are cautioning that it could prolong the Fed's efforts to bring inflation back to its 2% target—a milestone not projected until at least 2027.

Consumer Spending Slows as Sentiment Softens

Despite headline inflation moderating slightly, consumer spending remains tepid. While nominal personal consumption rose 0.4% in February, real spending—adjusted for inflation—grew by just 0.1%. January's already-soft spending figures were revised lower as well, suggesting a broader deceleration.

Weather disruptions and postelection fatigue may have contributed, but deeper trends are also at play. Americans appear to be pulling back, with inflation-adjusted incomes rising and the personal savings rate climbing to 4.6%—its highest since last summer. These patterns signal a more cautious consumer, which could weigh on first-quarter economic growth.

Market Volatility Reflects Uncertainty

Markets reacted swiftly to the inflation and spending data. The S&P 500 dropped 2% following the release, ending the week down 1.5%. The Dow lost 1%, and the Nasdaq fell by 2.67%. Investor anxiety has been amplified by concerns that the Federal Reserve may remain sidelined on interest rates for longer than anticipated.

This volatility is being driven not just by inflation itself but also by growing uncertainty around the Federal Reserve's next move. Richmond Fed President Tom Barkin recently likened the economic environment to driving through dense fog, calling for a cautious approach to any policy shifts.

The Fed's Balancing Act: Rates, Jobs, and Politics

The Federal Reserve finds itself in a delicate position, tasked with maintaining price stability while supporting employment. Job growth has shown signs of softening, and March's payroll data—set for release on April

4—could tip the scales in favour of rate cuts if the labour market continues to weaken.

Though the Fed insists on its independence, some observers believe political pressures may influence the timing of future rate decisions. Former officials and analysts alike have pointed out that lower long-term yields could align both the Fed and the administration around a common goal: keeping the economy growing ahead of the 2026 election cycle.

The 10-year Treasury yield has declined from its early-year highs, now hovering below 4.3%. If the Fed resumes cutting rates later this year, the resulting boost to borrowing and spending could help stabilize markets and support economic momentum.

Tariffs: A New Layer of Complexity

Compounding the economic picture is the looming impact of new tariffs. While the full details of the proposed trade measures remain unclear, the expectation is that they will raise costs for both producers and consumers. Fed officials have acknowledged that tariffs could contribute to elevated inflation in the short term, complicating monetary policy even further.

Although tariffs are designed to protect domestic industries, their timing raises concerns. If imposed just as the economy begins to slow, they could exacerbate existing challenges—pressuring corporate margins, raising prices at the register, and potentially weakening job growth.

What Investors Should Watch

For now, the Federal Reserve appears to be in wait-and-see mode, with rate decisions hinging on both inflation trajectories and labour market trends. Markets are likely to remain volatile as investors digest new data and policy signals. Should inflation remain high but job growth falter, the Fed may be forced to prioritize economic support,

potentially through renewed rate cuts later this year.

In the meantime, tariffs represent a wildcard—capable of pushing inflation higher, eroding consumer confidence, and disrupting supply chains. For investors, staying diversified and focused on long-term fundamentals remains key.

Signal Chat Scandal

A high-level communications misstep within the White House has ignited a national security controversy, exposing critical vulnerabilities in how sensitive military information is shared—and raising broader concerns about government oversight and political stability. The fallout from the accidental inclusion of a journalist in a private Signal group chat involving top U.S. officials has spurred outrage in Washington and introduced fresh uncertainty into already fragile financial markets.

Leaked Messages and Operational Exposure

The scandal stems from a group chat among senior national security leaders on Signal, a commercial messaging platform. The exchange included specific operational details regarding U.S. military action in Yemen, including the precise timing of planned airstrikes against Houthi militants. The information, shared just hours before the mission, was revealed publicly after *The Atlantic* editor-in-chief, Jeffrey Goldberg, was mistakenly added to the conversation and later published portions of the transcript.

The messages have sparked alarm among defence experts who warn that disclosing such information—especially outside secure communication channels—could have jeopardized the lives of American pilots had it fallen into adversarial hands.

White House Response: Downplay and Deflect

In response, the White House has focused on damage control, disputing the terminology used to describe the leak while defending the use of Signal for sensitive discussions. Press Secretary Karoline Leavitt dismissed the leaked messages as a “sensitive policy discussion,” not “classified war plans,” and accused the reporting outlet of sensationalism. President Trump echoed this tone initially but later hedged his stance, admitting uncertainty over whether classified information had, in fact, been shared.

Trump has stood by both Defence Secretary Pete Hegseth and National Security Adviser Michael Waltz—who inadvertently added Goldberg to the chat—dismissing calls for resignations. Instead, the administration has emphasized that no “sources, methods, or locations” were compromised, even as concerns persist over the potential ramifications.

Debate Over Use of Signal for Government Communication

The controversy has also reignited debate over the use of consumer apps like Signal for official government communication. While Leavitt defended its use as secure and efficient, especially during remote coordination, critics argue that automatic deletion features and a lack of end-to-end control make such platforms unsuitable for high-level operations. The administration claims it has enlisted Elon Musk’s team to assist in investigating how the unauthorized access occurred. Meanwhile, the National Security Council and White House Counsel’s Office are conducting an internal review.

Congressional Scrutiny and Political Repercussions

The incident has reverberated on Capitol Hill, where lawmakers, particularly Democrats, have voiced deep concern. During a House

Intelligence Committee hearing, officials including Director of National Intelligence Tulsi Gabbard and CIA Director John Ratcliffe testified that no classified material was shared. Gabbard acknowledged the messages were sensitive but defended their handling. A pending legal request to preserve the full chat history has limited how much officials can discuss publicly.

Democrats have called for further investigation and, in some cases, for Hegseth's resignation, citing a lapse in judgment. Republicans, however, largely downplayed the event, instead focusing on broader threats in the scheduled hearing.

Market Impact: Subtle But Telling

While the scandal hasn't triggered a sharp downturn in financial markets, it has contributed to an overall atmosphere of uncertainty. Investor sensitivity to political risk is heightened, especially in an environment already fraught with inflationary pressures, unpredictable trade policy, and ambiguous signals from the Federal Reserve.

The same week the leak came to light, the S&P 500 fell by 2%—primarily due to inflation data, but the narrative of government dysfunction added to broader unease. Although defence and tech stocks were not severely affected, analysts note that continued scrutiny on secure communications and potential oversight reforms could impact firms in those sectors.

Markets tend to react more to consequences than controversies. If the breach results in high-profile resignations, further exposes cybersecurity flaws, or worsens geopolitical tensions—particularly in the Middle East—investors may shift toward safer assets like gold or Treasuries. Rising oil prices and increased defence spending could also follow if U.S. military posture becomes more aggressive in response to regional instability.

Signals of Political Instability

Beyond immediate security concerns, the incident underscores broader dysfunction within the administration. Mixed messaging, shifting narratives, and internal finger-pointing have raised concerns about the consistency and competence of national leadership. This atmosphere of ambiguity could complicate key policy decisions, from trade negotiations to defence allocations, further unsettling financial markets.

Looking Ahead

This episode has revealed serious lapses in communication protocol at the highest levels of government and sparked a public debate about the adequacy of digital tools used for sensitive discussions. Whether this results in systemic reforms or fades into the background of an already chaotic political climate remains to be seen.

For now, both lawmakers and investors are watching closely—not only for accountability, but for any signs that deeper issues within national security infrastructure or executive decision-making could spill over into foreign policy, markets, or military operations.

Private Markets Push Into the Mainstream: BlackRock and Rivals Bet on a Portfolio Revolution

The traditional 60/40 investment portfolio—60% in equities and 40% in bonds—has long been considered a gold standard for balancing growth and stability. But BlackRock CEO Larry Fink is calling for a fundamental shift in this formula, proposing a new model that integrates private assets into the mix. In his latest annual letter, Fink suggests a 50/30/20 split: 50% public equities, 30% bonds, and 20% dedicated to private investments.

This reimagining of portfolio construction isn't just a theory—it's a signal that private markets, once reserved for institutional investors and the ultra-wealthy, are being primed for broader access.

Unlocking Private Markets for Retail Investors

Fink's message is clear: the future of investing lies in access to high-growth assets previously hidden behind institutional gates.

"Tomorrow's value creators—data centres, ports, clean energy infrastructure, and top-tier private firms—aren't traded on public exchanges," he emphasized. "They're in private markets, accessible only to a select few."

That may be changing. Financial regulators in Singapore, for example, are exploring frameworks to safely bring private market access to retail investors. The Monetary Authority of Singapore has outlined steps such as investor warnings and mandatory manager co-investment to ensure proper oversight. Their move echoes a growing global appetite for democratizing private investments—an appetite that asset managers like BlackRock are eager to serve.

Alternative Asset Managers Court Broader Audiences

BlackRock isn't the only firm expanding its reach. Apollo Global Management is also eyeing individual wealth channels with its new fund, S3 Private Markets. Designed to attract higher-net-worth clients, the fund features no performance fee and a 3% bonus for investors who commit for three years. While the entry fee stands at a steep 6.6%, Apollo says the total cost aligns with market averages after accounting for incentives.

With \$30 billion already managed across wealth-focused platforms, Apollo has ambitious plans to raise an additional \$150 billion in the coming years. The firm's aggressive push reflects a broader trend:

alternative managers are vying for a slice of retail capital once thought unreachable.

Asset-Based Financing: A Quiet Engine of Growth

As private credit fundraising slows in some traditional areas, many firms are turning to asset-backed financing to power growth. Firms like Oaktree Capital Management see significant opportunity in lending backed by tangible cash flows—from mortgages to consumer finance receivables.

Insurers, often limited by rules requiring them to hold rated debt, are restricted in this space, leaving more room for alternative asset managers to strike. "This creates a premium for players like us—not because of higher risk, but due to less competition," Oaktree noted in a recent strategy paper.

This type of financing has become a key pillar of the private credit boom, and it's drawing new entrants. Bank of America, for example, recently appointed Greg Petrie to lead global private credit for its mortgage and securitized products group, a newly created role. Petrie's mission? Expand the bank's footprint in asset-based deals targeting both private credit firms and strategic sponsors.

Regulatory Tensions Over Oversight of Nonbanks

Not everyone is enthusiastic about the growing power of nonbank financial firms. In the U.S., the debate over regulatory reach has heated up. A coalition of House Republicans is pushing Treasury Secretary Scott Bessent to reverse a Biden-era initiative that increased oversight of large investment firms and hedge funds.

At issue is whether these firms could be designated as systemically important, a label that brings added scrutiny and compliance costs. Although no such designations have been made yet, industry players remain wary. Former Fed official Michael Barr, shortly before stepping down, called for regulators to

monitor nonbank risks more closely—a sentiment that continues to resonate in policy circles.

Early-Stage Bets and Venture Growth

While much attention is on massive infrastructure and credit deals, the venture capital space continues to seek out the next big idea. Firms like Long Journey Ventures are making early bets on unconventional founders—often backing startups before a single product exists.

“We’re talking about supporting teams when it’s just two people and a vision,” said co-founder Lee Jacobs. Alongside Cyan Banister, the firm is targeting bold ideas they believe can go from fringe to mainstream.

The Big Picture: A Redefinition of Investing Norms

From global asset managers to boutique venture firms, a common thread is emerging: the future of investing will be more diverse, more private, and more tailored to unlock value beyond traditional public markets. As financial giants race to democratize access and regulators debate how best to manage the risks, retail investors may soon find themselves participating in a part of the market once considered off-limits.

The numbers back the momentum. SoftBank, for instance, is reportedly seeking \$16.5 billion in financing to fuel AI expansion in the U.S.—a sign that private capital is not just growing but increasingly driving innovation across industries.

With institutions repositioning and regulations evolving, one thing is clear: the old 60/40 model is no longer the only game in town.

China Outlook

Beijing Halts Corporate Investment in U.S. Amid Escalating Trade Tensions

China has quietly begun limiting domestic firms from pursuing new investments in the United States, a move insiders say is part of a broader effort to gain strategic leverage as economic tensions with Washington escalate.

Several regional branches of the National Development and Reform Commission (NDRC)—China’s primary economic planning agency—have recently been instructed to temporarily suspend approvals for outbound U.S.-bound investments. These individuals, who spoke on condition of anonymity due to the sensitivity of the issue, say the move could serve as a pressure tactic ahead of potential trade negotiations with the Trump administration.

While Beijing has previously curbed foreign investment for reasons such as curtailing capital flight and safeguarding national security, this latest development underscores the deepening standoff between the world’s two largest economies. In 2023, Chinese direct investment into the U.S. totalled approximately \$6.9 billion, according to official figures.

For now, the restrictions appear limited to new corporate ventures. There is no indication that existing investments or financial holdings—such as Chinese ownership of U.S. Treasury bonds—are impacted by the current freeze. It also remains unclear what triggered the sudden directive, or how long the pause on new approvals will remain in effect.

Neither the NDRC nor China’s Ministry of Commerce, which jointly oversee outbound investment procedures, responded to requests for comment.

The timing of China's move is particularly notable as President Trump prepares to unveil a fresh round of "reciprocal tariffs" aimed at major U.S. trading partners, with China widely expected to be a central target. A February presidential memorandum instructed U.S. agencies to step up restrictions on Chinese investments in critical sectors, including energy and high-tech industries.

Beijing has already intensified oversight of outbound capital flows in recent months as authorities seek to stabilize the yuan, which has faced pressure amid rising geopolitical and economic uncertainty.

Although the new restrictions focus on corporate projects within the U.S., they add another layer of unpredictability for Chinese businesses looking to move operations offshore—particularly those attempting to avoid mounting tariffs by relocating supply chains.

The changing investment landscape is already creating turbulence for multinational firms. A recent high-profile transaction highlights the complexities: Hong Kong-based CK Hutchison Holdings Ltd. announced the \$19 billion sale of 43 global port assets, including two in Panama, to a BlackRock-led group. The deal reportedly sparked disapproval in Beijing, with Chinese authorities urging state-owned enterprises to halt new collaborations involving companies linked to billionaire Li Ka-shing and his family.

Recent data from China's Ministry of Commerce shows that while outbound investment to global markets rose 8.7% in 2023, Chinese capital flowing into the U.S. declined by 5.2%. By the end of the year, investments in the U.S. made up only 2.8% of China's total global investment portfolio.

Chinese companies aiming to expand overseas must undergo multiple levels of approval, typically involving the Ministry of Commerce, the NDRC, and the State Administration of Foreign Exchange. With new restrictions now

in place, firms will likely face increased delays—or outright denials—as political tensions cloud cross-border economic ties.

Tesla Faces Intensifying Pressure in China as Local EV Rivals Surge

The electric vehicle race in China is heating up—and Tesla is starting to feel the pressure. Domestic EV manufacturers XPeng, NIO, and Li Auto posted impressive delivery figures for March, extending their momentum and further narrowing the gap with the American EV giant in the world's largest electric vehicle market.

XPeng led the pack with a standout performance, delivering 33,205 vehicles in March—a dramatic jump from just over 9,000 units during the same month last year. This marks the fifth straight month that XPeng has crossed the 30,000-vehicle threshold, a level it had never achieved before late 2024. New offerings such as the G6, G7, G9, and Mona are fuelling the company's surge in demand.

For the first quarter of 2025, XPeng delivered 94,008 vehicles, representing a remarkable 331% increase year over year.

NIO also posted solid growth, handing over 15,039 vehicles in March—a 27% improvement from the previous year. Its quarterly total climbed to nearly 41,000 vehicles, up from approximately 30,000 in Q1 2024.

Meanwhile, Li Auto maintained its lead in volume, delivering 36,674 vehicles in March, up from around 29,000 a year earlier. Its first-quarter total reached nearly 93,000 vehicles, reflecting a 16% increase year over year.

Combined, the three Chinese EV leaders delivered approximately 229,000 vehicles in the first quarter—an impressive 73% jump compared to the same period in 2024.

While Tesla does not disclose country-specific sales numbers, industry estimates suggest it sold around 60,000 vehicles in China during

January and February combined. That figure marks a decline of roughly 14% from the prior year, with some of the softness attributed to the recent refresh of the Model Y. As Tesla ramps up production of the updated model, potential buyers appear to be holding off on purchases.

Despite headwinds for Tesla, XPeng's strong performance has energized its shares. As of early April, XPeng's U.S.-listed ADRs have soared 75% since the start of the year. On Tuesday, XPeng shares edged up 1.2%, while NIO rose 1.6% and Li Auto gained 1.8%. The broader S&P 500 added 0.4%, while the Dow Jones Industrial Average was largely unchanged.

Tesla shares, however, have struggled in 2025, falling 36% in the first quarter. On Tuesday, ahead of its quarterly delivery report, Tesla stock rebounded 3.6%.

As the EV market in China becomes increasingly competitive, local brands continue to ramp up innovation and scale. Tesla, long a dominant player in the space, may need to accelerate its strategy to maintain ground in this rapidly evolving market.

Tech & AI

The Magnificent 7 Q1 Overview

Meta Shows Resilience While Tesla Struggles in a Rough Quarter for Big Tech

The first quarter of 2025 proved to be a sharp reversal for the tech giants that had previously driven market gains, especially those with heavy investments in generative AI. After a stellar run in 2023 and 2024, investor enthusiasm has cooled significantly. As of the end of March, the S&P 500 was down 5.6% year-to-date, and the Nasdaq Composite—home to many of the most tech-forward firms—had fallen 12%.

Geopolitical developments, particularly President Donald Trump's evolving tariff policies, have added layers of economic uncertainty, causing investors to shift toward more conservative strategies. While not all of the so-called "Magnificent Seven" tech firms are directly impacted by these tariffs, the broader macro environment is prompting a pullback from high-valuation growth stocks.

Concerns are also growing around the sustainability of profit growth in the sector. Many of these companies are now ramping up capital expenditure to support their AI ambitions. Microsoft, for example, announced plans in January to invest about \$80 billion into AI this year. Analysts expect Microsoft's earnings to grow 12% in 2025, a notable slowdown from the 20% growth it posted in the prior year.

Louis Navellier of Navellier & Associates pointed out that the issue facing these mega-cap tech stocks isn't necessarily their exposure to trade policy or economic cycles, but rather their dominant presence in major indices. As investor sentiment shifts, these large-cap names are especially vulnerable to broad-based selling.

Meta Posts the Smallest Decline Among the Tech Titans

Among the group, Meta Platforms has held up the best, with shares down just 3.9% in the first quarter—its weakest three-month stretch since late 2022, but still modest compared to its peers. The relatively mild dip is attributed to investor optimism around Meta's AI-driven ad personalization tools, which are expected to improve revenue efficiency for advertisers.

Still, Meta faces challenges ahead. A potential pullback in marketing budgets due to a sluggish economic outlook could weigh on ad revenue. Additionally, the company is bracing for a high-stakes trial in April as it defends itself against Federal Trade Commission allegations that Facebook has unlawfully

maintained a monopoly in the personal social networking space.

Tesla Suffers the Steepest Drop

At the other end of the spectrum, Tesla had the toughest quarter of the group, with its stock tumbling 39%—the worst Q1 performance in its history. The decline reflects growing investor concerns over slowing demand, the impact of recent model changes, and CEO Elon Musk's political involvement, which some believe may be affecting the brand's appeal.

The market is eagerly awaiting Tesla's delivery numbers, set to be released Wednesday, which could provide clarity on consumer demand and production performance.

The Rest of the Mag 7 Falters

The rest of the Magnificent Seven also saw notable declines. Apple posted a 13% drop, making it the second-best performer of the group. Microsoft followed, also down 13%. Amazon slipped 15%, Alphabet shed 20%, and Nvidia was hit hardest after Tesla, losing 22% over the quarter.

Despite the downturn, some analysts see potential for a rebound as earnings season kicks off. According to James Demmert, Chief Investment Officer at Main Street Research, the bar has been lowered due to recent market corrections—setting the stage for earnings surprises that could help restore investor confidence.

However, the broader sentiment remains cautious. With macroeconomic headwinds still looming, any recovery in tech stocks will likely hinge on companies not only beating earnings expectations, but also offering clear, optimistic guidance for the months ahead.

Technology Trends and Sector Impact: What to Watch in 2025

Technological innovation is a major force reshaping the economic landscape—and 2025 is shaping up to be a transformational year across a range of industries. From AI-driven shifts in manufacturing to the retooling of healthcare and the strategic race for semiconductor dominance, change is accelerating. Below, we break down the key sectors being impacted and what it could mean for long-term investors.

Manufacturing: AI's Double-Edged Sword

Artificial Intelligence continues to move from concept to factory floor, fundamentally altering how goods are produced. According to a new study presented at the European Central Bank's conference on the macroeconomics of AI, firms adopting AI may initially see productivity dip due to the learning curve and system integration costs. However, those that stick with it often outperform peers, with stronger sales growth and operational efficiency once the technology matures.

Implication for Investors:

Companies with clear AI strategies—especially those reinvesting in digital infrastructure—are worth watching. Short-term volatility may mask long-term gains. Focus on firms with strong balance sheets and scalable operations.

Healthcare: Innovation and Consolidation Ahead

In healthcare, technological innovation is intersecting with a wave of M&A activity. Big pharmaceutical companies are actively acquiring smaller biotech firms to refresh aging drug pipelines, as major patent cliffs approach. The Financial Times notes that despite a slowdown in dealmaking last year,

sentiment is shifting, and acquisition appetite is rising. On the med-tech side, GE HealthCare recently issued an upbeat 2025 profit forecast, driven by sustained U.S. demand for diagnostic and imaging equipment—areas being enhanced by AI-assisted diagnostics.

What This Means:

The sector offers a blend of defensive stability and innovation potential. Consider exposure to both diversified healthcare ETFs and select small-cap biotech with pipeline catalysts.

Automotive: EV Innovation & Geopolitical Risk

Electric Vehicles remain a hotbed of competition and innovation. China's BYD posted a 58% YoY sales increase in Q1, supported by strong domestic subsidies and expansion into Europe, Southeast Asia, and Latin America. In contrast, Tesla's European sales have declined, signaling increased saturation and geopolitical headwinds.

Key takeaway:

The global EV market is not uniform. Competitive dynamics, government policies, and consumer preferences vary widely. Long-term winners will likely be those with supply chain control, battery innovation, and international agility.

Semiconductors: Infrastructure for the AI Race

As AI becomes more pervasive, the demand for high-performance chips and supporting hardware is exploding. In a major defense tech deal, Cerebras Systems and Ranovus secured a \$45 million contract from the U.S. Department of Defense to develop next-generation chip-to-chip interconnect systems for large-scale simulations.

This builds on a broader trend: AI models now demand more data processing than ever, driving investment into semiconductor fabrication, optical computing, and cloud architecture.

Investor Insight:

Semiconductors remain a high-growth, high-volatility play. Long-term positioning in diversified chip manufacturers, as well as infrastructure-focused firms (e.g., optical networking, foundry services), could benefit from this structural shift.

Financial Services: AI's Disruptive Promise

Federal Reserve Vice Chair for Supervision Michael Barr recently stated that AI has the potential to “significantly affect productivity and economic activity in the years ahead,” especially in finance.

Use cases are multiplying—from fraud detection and algorithmic trading to robo-advisory platforms and compliance monitoring. But Barr also cautioned that regulators are watching closely, with future policy frameworks likely to emerge.

Portfolio context:

AI adoption in finance may lead to margin expansion and automation gains, but also invites new regulatory risks. Favor well-capitalized institutions investing in responsible AI infrastructure.

Energy & Natural Resources: The Race for Copper

Clean tech and AI infrastructure have one thing in common: they both require massive volumes of copper. This is pushing countries and companies to lock in supply. Chile's Codelco, the world's largest copper producer, just secured \$666 million in loans from Japan to help meet surging global demand.

Implications:

Investors should monitor commodity-linked ETFs, infrastructure plays, and diversified miners with exposure to copper, lithium, and rare earths—critical elements in both the EV and AI supply chains.

Final Thoughts on Tech Innovation

As technology continues to transform our world, it is also creating **new investment landscapes and risk profiles**. While 2025 promises innovation-led growth, it also calls for strategic selectivity and an eye on both regulatory and geopolitical undercurrents.

We are closely watching these developments and adjusting our strategies accordingly. If you'd like to review your portfolio's exposure to the sectors and themes discussed above, please reach out—we're here to help you position wisely for the road ahead.

What This Means for Our Client's Portfolios

As we move into the second quarter of 2025, we want to reassure our clients that their portfolios remain strategically positioned for the current market environment. Our investment team has been diligently analysing market trends and global developments, especially as geopolitical tensions continue to influence investor sentiment.

In preparation for potential volatility this quarter, we proactively rebalanced client portfolios throughout March, aligning allocations to better navigate a potentially more uncertain Q2 landscape. These adjustments reflect both risk management and long-term opportunity.

We are closely tracking global and domestic events and will remain agile, ready to make further tactical shifts if conditions change. Our goal remains the same: to protect and grow your wealth with a disciplined, forward-looking strategy.

As always, if you have any questions about this, please contact us at mcpractice@holbornassets.com.