JAG Growth Equity Thematic Insights: Q1 2025

Total reading time = 2 minutes

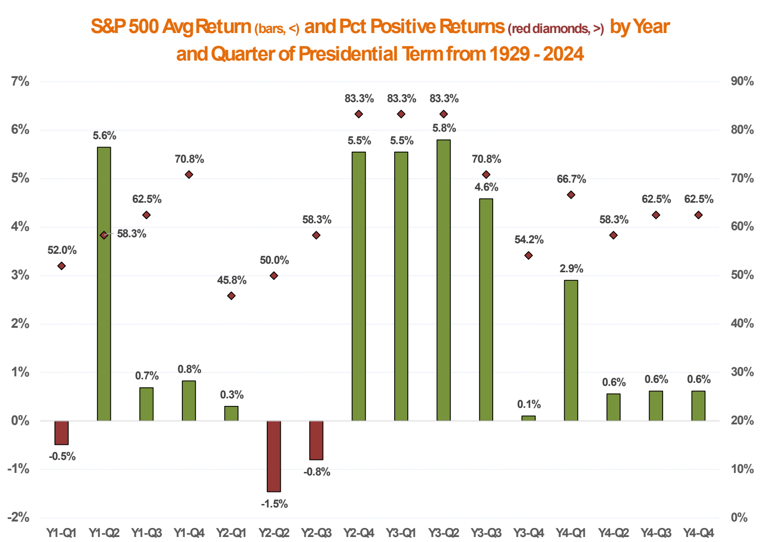
If you're feeling a bit overwhelmed by the tsunami of news so far in 2025 - rest assured, you are not alone. The financial markets have been struggling to stay abreast of waves of market-moving headlines that have been breaking virtually nonstop in recent weeks. In response to this rapidly changing and uncertain environment, US equities have traded somewhat erratically in the opening weeks of the new year. While the S&P 500 price-only rose a respectable 2.7% in January, the index fell 1.4% in February and another 4.6% in March. As often happens, the current drawdown in major indexes pales in comparison to the declines in many popular and widely owned individual stocks.

Much media coverage has justifiably been focused on the fast-changing political landscape following the November election of Donald Trump and his inauguration in January. The Trump administration is pursuing an ambitious agenda at breakneck speed. From tariffs to tax cuts to deregulation to the Elon Musk-led Department of Government Efficiency, the administration's to-do list is lengthy and broad-based. Large swaths of the US economy including healthcare, education, infrastructure, energy, raw materials, tech, and manufacturing are attempting to adjust to the frenetic policy backdrop in real time. The Trump Administration's long-term stated goals include reinvigorating the US industrial base and reducing the deficit are perceived positively by many, the efforts to achieve those goals have – and could continue to drive elevated short-term volatility in financial markets.

Yogi Berra's famous quip, "It's tough to make predictions, especially about the future," certainly applies to financial market forecasts. No one can say with confidence how long this recent bout of volatility will persist, but we can examine history for some perspective.

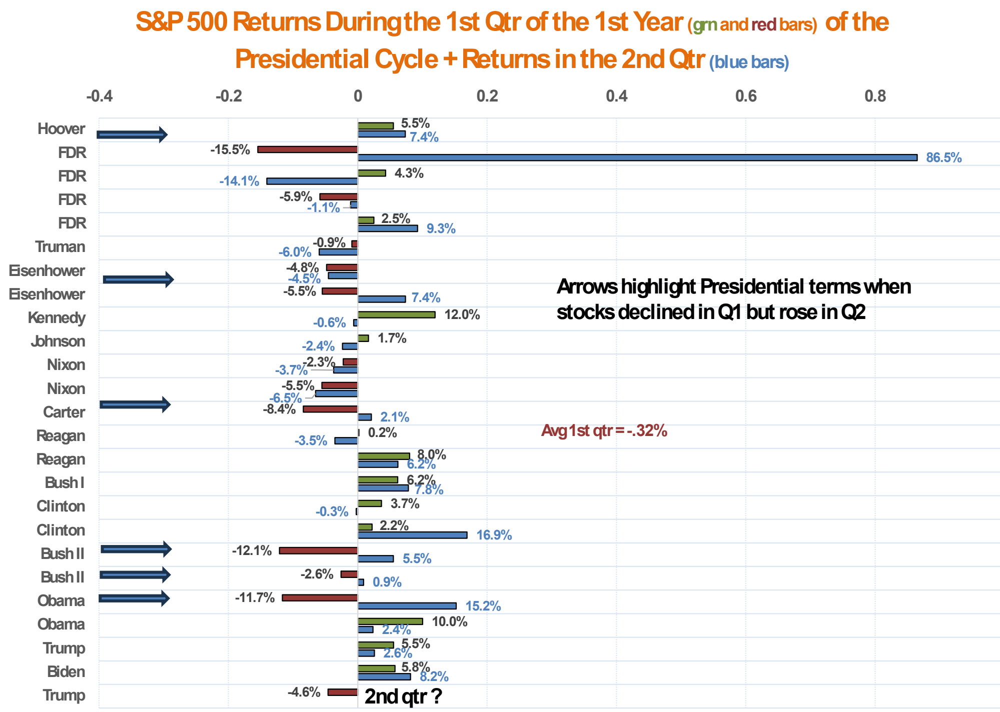
Stocks and the Presidential Election

When we look at stock returns during Presidential Cycles since the late 1920s, certain patterns can be observed. To view these patterns, we examined the performance of the S&P 500 during each calendar quarter of a 4-year presidential term. While there is no guarantee that past performance will repeat in the future, looking at historical trends can help contextualize the current environment and may provide clues into where the market is headed from here. As of the date of this piece, we've just completed the first quarter of Donald Trump's second term in office during which the S&P 500 fell 4.6% on a price only basis. Therefore, the weakness we have seen in the beginning phases of the Trump administration at least "rhymes" with history.
In the chart below, we see that stock returns during the first quarter of the presidential cycle have, on average, been slightly negative over the last 24 presidential terms, beginning with Herbert Hoover in 1929 through Joe Biden in 2021. Therefore, the weakness we've seen in the beginning phases of the Trump administration at least "rhymes" with history.



Source: JAG Capital Management

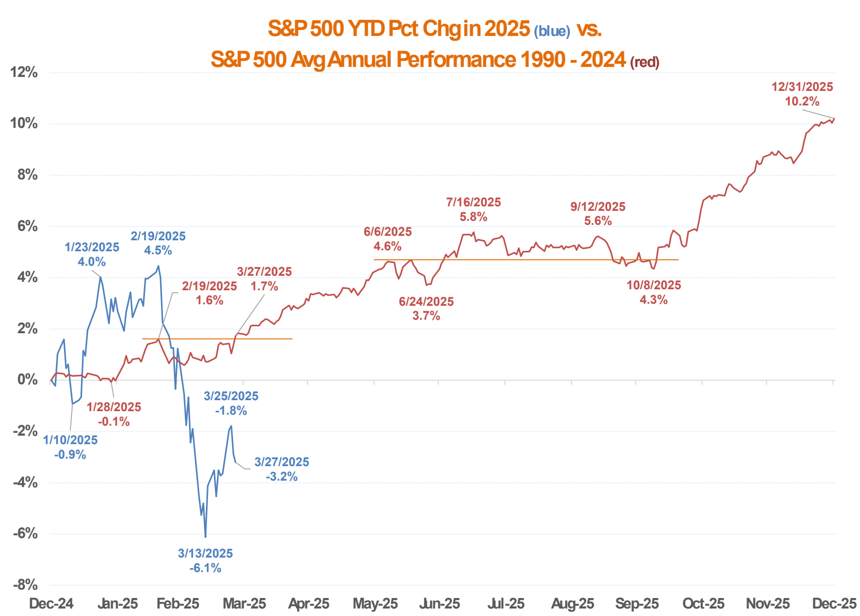
Chart 2 plots the S&P 500's return in the first quarter immediately following a US presidential election for each of the 24 elections (the green and red bars) that have occurred since 1929. As the chart shows, stocks rose 13 times and declined 11, producing an overall average of -.32% over the entire interval. The worst Y1-Q1 for the S&P 500 occurred during FDR's first term in 1933, when the index fell 15.5%. The best opening quarter happened during the incoming JFK administration in 1961, which saw a 15.5% gain for the index. The blue bars show how stocks performed in the second quarter of the cycle. Following those 11 first quarter declines, we find stocks rose 6 times during the subsequent quarter. With the S&P 500 finishing lower in Q1, there is historical evidence Q2 could bring some stability back into the broader stock market



Source: JAG Capital Management

Seasonal Tendencies

In addition to the presidential cycle, stocks have also exhibited some seasonal tendencies worth noting. In chart 3, the red line shows the daily performance of the S&P 500 averaged over the years 1990-2024. The blue line shows the S&P 500's performance so far in 2025. The date labels are included to identify notable inflection points. Historically since 1990, the S&P



Source: JAG Capital Management

500's average peak price early in the calendar year has occurred on February 19 - which happens to line up exactly with the index's high so far this year. On average, the index trades sideways to down during the latter part of February into March. Our general takeaway is that the late winter/early spring portion of the years have tended to be a bit weaker than other seasons of the year, all else being equal.

Finally, it is important to remember that short-term equity market volatility is a feature, not a bug. The fact that stocks experience more frequent dips, drops, and pops than bonds and cash is a key part of why equities have tended to generate positive real returns over the long term. The action we've seen in recent weeks has been unpleasant, but it is yet another real-time example of how financial markets work to quickly discount new developments. This current new administration is signaling more changes – across more areas of the economy and global order – than has been the case in recent memory, and we think this has contributed to the recent spike in market volatility.

– JAG's Growth Equity Research Team

Disclosures

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Ownership: Fifty-one percent ownership by a Veteran or Veterans. The applicant must share in all risk and profits commensurate with their ownership interest.

Control and Management: Proof of active management of the business. Veteran must possess the power to direct or cause to direct the management and policies of the business.

Contribution of Expertise and Capital: Contribution of capital and/or expertise by Veteran owner(s) to acquire their ownership interest shall be real and substantial and be in proportion of the interest acquired.

Independence: The Veteran owner(s) shall have the ability to perform in their area of specialty/expertise without substantial reliance on non-Veteran-owned businesses.

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