Q1 | January - March 2025

Market Review & Outlook

US & TT Perspectives

ANSA WEALTH MANAGEMENT

Staying Anchored Through Policy Shifts and Global Realignment

US | Market Review & Outlook

Q1 | JANUARY - MARCH 2025 | WRITTEN: APRIL 10TH

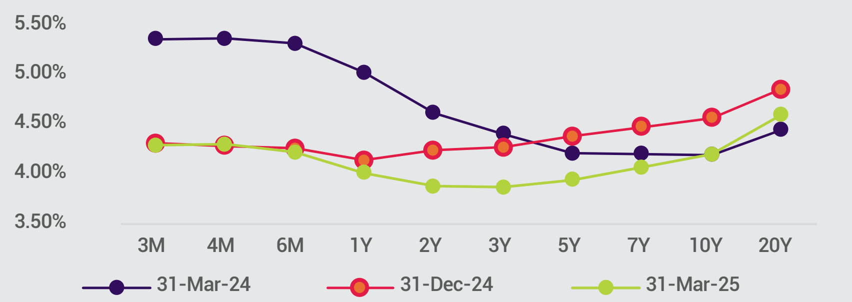
The U.S. economy maintained a steady pace of growth in the first quarter of 2025, despite lingering inflation and ongoing global policy uncertainty. Real GDP for Q1 2025 is estimated to have expanded at an annualized rate of 2.4%, driven by continued consumer resilience, stable labour market conditions, and a rebound in capital expenditures, particularly in the industrial and technology sectors.

ECONOMIC INDICATORS

	Q4 2024	Q1 2025	Q2 2025	Q3 2025	FY 2024	FY 2025
Real GDP (YoY%)	2.45	2.40	2.00	1.70	2.80	1.90
CPI (YoY%)	2.70	2.80	2.80	3.10	3.00	2.70
Housing Starts ('000s monthly avg.)	1,392	1,426	1,400	1,407	1,368	1,402
Unemployment (%)	4.10	4.10	4.20	4.30	4.00	4.30
Interest Rate – US Fed. (%)	4.50	4.50	4.40	4.20	4.50	4.05

Unemployment remained unchanged at 4.1% during Q1, highlighting a labour market that, while no longer accelerating, remains structurally strong. Wage growth moderated slightly, helping to alleviate pressure on corporate margins while supporting steady household consumption. Inflation, however, remained sticky. The Consumer Price Index rose by 2.4% year-on-year in March 2025, moderately above the Fed's 2% target, and driven in part by rising services and shelter costs.

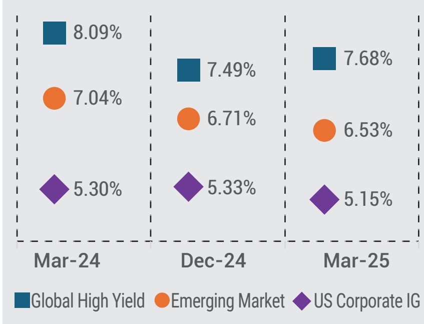
US TREASURY YIELDS



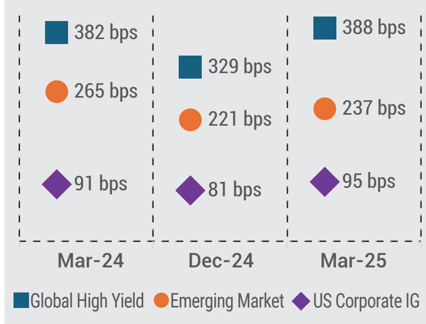
The housing sector showed mixed signals during the quarter. While mortgage rates stabilized from Q4 highs, affordability constraints persisted, dampening some buyer activity. Housing starts averaged 1.43 million annualized units in Q1, greater than an average of 1.36 million in Q4 2024 and above the 2024 run rate. Demand for new homes remains supported by strong demographic trends and low housing inventory.

U.S. Treasury yields edged higher over the quarter, reflecting fading expectations for near-term Fed rate cuts. The 10-year yield moved back toward 4.21% by March-end, relatively in line with the 6M rate of 4.36%. The result being a modestly inverted yield curve, reflecting a market grappling with the balance between sticky inflation and slower, yet still positive, economic growth.

BENCHMARK YIELDS: HY, IG & EM



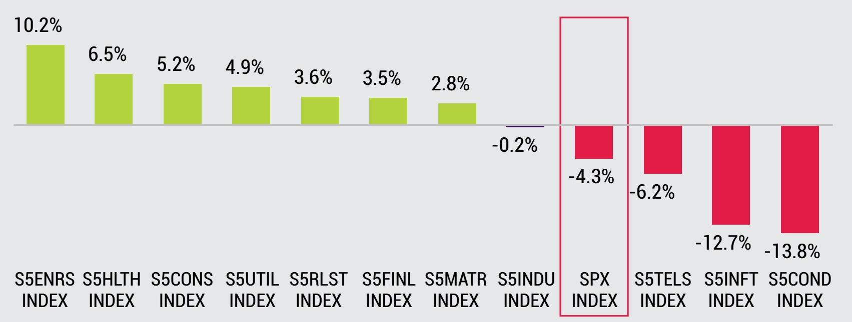
CREDIT SPREADS – HY, EM AND IG



In the fixed income space, investment-grade (IG) bonds remained in favour, offering attractive risk-adjusted returns amid stable fundamentals with credit spreads widened by 14 bps likely owing to economic uncertainty.

High-yield (HY) bonds recorded rising yields with an increase of 19 bps, closing Q1 2025 at 7.68%, as investors became more selective as broad-based corporate earnings showed signs of normalizing growth. Credit spreads on HY bonds rose 59 bps, as investors priced in higher risks. Emerging market debt outperformed, as yields fell by 18 bps over the quarter to close at 6.53% supported by easing inflation abroad and more stable global monetary policy expectations. Its credit spread rose 16 bps over the quarter.

Q1 2025 - TOTAL RETURN BY SECTOR



After a strong end to 2024, the equity market started the year under pressure as the Trump regime delivered on promises of higher tariffs. These developments marred sentiment for discretionary stocks but propelled gains for defensive stocks. So far this year, among sectors with more than 10 companies offering guidance, utilities, real estate and health care reported positive EPS guidance momentum for 2025. However, consumer staples, consumer discretionary, tech and industrials have seen a tilt to negative EPS guidance, suggesting near term headwinds are expected to persist for cyclical sectors.

INVESTOR OUTLOOK

As we move further into 2025, investors are being called upon to navigate a more nuanced environment where moderate growth and persistent inflation co-exist with evolving geopolitical risks and policy recalibrations. A key development this year has been the re-emergence of global trade tensions, with new tariff proposals and policy shifts echoing past trade war episodes. While many recall the 2018–2019 US–China tensions, it is also worth noting the impact of earlier periods, such as the steel tariffs of 2002 or the Smoot-Hawley tariffs in the 1930s. In each case, markets experienced volatility, but long-term investors who stayed disciplined were ultimately rewarded as economies and companies adapted. Today, global supply chains are more diversified, and firms are better positioned to absorb disruption. Investment themes such as U.S. re-shoring, digitization, and technological self-sufficiency are no longer optional, they are strategic imperatives. These shifts offer fertile ground for long-term portfolio positioning.

Inflation remains a headwind in the near term. Although, the March CPI reading came at 2.4% the lowest since March 2021, the Federal Reserve is expected maintained its cautious stance as Trump's tariffs threaten to upend prices. The latest dot plot reveals a more hawkish tilt among policymakers, with many members projecting only one or two rate cuts this year or potentially none at all. The Fed minutes for its March session revealed that focus remains on managing inflation though a "cautious approach" as the economy is expected to face higher inflation and potentially slowing growth. Markets have adjusted accordingly, with bond yields recalibrating higher and equities rotating modestly toward quality and cash-flow resilience.

Against this backdrop, we continue to emphasize that investing is a process not a moment. Times of uncertainty are not the time to react impulsively, but to re-anchor in fundamentals. Diversification, discipline, and a long-term horizon remain the most powerful tools available to investors. Looking forward, we believe portfolios anchored in quality whether in equities with strong balance sheets and durable margins, or in fixed income with stable income streams will be best positioned to weather continued volatility. Structural investment themes including cybersecurity, 5G, artificial intelligence, and infrastructure remain intact and are likely to drive long-term performance.

Contact us to find out more about opportunities for investment and growing your wealth.

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ANSA WEALTH MANAGEMENT

Policy Uncertainty, Energy Unwinds, and Foreign Exchange Pressures

TT | Market Review & Outlook

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Trinidad and Tobago entered 2025 grappling with a complex mix of modest growth, shifting global dynamics, and tightening domestic constraints. Preliminary economic indicators for Q1 2025 suggest continued stagnation, with real GDP growth expected to remain flat, on the back of marginal 0.3% growth in 2024. The energy sector continued to under-perform, with average natural gas production in 2024 declining to ~2.5 billion cubic feet per day, its lowest since 2002. The drop resulting in a knock-on effect on key petrochemical exports including ammonia and methanol, both of which recorded lower output and export volumes.

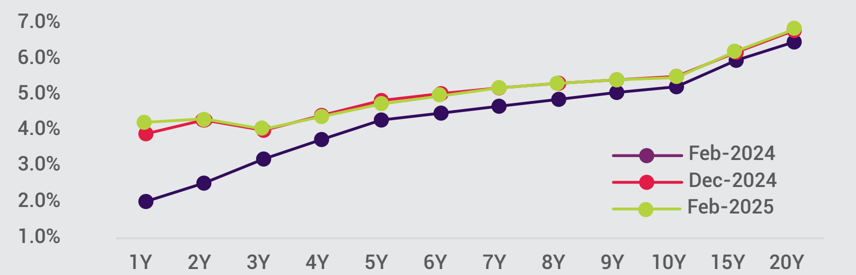
ECONOMIC STATISTICS

	2024	2025	2026	2027
Real GDP (YoY%)*	0.3	0.4	1.0	0.9
CPI growth (YoY%)*	1.2	1.8	1.9	1.9
Debt/GDP (%)*	77.2	79.7	80.6	80.9
Unemployment (%)*	5.2	5.2	5.4	5.4

Based on S&P Global Ratings Forecast

Inflation has remained relatively contained, with the February 2025 CPI reading showing a 0.7% year-on-year increase, led primarily by increases in food prices. Latest employment data, reflecting Q3 2024, showed that employment trends improved with the unemployment rate dropping to 4.1%, from 4.8% and 5.1% in Q2 and Q1 2024, respectively.

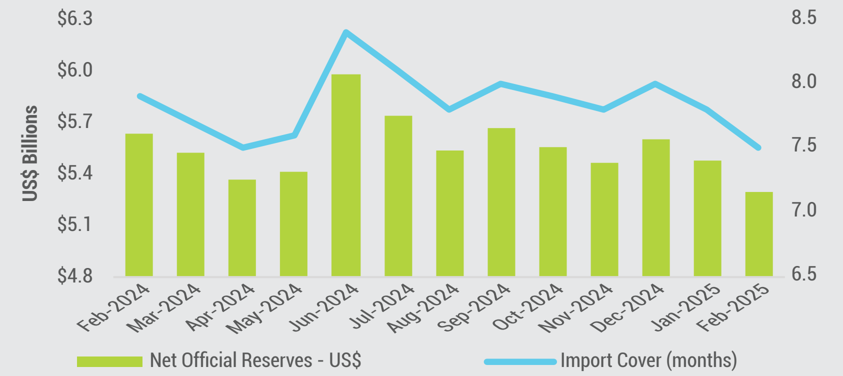
TRINIDAD AND TOBAGO GOVT TREASURY YIELDS



Owing to a depressed energy sector, which has traditionally been a key foreign currency earner, foreign exchange shortages continued to worsen, with central bank interventions struggling to meet private sector demand. Despite these challenges, the non-energy sector demonstrated pockets of resilience, particularly in construction, financial services, and retail. Government non-energy revenue has shown moderate improvement, rising approximately 7% year-over-year in Q4 2024.

Public debt levels remain elevated, with Total Debt to GDP estimated at 74.3% as of December 2024, reflecting both external borrowing and domestic financing to support budgetary shortfalls. Central Government

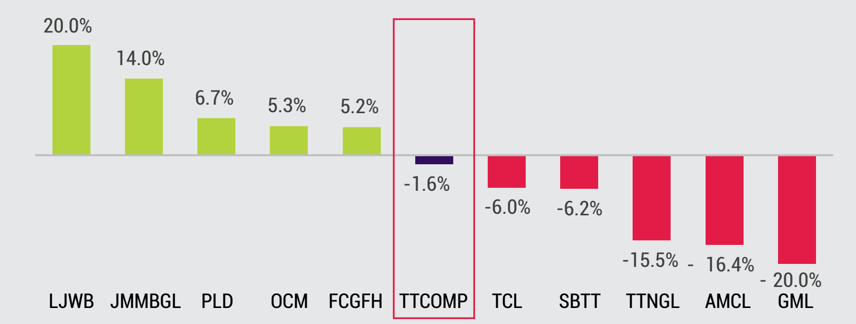
NET OFFICIAL RESERVES AND IMPORT COVER



External Debt stands at 19.3% of GDP. While these figures remain manageable, they underscore the country's limited fiscal space, especially in the face of slowing energy revenues and a subdued global commodity environment.

The Central Bank has kept the repo rate unchanged at 3.5% amid subdued inflation and weak domestic demand. However, yield movements have reflected growing investor caution.

TRINIDAD AND TOBAGO GOVT TREASURY YIELDS



Above chart show top leaders and bottom laggards for Q1 2025.

The 1-year TTD government treasury yield rose to 4.25% in February 2025 from 3.94% at the close of 2024, as investors demand higher premiums for holding short-term paper amidst mounting fiscal uncertainty and rising global rates.

The local equity market remained cautious in Q1, weighed down by thin liquidity and concerns about the economic outlook. The TT Composite Index dipped 1.6% in the quarter. However, select non-energy corporates, especially those with regional footprints, continue to deliver earnings growth and remain attractive on a valuation basis.

INVESTOR OUTLOOK

As general elections approach, policy direction is expected to remain cautious, with major fiscal or structural reforms likely deferred until after the political transition. This may delay decision-making on key investment projects and public-private partnerships. Uncertainty surrounding the election outcome may also affect investor sentiment and domestic capital flows.

A critical setback emerged in April 2025 with the U.S. government's decision to revoke the license previously granted to Trinidad and Tobago to develop the Dragon gas field in Venezuela. This move disrupts expectations for medium-term energy supply and investment flows, especially as the Dragon project was envisioned to significantly bolster local gas availability and boost foreign exchange inflows. With no alternative near-term supply options, gas output may remain constrained, limiting the country's energy export capacity.

The breakdown in the Dragon deal adds renewed pressure to an already strained foreign exchange market. Energy-based FX inflows have declined, while demand from the import-dependent non-energy sector remains high. Official reserves fell to US$5.29 billion by February 2025, reflecting a 6.1% decline year-on-year and covering roughly seven and a half months of imports. Continued scarcity could further impact business operations and delay capital import projects.

With external funding conditions tightening and energy revenue growth slowing, the government faces increasing difficulty in balancing its fiscal objectives with debt management. While the sovereign maintains its investment-grade rating, future downgrades remain a risk if fiscal buffers erode further or if investor confidence weakens in the lead-up to the elections.

Trinidad and Tobago stand at a crossroads in 2025. The economy continues to show resilience in parts of the non-energy sector, but the fragility of the energy base, policy uncertainty ahead of national elections, and external pressures on foreign exchange and debt sustainability, call for careful macroeconomic management. Enhancing revenue diversification, prioritizing FX-generating industries, and maintaining fiscal discipline will be critical to weathering the current challenges and regaining economic momentum.

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