CION INVESTMENTS

# CION MARKET OUTLOOK:

# THE BOILING POINT: HOW PATIENCE BEATS PANIC IN LONG-TERM INVESTING

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There's a reason that Grandma's wisdom sticks: a watched pot never boils. Or at least, it feels that way. Stirring the water, peeking under the lid, sending memes in the group chat—none of it helps. You just get more anxious. Is this thing on?

That's not just kitchen folklore. A new study in the *Journal of Experimental Psychology* [1] shows that the more obsessively we check for progress, the more we convince ourselves nothing's happening. Whether it's doomscrolling on Twitter (fine, "X"), weighing ourselves daily, or seeing what ETH is trading at, we warp reality by watching too closely. Investors, in particular, are vulnerable to this trap. And the consequences can be expensive.

Take Amazon. From 1997 to 1999, the stock exploded 4,500%. Then came the dot-com crash. Amazon lost 95% of its value by 2002. Anyone watching the stock during that period might have jumped ship rather than endured daily red candles. They would have sold right before it became one of the most valuable companies in history. The lesson: markets reward endurance, not trading.

That's where the new research gets fascinating. It turns out that our brains don't naturally smooth out the noise. They amplify it. We

[1] Vaz, A., Mata, A., & Critcher, C.R. (2025). A watched pot seems slow to boil: Why frequent monitoring decreases perceptions of progress. *Journal of Experimental Psychology: General*

confuse volatility with a lack of progress. We over-index to recent events. It's stimulation, after all. News headlines cause stress, increasing our need to react. The more closely we watch, the worse we feel—and the more tempted we are to sell at exactly the wrong time. It is literally painful to do nothing.

But zoom out, and the story shifts. We all know that compound growth rewards patience. Diversification, dollar-cost averaging, and long-term holding aren't just smart—they're emotionally stabilizing. Imagine if every time you try to look under the lid or panic sell, Nonna will rap your knuckles with her wooden spoon. Then step away from the pot.  And that's when the water will finally boil.

For any masochists still reading, we'll recap Q1's market moves and look ahead to what 2025 might have in store.

## U.S. Economic Performance - Things Start to Wobble

- **GDP Contraction:** Q1 2025 real GDP estimates plunged and now range from -1.8% to -2.8%, driven by declining net exports and weaker personal consumption according to the Atlanta Fed's GDPNow model
- **Job Market Holds the Line:** Nonfarm payrolls rose by 151,000 jobs in February, keeping unemployment steady at 4.1%.
- **Consumer Confidence Takes a Hit:** Inflation and tariffs concerns have caused consumer confidence to decline to 57.9 in March 2025, a 2.5 year low.
- **Inflation Sticks as Spending Slows:** February consumer spending disappointed, while core PCE inflation climbed 0.4% month-over-month (2.8% year-over-year).

## Monetary Policy - FOMC Watching with Bated Breath

- **The Fed Plays It Safe:** The Federal Reserve kept interest rates steady at 4.25%–4.5% through Q1 2025, following a 25-bps cut in December 2024. The Fed remains cautious as inflation hovers near 2%.
- **Rate Cuts or Rethink?** The Fed's latest dot plot projects two 25-bps rate cuts this year, potentially lowering rates to 3.75%–4.0% by year-end.
- **Debt Maturity Wall Looms:** U.S. national debt has surged to approximately $36.56 trillion as of March 2025, with $8.9 trillion—over 24% of total outstanding debt—set to mature in the next 12 months. This creates a massive refinancing challenge amid high interest rates and fiscal constraints.
- **Rates Slide, Mortgages Stabilize:** Treasury yields have eased from 2024 highs, with the 10-year yield at 4.3%, down from approximately 5%. The 30-year mortgage rate has hovered near 6.9%, flat from January but well below last year's peak.

## Credit Market Performance - Steady as She Goes

- **Credit Steady:** Bond Returns Solid: In Q1, investment-grade bonds gained 2%, high-yield bonds returned 1%, and leveraged loans were flat.
- **Defaults Drift Lower:** U.S. speculative-grade default rates were around 5% at the end of 2024 but are expected to fall to 3.5% by year-end 2025, according to S&P Global. A stable economy and more manageable refinancing environment are easing credit stress.

- **IG Bonds Stay in Demand:** Investment-grade corporate bonds continue to offer compelling income, with yields still hovering above 5%—well above their 10-year average. Current spreads over Treasuries reflect strong demand and stable fundamentals that have kept returns modestly positive YTD.

- **Private Credit Dominates the Field:** Direct lenders are taking over where banks left off—private credit now backs 77% of the 1,200+ issuers in the leveraged loan market, up from just 59% in 2015. With flexible structures and speed to close, private capital has become the preferred venue for borrowers seeking certainty in a volatile environment.

## US and Global Market Summary - Gold Surges, US Stock Decline, Euro

- **Red Candle Quarter:** In Q1 2025, the S&P 500 dropped (4.6%), its worst quarter since 2022, while the tech-heavy Nasdaq suffered a brutal (10.4%) drop. Even the typically steady Dow Jones couldn't dodge the downturn, slipping (1.3%)

- **Global Equities Surge Ahead:** International markets are leading in 2025, with MSCI Germany up 15.60% and MSCI China up 15.10% in Q1. Optimism over fiscal stimulus and easing inflation supported the rally across Europe and Asia.

- **Bar None: Gold Breaks Out:** Gold surged to an all-time high of $3,124 per ounce, by the end of Q1 2025, as investors flocked to safe-haven assets amid escalating market uncertainty.

- **Infrastructure on the Fast Track:** BlackRock projects infrastructure to be the fastest-growing private asset classes, with annual energy investments alone to rise from $2.2 trillion today to over $3 trillion by the end of the decade.

- **Bitcoin's Wild Ride:** Bitcoin surged to an all-time high of over $109,000 in January before retreating below $83,000 by the end of the quarter.

## Markets*

| | As of 3.31.2025 | 2024 FY | 2025 YTD |
|---|---|---|---|
| **S&P 500** | 5,611.85 pts | 24.0% | -4.6% |
| **NASDAQ** | 17,299.29 pts | 30.8% | -10.4% |
| **The Dow** | 42,001.76 pts | 12.8% | -1.3% |
| **Global Equities** | | 26.3% | -4.4% |
| **Emerging Markets** | | 5.2% | 4.5% |
| **Energy** | | 1.1% | 9.1% |
| **Gas** | $3.60/gal | -3.5% | 2.7% |
| **Gold** | $3,123.57/oz | 27.5% | 19.0% |
| **VIX** | 22.28 pts | 31.4% | 28.4% |
| **10-Yr Treasury** | 4.205% | 64.0 bps | -36.4 bps |

## Alternatives*

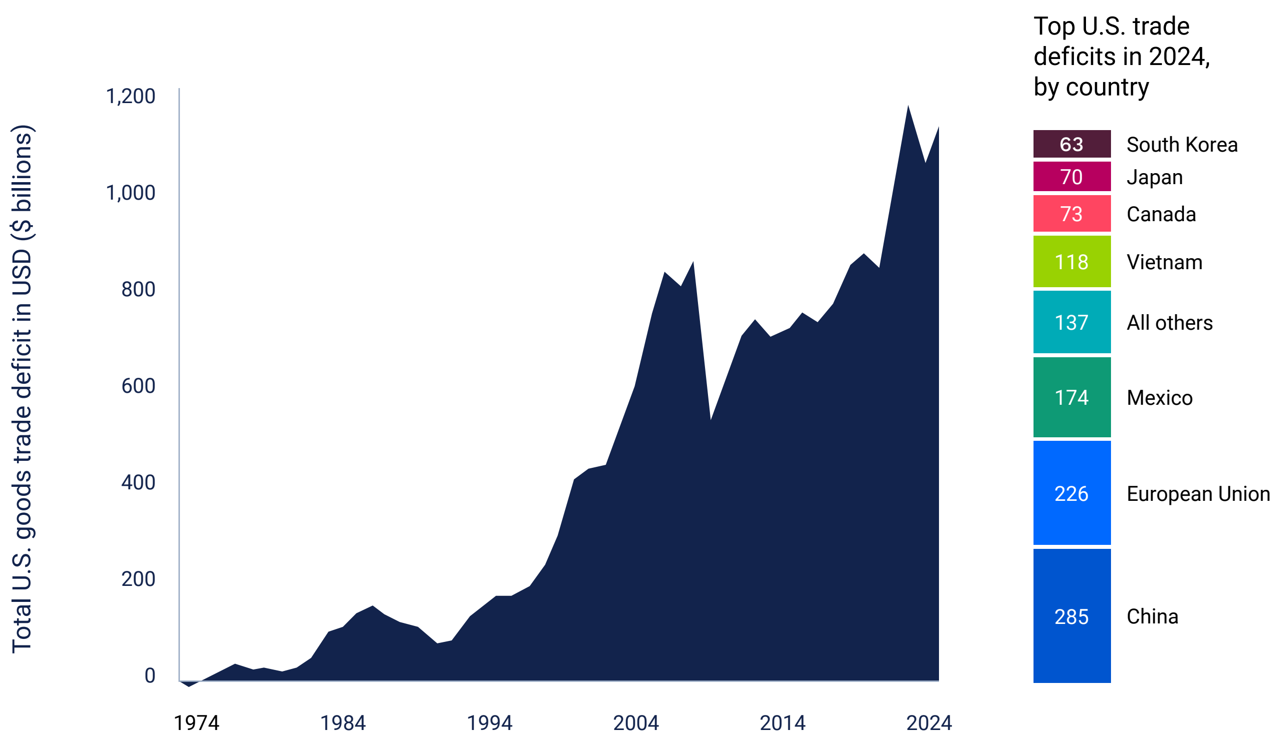
| | 2024 FY | 2025 YTD |
|---|---|---|
| **Direct Lending** | 11.9% | -0.1% |
| **CLOs** | 13.1% | 1.5% |
| **Private Equity** | 9.9% | -4.0% |
| **Hedge Funds** | 11.6% | 0.7% |
| **Equity REITs** | -1.3% | 2.4% |
| **Residential REITs** | 8.0% | 2.8% |
| **Industrial REITs** | -20.8% | 4.7% |
| **Wine & Cheese** | -9.7% | -10.0% |
| **Crypto Market** | 60.4% | -31.7% |
| **SPACs** | 8.5% | -15.4% |

## When the Tariffs Strike

Tariffs don't hit every stock the same. Some get a scratch. Others get body-slammed. Companies with global supply chains and heavy overseas revenue—think tech, autos, and yes, even dolls and toys[2] —are squarely in the crosshairs according to a recent Morgan Stanley report. Defensive sectors like health care and utilities, which derive most of their revenue domestically may outperform more cyclical industries. Consumer discretionary companies are vulnerable to both rising costs and declining consumer sentiment if tariffs feed inflation. For investors looking outside the US, a modest allocation to emerging-market equities focused on tariff beneficiaries can help capture some tariff upside.

In this environment, investors may also consider shifting away from goods-heavy sectors toward service-oriented industries. Software and cybersecurity firms, for example, typically have less physical exposure to global trade flows. These companies enjoy that sweet, sweet recurring revenue model and can grow regardless of what's happening at the ports.

**The U.S. trade deficit surged to near record highs in 2024**




## Stagflation Is Back (And It's Ugly)

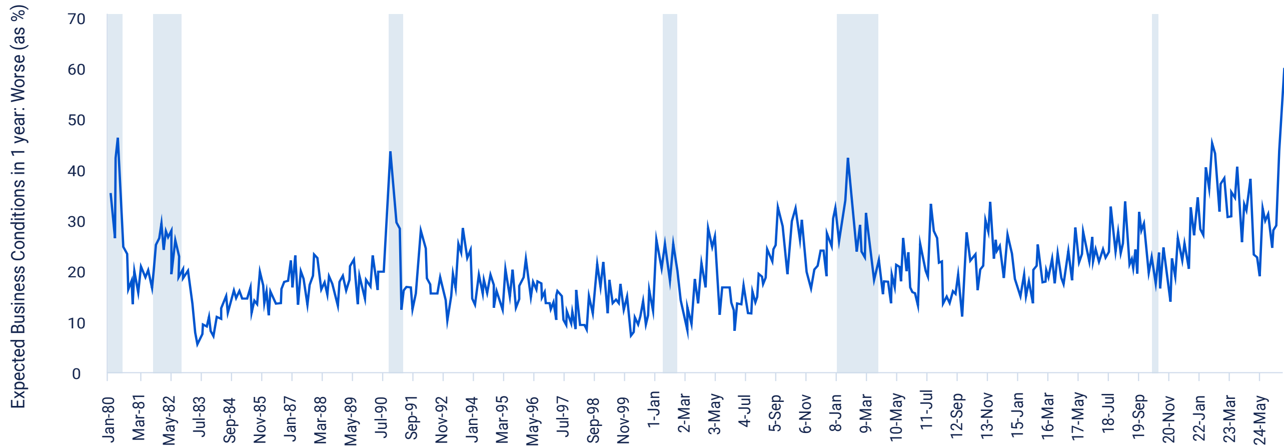
Economic growth is stalling, inflation is heating up, and Americans are bracing for both to get worse. That combo has a name—stagflation—and it's Wall Street's least favorite word. It means higher prices and a slowing economy. Your money buys less and jobs become harder to find.

Recent data paints a gloomy picture: GDP is dipping, consumer spending is soft, and inflation just hit its highest level in a year. The stock market has noticed too—the S&P 500 is down 4.6% since January. Even though the job market is still holding up, consumer confidence is sinking fast.

[2]This particular category is defined under the NAICS code as, "...primarily engaged in manufacturing complete dolls, doll parts, doll clothes, action figures, toys, games (including electronic), hobby kits, and children's vehicles (except metal bicycles and tricycles)." In other words, items primarily manufactured in China.

A growing number of Americans—two-thirds—expect unemployment to rise this year, and inflation expectations have jumped sharply. That's an unusual and worrying combo.

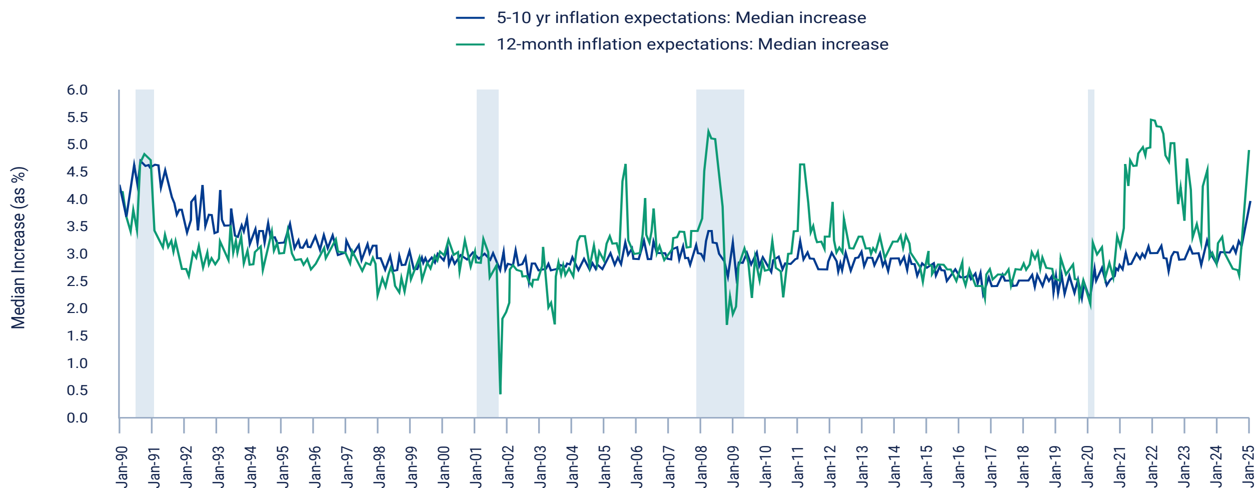
### Record-high share of consumers think business conditions are worsening




Source: University of Michigan, Haver Analytics, Apollo Chief Economist

Usually, inflation and unemployment don't spike together. But trade tensions and policy swings may be setting us up for the worst of both worlds—slower growth and higher prices—with fewer tools for fixing either.

### Inflation expectations rising at unprecedented speed




Source: University of Michigan, Haver Analytics, Apollo Chief Economist

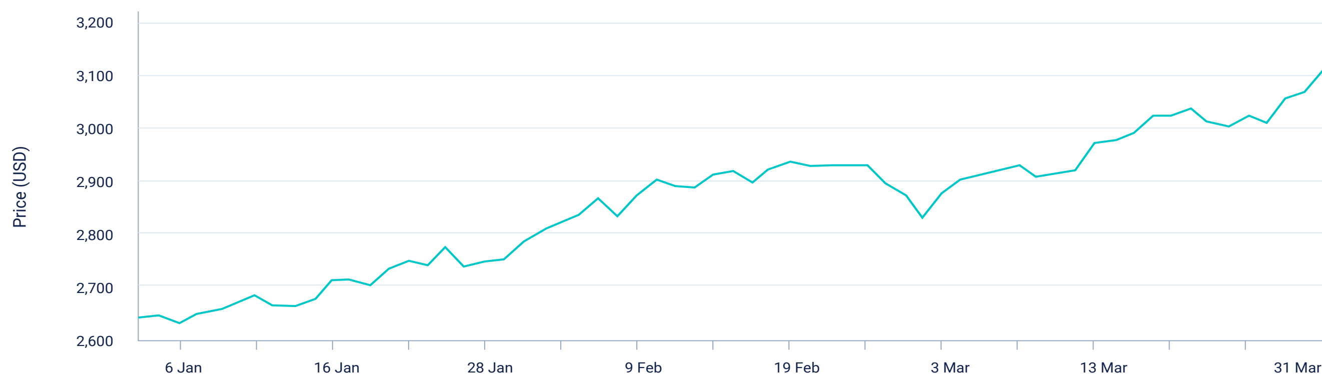
Bottom line: The vibes are off. And people are starting to behave like they expect a storm.

## Why Gold and Alts Provide Shelter from the Storm

When markets start flashing stagflation warnings—slowing growth, rising prices, and nervous consumers—investors look for cover. That's where gold and alternative assets can shine.

Gold, in particular, has been on a run, up nearly 20% through Q1. It doesn't generate income, but in uncertain environments, it acts like a psychological hedge. A store of value when people start losing trust in currencies and central banks. With inflation rising and real yields under pressure, gold's appeal as a "hard asset" has surged.

### Gold prices




Data as of 31 March, 2025. Sources: Provided by ICE Data Services. Copyright2024 FactSet Research Systems Inc. All rights reserved. World Gold Council and goldhub.com.

But investors can do more than buy Krugerrands and gold eagles. A range of alternative products is now available to help reduce direct correlation to public markets. Access to private investments and less liquid asset classes may help mitigate the impact of inflation and policy shifts such as tariffs. Previously exclusive to institutional investors, alternative investments, like private credit, art, wine & whisky, infrastructure, and private equity are increasingly available to a broader investor base. These assets continue to gain market share with institutions as investors seek out returns that aren't tied directly to the stock market or rate-sensitive bonds.

Bottom line: In a world where the old rules feel shaky, having a slice of your portfolio in uncorrelated, real, or strategic assets isn't just smart—it might be essential.

Markets rise, stumble, and rise again—just like they always have. The winners aren't the ones who refreshed their feed the most often. They're the ones who could wait.

Long-term investing works because it gives time a chance to work. Compounding needs patience. Alternatives—private credit, real assets, venture capital— can help provide ballast in the storm. These assets have low correlation to public markets and have successfully performed during times of crisis. With their low liquidity, they are intended for long-term holding and don't flicker on your screen every second. That's the point.

Sometimes the smartest thing you can do... is nothing at all. Let the pot boil.

## Endnotes

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"Crypto Market" represented by the Bloomberg Galaxy Crypto Index. "NASDAQ 100" represented by the NASDAQ 100 Index. "S&P 500" represented by the S&P 500 index. "Private Equity" represented by the Invesco Global Listed Private Equity ETF. "Direct Lending" represented by the DLX Direct Lending Index. "US Residential REITs" represented by the MSCI US Residential REIT Index. "CLOs" represented by the Palmer Square CLO Debt Index. "Leveraged Loans" represented by the S&P/LSTA Leveraged Loan Total Return Index. "High Yield Bonds" represented by the Bloomberg Barclays US Corporate High Yield Total Return Index Value Unhedged. "Gold" represented by the SPDR Gold Shares. "Emerging Markets" represented by the iShares MSCI Emerging markets ETF. "Investment Grade Bonds" represented by the Bloomberg US Corporate Bond Index. "Hedge Funds" represented by the Bloomberg All Hedge Fund Index. "Equity REITs" represented by the MSCI World Equity REIT Index "Financials" represented by the Financial Select Sector SPDR Fund. "Telecom" represented by the iShares US Telecommunications ETF. "Utilities" represented by the Utilities Select Sector SPDR Fund. "Commodities" represented by the Invesco DB Commodity Index Tracking Fund. "Oil" represented by the United States Oil Fund LP. "VIX" represented by the Chicago Board Options Exchange's CBOE Volatility Index. "Natural Gas" represented by the United States Natural Gas Fund LP.

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