

## Stormy Weather

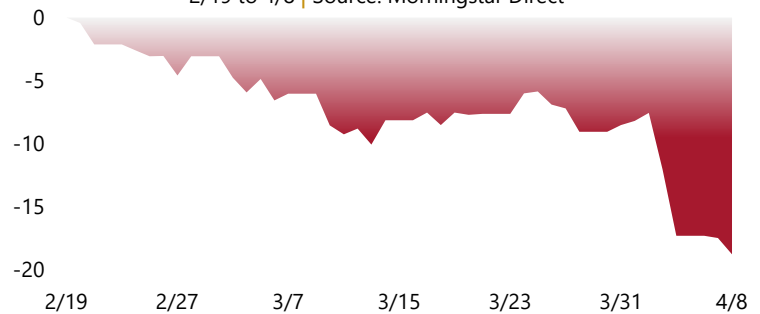
As they say, April showers bring May flowers, and investors who weathered the storm this past month are looking forward to the sunshine. After declining 5.63% in March, April was marked by significant volatility and a burst of uncertainty. To just look at the S&P 500® Index's -0.68% return for April, however, one may never know.

Volatility spiked to crisis-like levels following the Trump Administration's "Liberation Day" announcement. The new tariff policy fueled fears about the future of global growth and inflation, resurrecting [concerns about stagflation](#). From the start of April through April 8, the S&P 500® Index entered correction territory and declined 11.19%.

Storm clouds accumulated as probabilities of recession reached levels not seen since the U.S. Federal Reserve (the Fed) pivoted course in the last quarter of 2022. Adding to the tumult, the Atlanta Fed issued its GDPNow model forecasts for real GDP growth which estimated first quarter 2025 growth to decline 3.7%.<sup>1</sup>

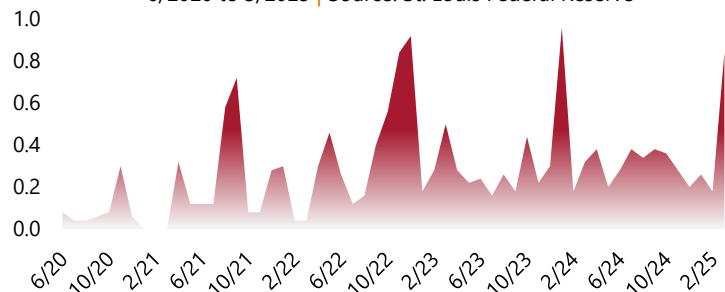
### 2025 S&P 500® Index Maximum Drawdown

2/19 to 4/8 | Source: Morningstar Direct<sup>SM</sup>



### Probability of Recession

6/2020 to 3/2025 | Source: St. Louis Federal Reserve



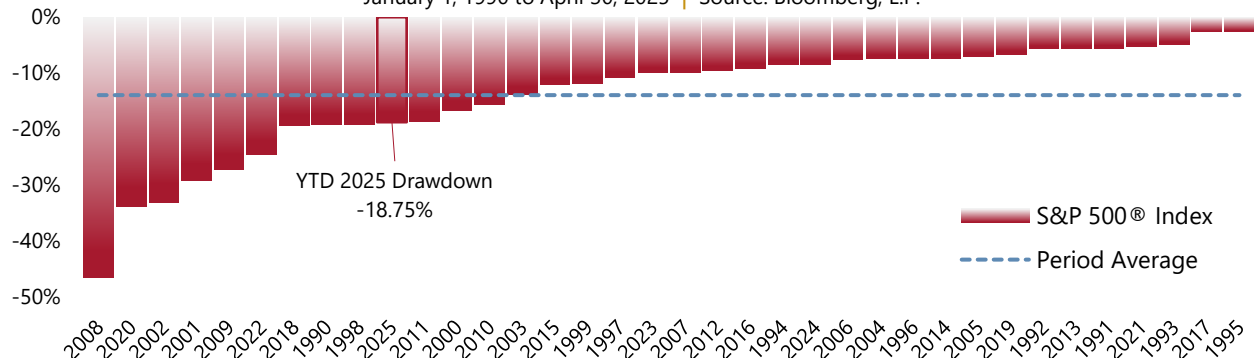
## Fertile Land

Market turmoil may have caught investors off guard, but it should not have come as a surprise. The shift downward in the equity market stopped short of bear market territory with the S&P 500® Index declining a total of 18.75% from its February 19 all-time high. Painful, but not uncommon.

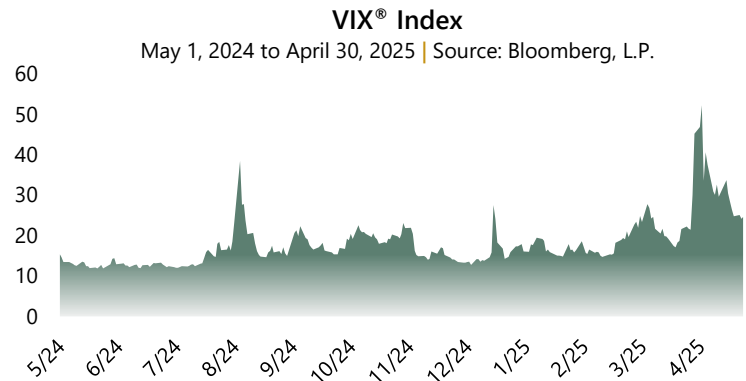
Most recently, 2023 and 2024 were exceptional, with intra-year declines of just 9.94% and 8.45%, respectively. However, investors should recall their endurance during the 24.51% intra-year decline in 2022 as the Fed aggressively shifted course to tackle runaway inflation. Since 1990, the average intra-year drawdown for the S&P 500® Index is 13.89%, leaving the recent drawdown ranking 10th over the timeframe.

### S&P 500® Index Annual Maximum Drawdowns

January 1, 1990 to April 30, 2025 | Source: Bloomberg, L.P.



As economic uncertainty and market turmoil increased, implied volatility, as measured by the Cboe® Volatility Index (the VIX®), spiked in April. The VIX® averaged 31.97 in April – 64% above its since 1990 average of 19.49. The VIX® reached a 2025 closing high of 52.33 on April 8, its highest close since 2020. Interestingly, the next highest intra-calendar year close for the VIX® since the pandemic was 38.57 in 2024, when the S&P 500® Index rose more than 25%. Furthermore, during 2022's intra-year maximum drawdown, larger than the tariff tantrum, the VIX® rose to a closing high of just 36.45.



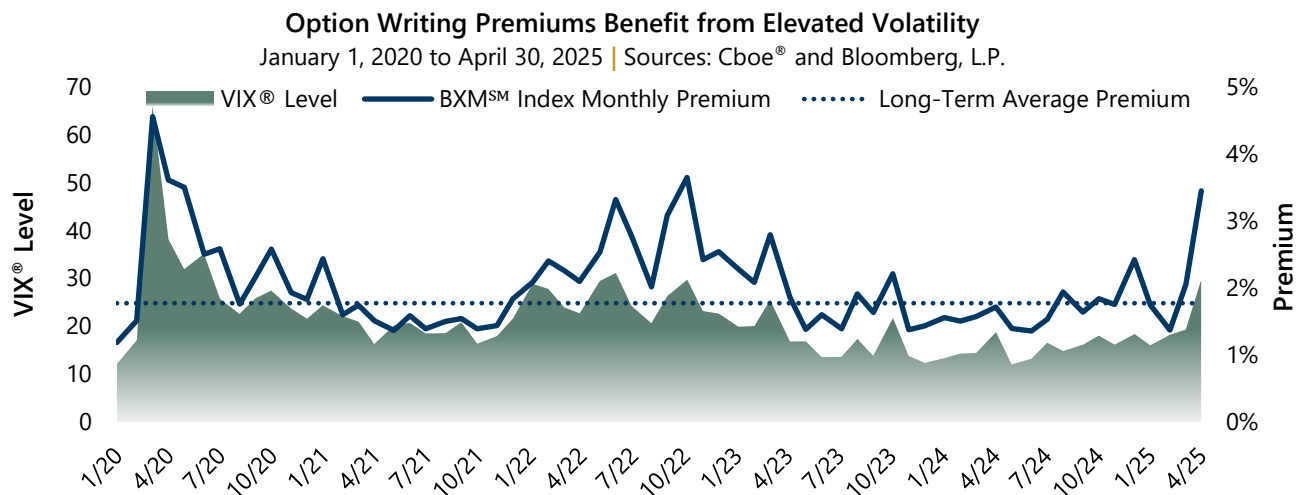
### It's Always Sunny

As seen in 2024, crisis-like volatility does not necessarily lead to negative returns - although it certainly is a possibility. However, the year-to-year unpredictability of the equity market is a reminder of the benefits of hedging with index options. These tools benefit from heightened levels of volatility and can result in significant loss mitigation during the most tumultuous of times.

Premiums collected from index option writing can also help investors consistently maintain exposure to the long-term growth potential of the S&P 500® Index, regardless of current market direction. This balance supports equity market participation and can insulate portfolios during stormy weather – helping investors stay invested.

For example, consider the Cboe® S&P 500 BuyWrite<sup>SM</sup> Index (the BXM<sup>SM</sup>) which represents a passive covered call option writing approach. The premium the BXM<sup>SM</sup> collected as a percentage of the its underlying value was 3.45% in April – more than 68% higher than the premium collected in March and nearly 95% higher than the long-term monthly average of 1.77%. This offers a simple illustration to highlight the benefits of implied volatility on index option premium levels.

*The BXM<sup>SM</sup> is passive and rules-based, not active, which results in potential returns that are significantly influenced by the path of the equity market and the premiums collected on its written index call options.*



Active approaches, such as those offered by Gateway, will have differing results. For instance, active index option management may afford a portfolio management team the opportunity to capture heightened volatility in real-time as the opportunity is often fleeting.

## Just Go Outside

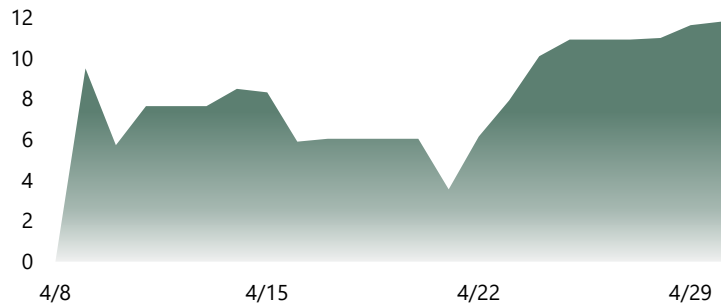
April was a test of resolve for investors with trade negotiations and recession fears driving sharp equity market declines and spikes in volatility. The negative sentiment was turned-up high, but most investors would have benefited most from ignoring the market and playing in the rain during April.

From the equity market's calendar year low on April 8 through month-end, the S&P 500® Index advanced 11.83% and brought its year-to-date return to -4.92%. The S&P 500® Index's turnabout was paired with a cautiously optimistic outlook for second quarter GDP from the Atlanta Fed, who offered a GDPNow model forecast for real GDP growth to be +2.4%.<sup>1</sup> The abrupt turnaround in sentiment and performance highlights the market's adaptability and tendency towards long-term growth.

While volatility remains a key concern, the employment of index option writing strategies could help investors wade through this uncertain landscape effectively and position them to gain from a continued market turnaround. Investors seeking to capture the equity market's upside potential while navigating volatility with confidence may find value in Gateway's active options-based strategies, refined since 1977. These solutions empower investors to stay invested during turbulent markets, leveraging volatility to their advantage with poise and precision.

### S&P 500® Index 2025 Bounce Back

4/8 to 4/30 | Source: Morningstar Direct<sup>SM</sup>



<sup>1</sup> Federal Reserve Bank of Atlanta. (2025, May 5). GDPNow archives. Center for Quantitative Economic Research. <https://www.atlantafed.org/cqer/research/gdpnow/archives>

### Important Information

Past performance does not guarantee future results. Periods greater than one-year are annualized. Sources: Federal Reserve Bank of St. Louis, Bloomberg, L.P. and Morningstar Direct<sup>SM</sup>.

For more information and access to additional insights from Gateway Investment Advisers, LLC, please visit [www.gia.com/insights](http://www.gia.com/insights).

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