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Dashboard – April 2025

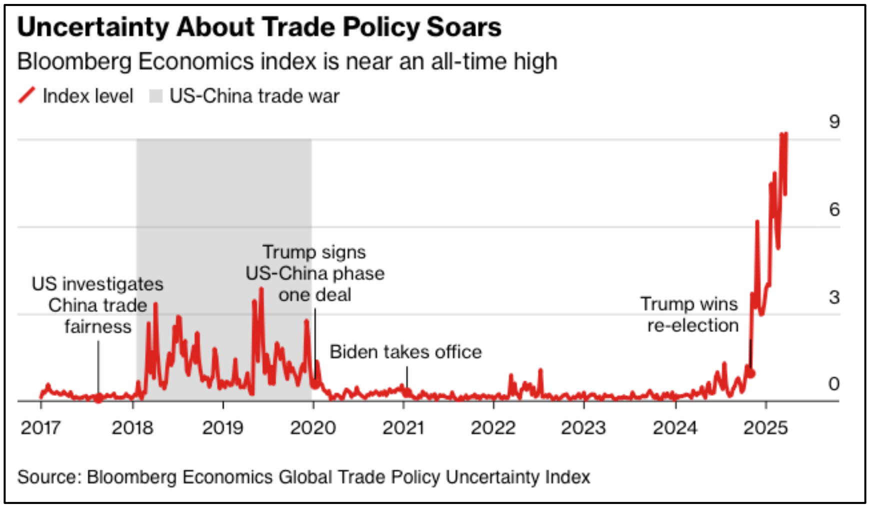
- Market volatility picked up in March, as uncertainty related to trade policy pushed most of the equity market negative for the month.

- Uncertainty remains the dominant narrative, as investors wrestle with the ramifications of a reset in global trade and the potential impacts on the economy and markets.

- We believe that both bullish and bearish outcomes are possible for the remainder of this year. However, we caution investors to expect continued volatility in the near term as markets digest tariff impacts on the economy and earnings.

Uncertain Times

The first quarter of the year has ended, and concerns about tariffs and trade policy unsettled markets in March. Most equity indexes declined during the month leading up to April 2, dubbed “Liberation Day” by President Trump, when reciprocal tariffs against other nations were announced. The size and scope of the reciprocal tariffs were more aggressive and complex than widely expected. We will get more clarity in the days and weeks to come, but markets loathe uncertainty (see below), and we believe that the market volatility witnessed in March underscores that point.



Interestingly, previously favored companies and sectors have been among the hardest hit by volatility so far this year. For example, the Nasdaq Composite, an index which tracks large US technology companies, fell over 10% in the quarter, following a nearly 30% gain in 2024 as interest in artificial intelligence soared. Similarly, the S&P 500 index, a proxy for US large cap equities, ended the month down over 4% year-to-date after posting consecutive 20% plus gains in both 2023 and 2024.

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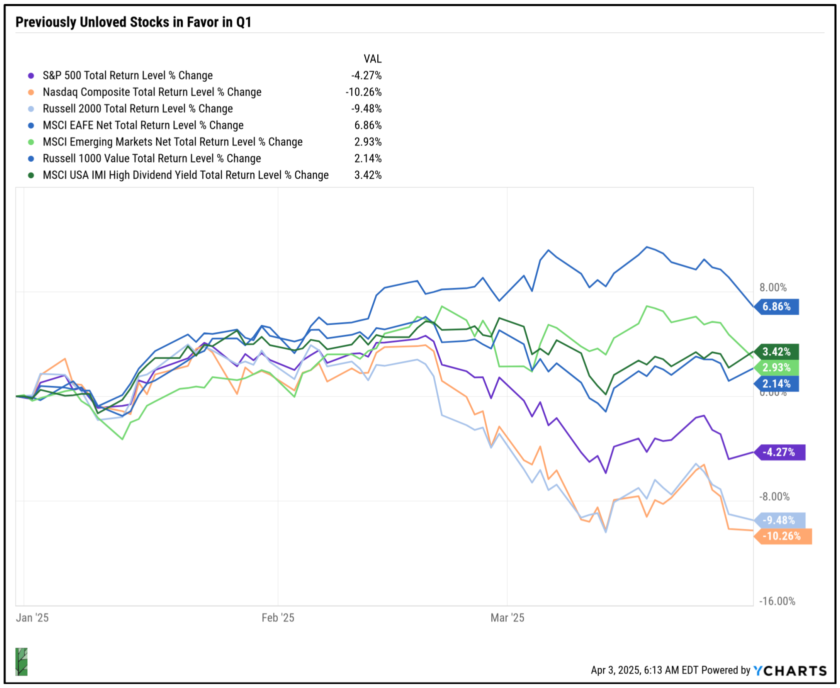
Conversely, international developed and emerging market stocks both gained through the first quarter, reversing years of underperformance relative to US stocks. In addition, the rotation to previously unloved parts of the stock market occurred on a sector level, as well. Energy, health care, and utility stocks all fared relatively well, benefiting investors in many dividend-paying and value-oriented strategies and helping them to sidestep some of the volatility experienced in the broader market.[1]



Starting Points Matter

It is important to note that while tariffs and trade policy are important issues, they are not the sole drivers of global economic or market performance. The US economy remained resilient the past few years, aided in part by low unemployment, healthy consumer spending, and strong corporate earnings.

Recent economic data, such as a decline in job openings and contraction in the manufacturing sector, shows some sign of softening. Additionally, inflation remains stuck around 3%, above the Federal Reserve's 2% target. However, corporate earnings in Q4 remained strong, and we believe the economy remains on relatively solid footing today.

It is against this positive economic backdrop that the tariff drama is unfolding. However, the duration of the tariffs, along with any potential retaliation and escalation fallout, remain big unknowns.

We believe that a full-blown trade war, if realized, has the potential to not only hurt our economy but to potentially cause a global recession. We are not alone in this concern. For example, the Federal Reserve (Fed) recently revised its US growth forecast from 2.1 to 1.7 percent, the sharpest reduction since 2022. Additionally, the Organization for Economic Cooperation and Development (OECD), a group of 38 of the richest countries in the world, expects tariffs to slow global growth and to fuel inflation (see below).[2][3]

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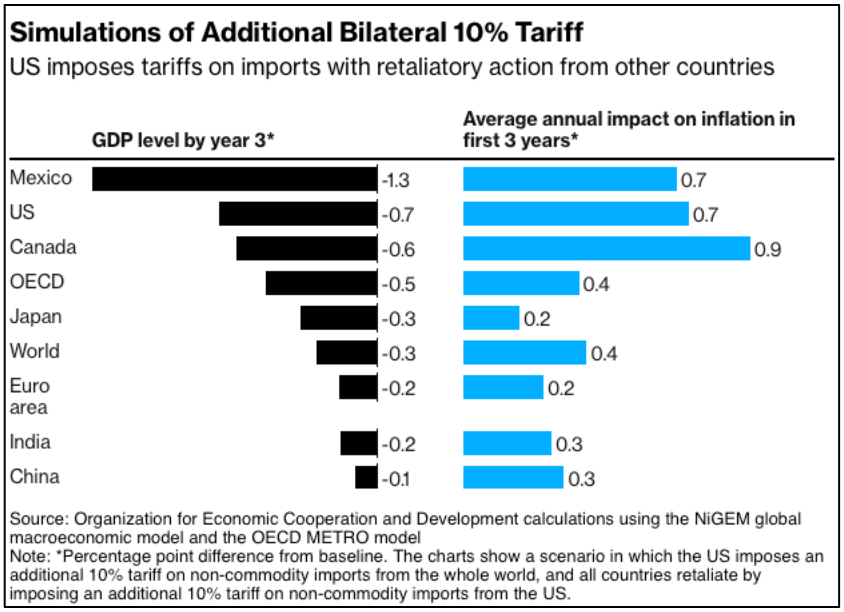
[1] Source: YCharts

[2] Source: https://www.bloomberg.com/news/features/2025-03-31/trump-s-reciprocal-tariffs-risk-us-recession-trade-turmoil

[3] Source: https://www.bloomberg.com/news/articles/2025-03-17/trump-s-trade-wars-tip-world-to-slower-growth-faster-inflation



On the other hand, the Trump administration campaigned on several potentially business-friendly policies, including tax reform, deregulation (which may encourage mergers / acquisitions), and infrastructure investment. In fact, Congress is already working on a proposed tax bill, aiming for passage by late summer to help counteract economic impact caused by tariffs.[4]

The Path Forward

We end this piece much as we began – with an uncertain path forward. Both bullish and bearish scenarios can be made, depending on your timeline and how this reset of global trade unfolds. We believe the most prudent strategy is to stay cautious, remain diversified, and be prepared to capitalize on emerging opportunities.

We appreciate your continued trust and welcome the opportunity to speak with you in greater detail in the context of your specific situation.

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[4] Source: https://www.bloomberg.com/news/articles/2025-04-01/republicans-eye-25-000-salt-cap-as-trump-s-tax-cuts-take-shape