The Dashboard

May 2025

Executive Summary:

- President Trump's tariff announcement came in early April, and both the size and scope of the reciprocal tariffs on other countries were more aggressive than most anticipated.
- Despite considerable daily turbulence across equity, fixed income, and currency markets, global stocks and bonds ended April close to where they began the month.[1]
- Uncertainty remains the dominant narrative, however, as investors and business owners wrestle with a wide range of potential outcomes during and after the 90-day tariff pause currently in place.

Volatility Reigns in April

April began with the highly anticipated tariff announcement by President Trump in the Rose Garden. The proposed reciprocal tariffs turned out to be far more aggressive than many anticipated, leading to significant volatility for the remainder of the month. For example, the S&P 500 index, a proxy for large US companies, experienced 13 trading days in April in which the daily return was greater than 1% or less than -1%. For reference, there were more of those high volatility days in March and April alone than there were in the entirety of 2024 (see below).

[1] Source: YCharts (MSCI ACWI and Bloomberg US Aggregate indexes used as proxies for global stocks and bonds)

Time Period	+/- 1% moves in the S&P 500 index
April 2025	13 days
March 2025	9 days
2024 Calendar Year	21 days

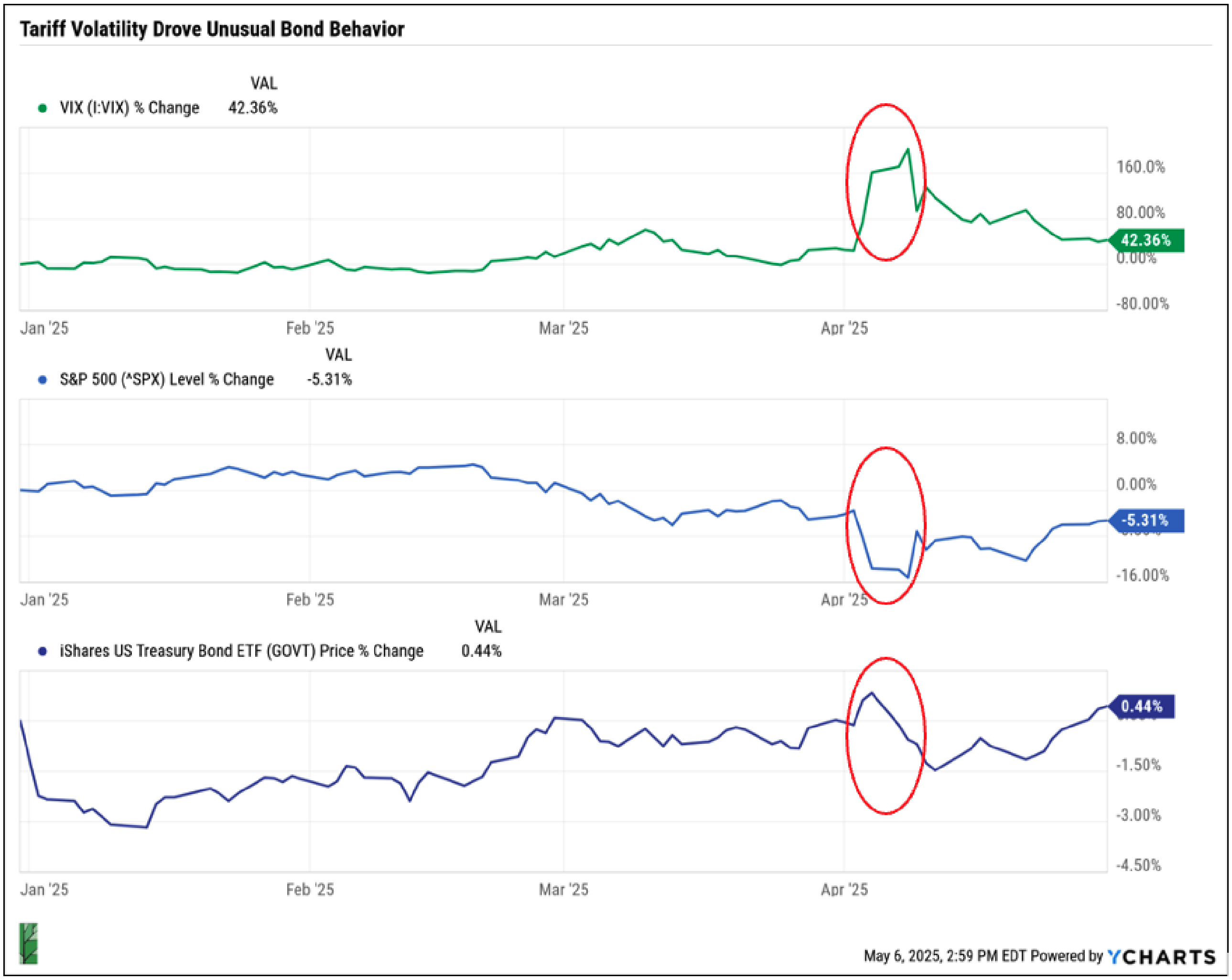
Source: Ycharts

Fortunately, not all of that volatility came on the downside. In fact, the S&P 500 experienced its fifth best day on record on April 9 when President Trump paused the tariffs, rallying more than nine percent in one day.[2] Additionally, the index continued to rebound throughout the second half of month and ended just slightly lower than its April 1 starting point.

Interestingly, volatility was not isolated to equity markets in April. Bonds also experienced unusual levels of volatility around the tariff rollout.

For example, volatility (as expressed by the VIX index below) picked up significantly at the beginning of April as the tariffs were announced, and the S&P 500 index fell initially, as previously discussed. However, an increase in volatility and a falling stock market typically leads to a *flight to safety* trade, meaning money flows into high-quality fixed income instruments such as US Treasury bonds (pushing their price up, yield down). Not only did US Treasury bonds not appreciate in price after the tariff announcement, Treasury bonds fell in unison with equity markets, which is very unusual.

[2] Source: Bloomberg



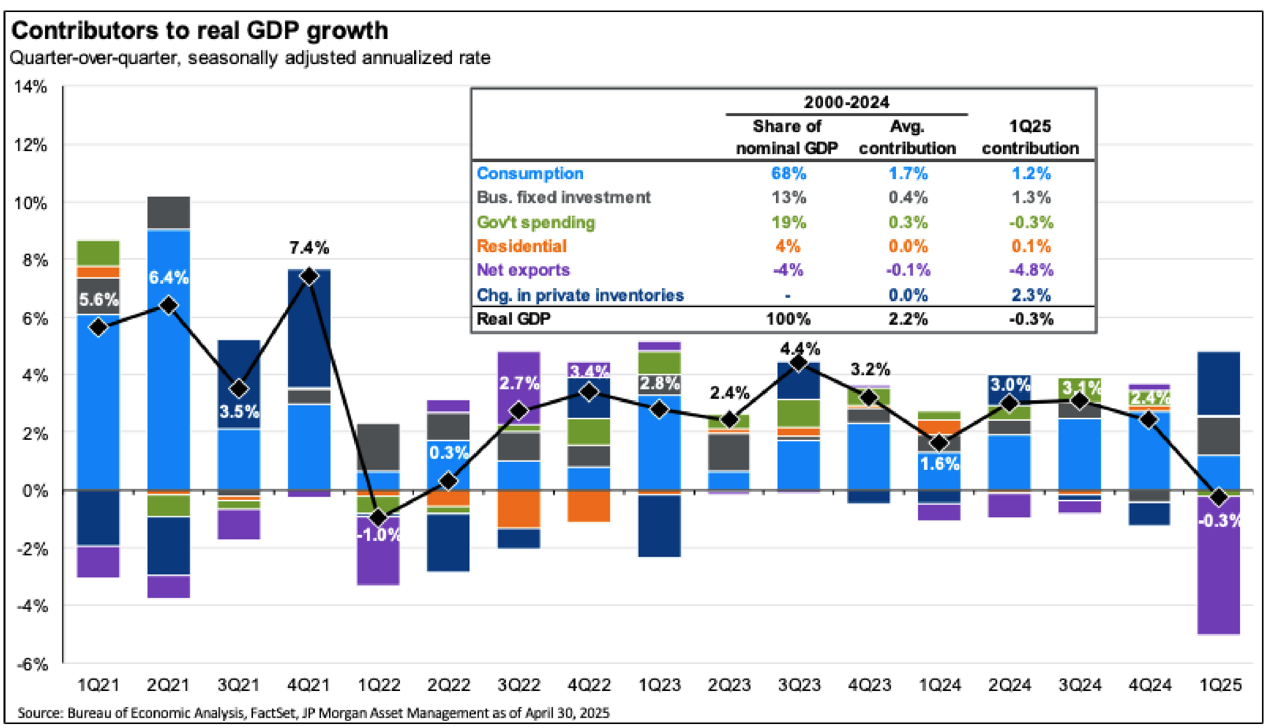
President Trump referenced the unnerving bond market activity when he decided to institute a 90-day pause on the tariffs on April 9. Several theories have been floated to explain why US Treasury bonds acted out of character (foreign selling of US Treasury bonds, hedge funds selling to cover losses, investors preferring gold to US Treasuries, etc.), but at this point we can only speculate. Fortunately, the phenomenon was short-lived, as bonds began trading normally after the tariffs were paused. However, it was yet another surprise for markets to digest in a month marked by uncertainty and volatility.

Economic Impact

While we led with investment markets in this piece, this potential reset in global trade has significant economic implications, as well. Both businesses and consumers are struggling to determine how to move forward as the US negotiates bilateral trade deals with much of the world.

There are certainly positive economic data amongst all of the uncertainty, including low unemployment, corporate earnings remaining solid, and inflation slowly falling toward the Federal Reserve's 2% target. However, other economic data tell a different story.

For example, the US economy contracted during the first quarter of 2025, marking the first time since Q1 of 2022. While this may prove to be an anomaly driven by the larger-than-normal imports before the tariffs took effect (see the large negative net export figure below), it is another example of the mixed messages that investors find unnerving. It is also why we decided to move our Economy dial lower and shifted Growth to negative in our Dashboard to reflect the current economic data and negative sentiment.



The Path Forward

From our perspective, little has changed over the last month despite all of the headlines and market volatility. Both bullish and bearish scenarios can still be made, depending on your timeline and how this reset of global trade unfolds. We believe the most prudent strategy is to 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.