

The Dashboard

March 2025



Economy

- ⊖ Growth
- ⊕ Employment
- ⊖ Households



Financial Conditions

- ⊖ Monetary Policy
- ⊖ Interest Rates
- ⊖ Inflation



Market

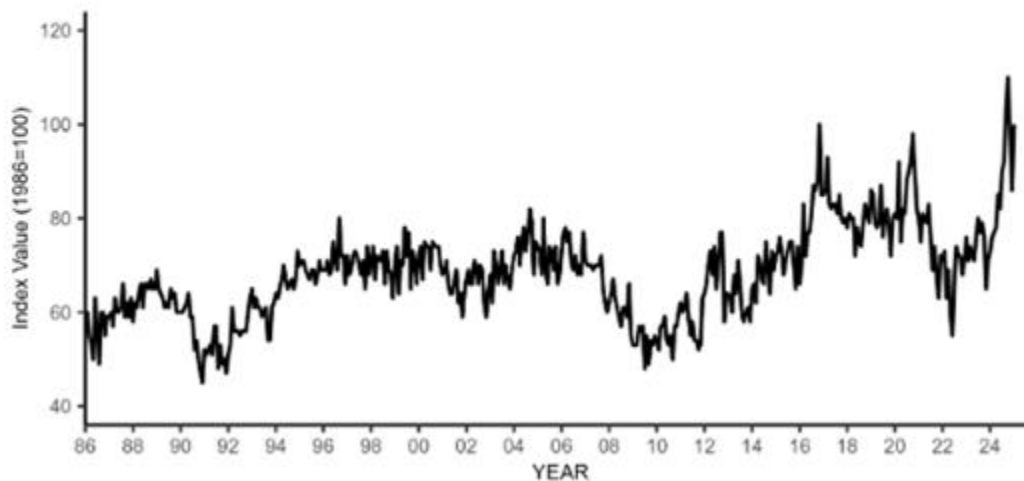
- ⊖ Valuations
- ⊕ Earnings
- ⊖ Trend

Finding Balance

The chart below really says it all. Tariffs, government spending cuts, tax policy, wars in Ukraine and the Middle East; uncertainty is reaching a fever pitch. In February, we saw a flight to quality and safety as bonds and gold were positive and many stock market categories were negative. Notably, more defensive and dividend-oriented categories like utilities, consumer staples, and real estate were positive and some of the best performing stock sectors.¹

UNCERTAINTY INDEX

Sum of "Don't Know" & "Uncertain" Answers on 6 Questions
(Seasonally Adjusted 1986=100)

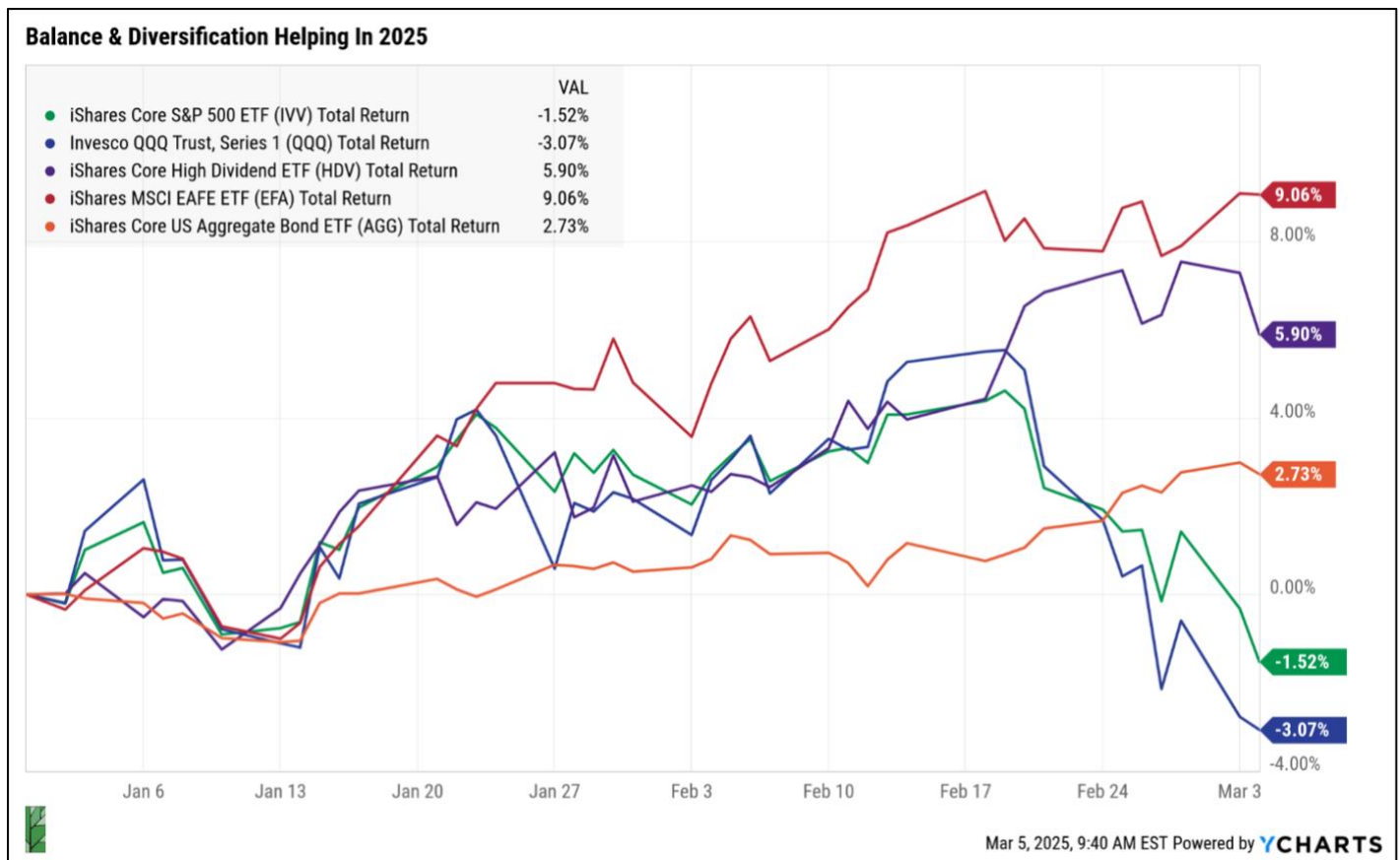


¹ Source: YCharts

The National Federation of Independent Business (NFIB) surveys its members about the state of their small businesses. They ask about employment, wages, sales, inventories, credit conditions, etc. On each of those questions, respondents have the option to answer, “I don’t know” and “Uncertain.”

It is important to underscore that uncertainty does not mean negativity or poor market returns. In fact, previous spikes in this index in 2016 and 2020 preceded strong market returns. Another survey showing extremely negative sentiment is the American Association of Individual Investors (AAII) which is exhibiting the highest level of bearishness since 2022 when rapidly rising inflation rattled investor sentiment.² Similar to the Uncertainty Index, this can often be a contrarian indicator.

It is uncertain times like these that underscore the need for a balanced portfolio. Being diversified and owning multiple asset types should provide portfolios with durability and smoothing in pursuit of long-term objectives. For example, despite highly publicized indices like the S&P 500 (represented below by the iShares S&P 500 ETF, in green) and NASDAQ (represented by the Invesco QQQ ETF below, in blue) posting negative returns year-to-date, areas such as foreign stocks, value stocks, and bonds have produced relatively attractive positive returns.



² [AAII Investor Sentiment Survey | AAII](#). Bearishness defined as survey respondents who believe the market will be lower in six months.

Economic Update

The recent imposition of 25% tariffs on imports from Mexico and Canada (10% on energy), along with a 20% tariff on Chinese goods, aims to address trade imbalances and protect domestic industries. However, these tariffs are expected to raise costs for U.S. consumers and businesses. Furthermore, higher prices resulting from aggressive tariffs could dampen consumer spending, a critical driver of the economy, thereby slowing overall economic growth. (Note - we recently published a [Tariff Update](#) with a more detailed analysis on tariff developments.)

In tandem with trade tensions, proposed government spending cuts are adding to economic uncertainty. Efforts to reduce the federal workforce and cut spending on social programs may lead to reduced household incomes and lower consumer confidence. This fiscal tightening could further suppress economic activity, especially if it results in significant job losses and decreased public sector investment.

While the headlines about market selloffs may feel unnerving, it is important to bear in mind that overall fiscal policy remains accommodative through infrastructure spending and the potential for more favorable tax policy later in 2025. Additionally, there is now growing anticipation that the Federal Reserve may implement multiple interest rate cuts in 2025 to counteract these headwinds and support the economy. Lastly, the potential to end major conflicts in Europe and the Middle East could also provide more favorable economic conditions and reduce overall uncertainty and inflation.

Finding balance in both outlook and portfolio structure remains a “first principle”, especially today. We recognize that the heightened uncertainty in this moment can cause stress. We welcome the opportunity to speak with you in greater detail regarding our overall economic and market outlook in the context of your specific portfolio.

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