

April 14, 2025

## Politics or Economics

### Financial Markets

Financial markets around the globe experienced another volatile week, primarily driven by the erratic and unpredictable behavior of the Trump administration on trade and tariff policy. The lack of clarity in official statements regarding who will be affected, what goods are included, when tariffs will be implemented, and where they apply has left investors in a state of confusion. This lack of clarity has made it challenging for market participants to plan effectively, and even seemingly prudent investment decisions risk being upended by sudden changes in policy.

The major U.S. equity indices continued their tumultuous swings, this time to the upside.

Index	Total Return (%)		
	Prior Week	Year-to-Date	1-Year
<b>S&amp;P 500</b>	5.73	-8.47	4.57
<b>S&amp;P 500 Equal Weighted</b>	3.18	-6.94	0.32
<b>Dow Jones Industrial Average</b>	4.97	-5.04	6.44
<b>NASDAQ Composite</b>	7.30	-13.23	2.44

*As of market close Friday, 4/11/2025, FactSet*

### Economics

The global economic picture is mirroring the volatility seen in financial markets. At the start of the year, the U.S. economy appeared to be the strongest among developed nations. The dollar was strong, inflation seemed under control, and the Federal Reserve had begun lowering the Federal Funds Rate in a signal of confidence that inflation was contained.

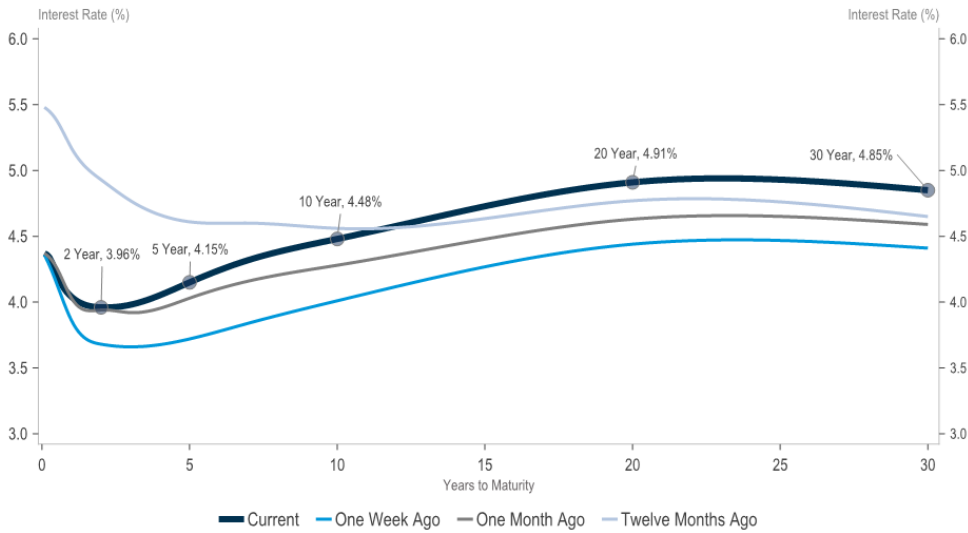
Fast-forward to today, and the near-term outlook is less favorable. At least three different tariff proposals have been floated, nearly all of which are facing significant criticism from the broader economics community. Notably, several CEOs of major U.S. banks have warned of a potential recession by the end of the year. Meanwhile, the U.S. dollar has lost some of its relative strength.

A key concern is the administration's inconsistency in trade negotiations. With multiple tariff scenarios being floated simultaneously, U.S. trading partners are unsure which proposal to respond to. This lack of direction sows confusion and could hinder global commerce and domestic economic stability. This confusion will be evident as companies report their earnings for the first quarter but will likely provide limited or no guidance for the remainder of the year. Investors will accordingly be even more uncertain in forecasting corporate revenues, cash flows, and profits, leading to more conservative valuations.

# Weekly Market Insights

## Yield Curve

Interest Rates for U.S. Treasury Securities by Maturity Date



U.S. Department of Treasury, Daily Treasury Bill Rates Data  
Data as of 4/11/2025

## Conclusion

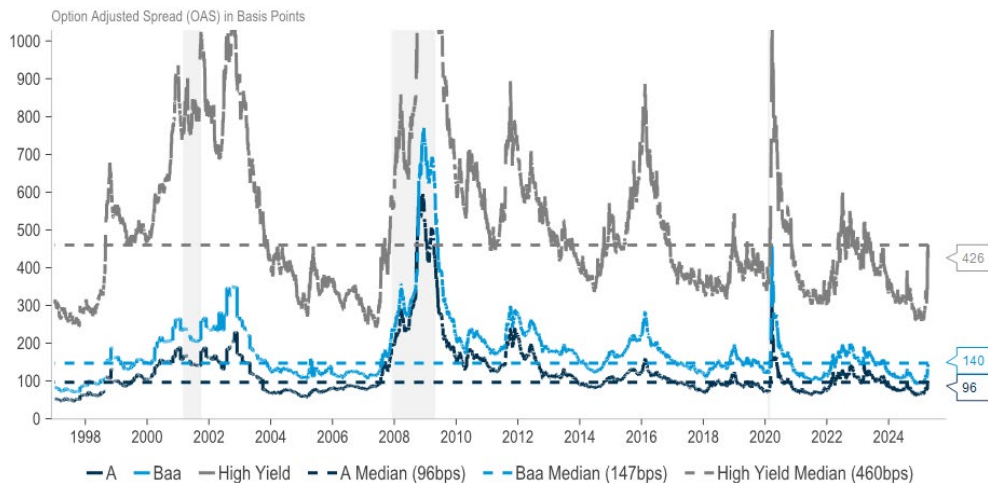
The United States, long considered the leader of the global economic order, appears to be drifting away from that role. Financial markets are reacting accordingly, behaving erratically and often violently. This environment may persist in the near term, and traditional strategies like "buying the dip" may prove less effective in the short term amid such elevated uncertainty.

If market volatility continues and public confidence in the administration declines, especially among Republican voters, it's possible that congressional support will weaken. In that case, the party may begin to distance itself from the President as it looks ahead to the rapidly approaching midterm elections.

Investors should brace for ongoing turbulence and avoid abandoning disciplined, long-term investment strategies. The practice of market timing can be frustrating and expensive.

## Credit Spreads

Investment Grade and High Yield Bond Yields Compared to Treasury Yields



Recessions indicated by shaded area  
Bloomberg, FactSet, ICE BofA  
Monthly data available beginning January 1997 to 4/11/2025  
Vertical axis truncated to improve scaling so outlier values may not be visible on chart

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## III. Portfolio Composition

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