

## WEEKLY INSIGHT

April 18, 2025

### Equity Markets – “Any Way the (Trade) Winds Blow”

The title of this article paraphrases the final line from the song “Bohemian Rhapsody,” appropriate for these times, as uncertainty over trade developments caused consternation among investors. Equity markets fell during the week with the S&P 500 Index falling 3.6%, while the Nasdaq Composite dropped 4.8%. The Magnificent 7 fell 7.8%. Small caps dropped 2.9% for the week. Bond indices rose 0.4% during the week.

### Impact of Tariffs Remains Unknown

The trade war between the U.S. and other countries continues to be a fluid and dynamic situation. After imposing new tariffs on various technology products last week, the White House later announced it would exempt certain products such as phones, computers and microchips. Companies such as Apple, who manufacture most of their products in Asia, are viewed to be the beneficiaries of these exemptions. There continues to be heightened uncertainty regarding the impact tariffs will have on the U.S. economy and the stock market as the trade measures announced continue to be modified or rescinded.

### Inflation Appears Tame...for Now

Various inflation metrics recently released show that inflation is moderating. Both the Consumer Price Index (CPI) and Producer Price Index (PPI) came in less than expected for the month of March. For consumers, falling gas prices and lower airline ticket prices helped push the CPI to its first monthly decline in five years. However, there is much uncertainty with regards to how the very dynamic tariff situation will affect the price of goods and services. For now, it appears rising prices from tariffs applied earlier in the year are being absorbed by the companies themselves.

As inflation metrics appear to be tame, investors are now expecting three or four cuts by the Federal Reserve during 2025, more than what was expected at the start of the year.

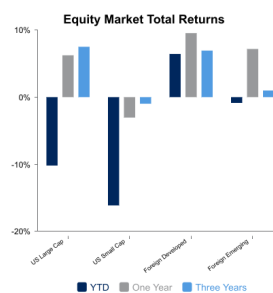
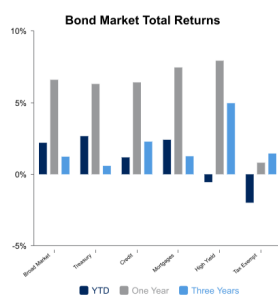
### First Quarter Earnings Season Begins

First quarter earnings season kicked off recently with a small number of companies having already reported. Forecasts call for year-over-year earnings growth of 8.0%, which has been lowered since the beginning of the year. The Health Care and Technology sectors are expected to provide leadership regarding earnings growth. Calendar year 2025 earnings growth is forecasted to be 9.8%, which is lower than earlier forecasts as analysts have reduced their expectations for earnings growth.

A number of companies have noted they will not be providing earnings guidance due to the uncertainty regarding the tariff situation.

### Foreign Markets Outpace U.S.

Foreign developed equity markets have outperformed U.S. equity markets year-to-date. Foreign emerging markets have sold off during the beginning of the second quarter after having a very strong first quarter of 2025. Flows into U.S. equity funds have seen an uptick of late despite the increased volatility, whereas flows into global equity funds have softened as of late.



Interest Rates (%)	Current	12M Ago	3YR Ago
Fed Funds Rate (Upper)	4.50	5.50	0.50
3-Month T-Bill	4.31	5.40	0.75
10-Year Treasury	4.28	4.59	2.83
30-Year Treasury	4.74	4.70	2.91
10-Year Corporate AA	5.25	5.47	2.09
10-Year High Yield Corp	7.02	7.06	3.90
Commodity Prices (\$)	Current	12M Ago	3YR Ago
Gold (\$/oz)	3,343	2,361	1,978
Oil (WTI, \$/barrel)	62.47	82.69	106.95
Currencies	Current	12M Ago	3YR Ago
USD (Dollar Index Spot)	99.38	105.95	100.32
USD/EUR	0.88	0.94	0.92
USD/JPY	141.88	154.39	126.46

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