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Weekly Focus – Think About It

"I find television very educating. Every time somebody turns on the set, I go into the other room and read a book."

–Groucho Marx, Comedian

ALL EYES ON THE BOND MARKET

The scale of the tariffs introduced by the administration shocked investors, sparking a roller coaster of a week for stock markets. Last week, U.S. stocks:

- Rallied on a rumor.
- Fell when the rumor was recognized as a rumor.
- Rose when President Trump paused reciprocal tariffs on most countries for 90-days.
- Fell as investors considered how the remaining baseline tariffs (10 percent on all countries, steel and aluminum tariffs, and 100%+ tariffs on China) might affect companies and economies.
- Rallied after the Federal Reserve assured investors it was prepared to step in, if needed.

"Economic angst enveloped every corner of Wall Street as U.S.-China trade tensions escalated, sparking a slide in stocks, the dollar and oil, with liquidations in U.S. assets pointing to disorder in the financial system," reported Rita Nazareth, Isabelle Lee, Denitsa Tsekova, and Vildana Hajric of Bloomberg."

Disorder in the financial system

Some of the disorder was found in the United States Treasury market where yields were moving higher when many expected them to move lower. Investors who are concerned about risk and sell stocks tend to seek financial shelter in investments that are perceived to be steady in a storm. For many years, United States Treasuries have been a "safe haven".

So, last week, there was an expectation that, as investors sought shelter from the tariff storm, rising demand would push Treasury yields lower. That wasn't the case. Investors sold U.S. Treasuries, pushing yields higher, reported Sydney Maki and Carter Johnson of Bloomberg.

"Billed as so rock-solid safe they're risk-free, US Treasury bonds have long been the first port of call for investors during times of panic. They rallied during the global financial crisis, on 9/11 and even when America's own credit rating was cut…But this time may be different. As President Donald Trump unleashes an all-out assault on global trade, their status as the world's safe haven is increasingly coming into question…Yields, especially on longer-term debt, have surged in recent days while the dollar has plunged," reported David Rovella of Bloomberg.

The Federal Reserve (Fed) soothed the market On Friday, Minneapolis Fed President Neel Kashkari and Boston Fed President Susan Collins both discussed ways the Fed can "manage a dislocation, or pricing disruption, in the Treasury market…[the moves] are instruments designed to keep markets running smoothly by making sure there is enough liquidity, meaning financial institutions have access to the short-term funding they need to operate," reported Nicole Goodkind of Barron's.

Markets were soothed by the assurance that the Fed stands ready to "keep financial markets functioning should the need arise," reported Stephen Culp of Reuters. By the end of trading on Friday, major U.S. stock indices were in positive territory. Yields on longer maturities of U.S. Treasuries also finished the week higher..

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Data as of 4-11-25	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	**5.7%**	**-8.8%**	**3.2%**	**6.7%**	**14.2%**	**17.3%**
Dow Jones Global ex-U.S.	**-0.4**	**-0.6**	**-0.3**	**0.9**	**6.6**	**1.7**
10-year Treasury Note (Yield Only)	**4.5**	**N/A**	**4.6**	**2.8**	**0.8**	**1.9**
Gold (per ounce)	**5.8**	**23.7**	**37.7**	**18.3**	**13.2**	**10.4**
Bloomberg Commodity Index	**1.8**	**2.8**	**-0.9**	**-7.0**	**9.9**	**0.2**

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; the DJ Equity All REIT Total Return Index does include reinvested dividends and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods. *Sources: Yahoo! Finance, Barron's, djindexes.com, London Bullion Market Association. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.*

WHAT DO YOU KNOW ABOUT MONEY?

The United States began using paper money in 1690. The Massachusetts Bay Colony paid soldiers fighting military campaigns against the French in Canada with paper notes. "This was an emergency measure, but it turned out to be a solution to the long-term problem of building an economy without large reserves of precious metals. Eventually, all of the other colonies issued their own bills," according to Smithsonian Education.

See what you know about the history of American money by taking this brief quiz.

1. Ben Franklin printed money for Pennsylvania, Delaware, and New Jersey. He often included images from nature, such as intricately detailed leaves. What was the primary reason Franklin included nature prints on notes?
    a. The visually pleasing notes attracted customers
    b. The prints symbolized the growth of the nation
    c. The prints symbolized money circulating through the economy
    d. The prints made Franklin's notes difficult to counterfeit

2. When did the era of "lawful money" (the modern era) begin?
    a. In 1792, when the US mint was created
    b. In 1893, after a bank panic
    c. In 1913, under the 1913 Federal Reserve Act
    d. In 1936, when Fort Knox was built

3. United States currency is held as a reserve, and for trade, by many other countries. What percentage of our currency is held outside the United States?
    a. One quarter
    b. One third
    c. Two thirds
    d. Three quarters

4. Some denominations of U.S. paper money wear out faster than others. Which denomination has the shortest lifespan?
    a. A $1 bill
    b. A $5 bill
    c. A $10 bill
    d. A $20 bill

Answers: 1) d; 2) c; 3) c; 4) b

Best regards,

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Sources:

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* Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.

* Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.

* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.

* All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client's portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.

* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.

* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

* Gold represents the 3:00 p.m. (London time) gold price as reported by the London Bullion Market Association and is expressed in U.S. Dollars per fine troy ounce. The source for gold data is Federal Reserve Bank of St. Louis (FRED), https://fred.stlouisfed.org/series/GOLDPMGBD228NLBM.

* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.

* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.

* The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.

* The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.

* International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.

* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.

* The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage is often obtainable in commodity trading and can work against you as well as for you. The use of leverage can lead to large losses as well as gains.

* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

* Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

* Past performance does not guarantee future results. Investing involves risk, including loss of principal.

* The foregoing information has been obtained from sources considered to be reliable, but we do not guarantee it is accurate or complete.

* There is no guarantee a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.

* Asset allocation does not ensure a profit or protect against a loss.

* Consult your financial professional before making any investment decision.

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