

February 12, 2025

Good Morning,

Inflation, as measured by the consumer price index, came in higher than expected this morning, and stocks turned sharply lower in pre-market trading. We'll see how investors react by the end of the day. The number of S&P 500 firms mentioning tariffs on their earnings calls has exceeded 220 and hit an all-time high for the fourth quarter. Corporate earnings estimates for the next 12 months have begun to trend lower as analysts bake in policy uncertainty. Potential tariffs are projected to have a negative impact on corporate earnings

In D.C., the atmosphere of conflict has led to growing fears of a government shutdown in March since Republicans will need Democratic votes in Congress to pass budget measures, and Democrats are overwhelmed and furious. The odds that the government shuts down on March 14 are high, as lawmakers can't agree on what the top-line budget 2025 amount should be. Republicans disagree on the size and scope of Trump's ambitious demands for cuts, and razor-thin margins in the House mean they can't afford any defections. Just last week, they had to postpone a preliminary vote on advancing Trump's agenda over disagreements about how much spending could be cut.

Elon Musk and Trump administration have stated that USAID is controlled by "lunatics and criminals" and must be shut down. While there is undoubtedly some waste and fraud – like all levels of the Federal government – closing the agency is not in the best interest of the US. While USAID provides food and shelter for the poor in many developing countries, it also helps to maintain stability and opens additional markets for local economies and US business investment. It creates goodwill for the US among foreign countries and populations. Pulling the plug after 60 years of investment and relationship building would mean the US is not a reliable partner, and it will create a vacuum for needed services that would likely be filled by our adversaries, namely Russia and China. With a \$40 billion budget, USAID is a drop in the bucket for the US Federal budget of more than \$7 trillion.

Please visit our website at www.canfg.com or the link below for the last Market Update from Commonwealth Financial Network® – the broker/dealer that supports us in helping you manage your financial life.

http://www.commonwealth.com/RepSiteContent/weekly_comm/commentary_redirect.htm

As always, if you would like to discuss this or anything regarding current market conditions or your portfolio, feel free to contact me at any time.

Stay warm and have a great week!

Wade

Wade A. Sarkis, CFP®, AIF®
Managing Partner
Canandaigua Financial Group
45 Ontario Street
Canandaigua, NY 14424
(585) 396-2720

Securities and Advisory Services offered through Commonwealth Financial Network, Member FINRA, SIPC, a Registered Investment Adviser
Note: Trade orders cannot be accepted via email or voicemail.