

March 12, 2025

Good Afternoon,

Markets remain on edge as the initial “Trump Bump” has transitioned to the “Trump Slump”. Several market indices have reached correction status (down 10% from their peak) with many individual stocks faring much worse. It’s clear that policy uncertainty has slammed investor confidence, and even the Fed is confused. In the March 5th release of the Federal Reserve’s Beige Book — a report that contains anecdotal insights on US economic conditions — the terms uncertain, uncertainty, and uncertainties were mentioned a record 47 times, surpassing prior peaks from COVID, the financial crisis and the dotcom bust.

There is some good news including a lower read on inflation this morning, serious progress in peace negotiations for the war in Ukraine, and the avoidance of a government shutdown with a house vote yesterday. But are we headed for recession, and will the correction turn into a Bear Market (down 20%)? We don’t believe that is imminent, but much depends on the Administration. Business leaders would appreciate more clarity on tariffs and less reactionary decisions announced on Twitter (X). It is difficult to manage a multi-national business while constantly looking over your shoulder.

President Trump has stated that we will experience some pain as he implements reductions in the size of government and trade tariffs with our allies. While that sounds reasonable, he risks triggering the “wealth effect”, during which consumers pull back spending when their invested assets decline in value. Consumers drive the economy, so a continued decline in market values could evolve into more serious economic problems. As George Soros once said, “Financial markets have a great way of predicting the future – they cause it.”

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.

We hope you’ve been enjoying this early spring weather!

Wade

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