

March 2025

Dear Client,

As winter turns to spring and the days grow just a bit brighter and longer, we hope that you can harness that to feel a renewed sense of optimism and hope for the year ahead. The unchanged order of the seasons is incredibly reassuring, reminding us that everything has its time!

The intention of this quarterly letter is to address the current pullback in the market, and while it's certainly not surprising, we want to point out some of the positive underpinnings that (over time), could help get us past these turbulent times.

Michael W. Arone, Chief Investment Strategist with **State Street Global Advisors**, said: "Brick by Brick, investors are building a wall of worry." Recently, the Trump Administration's actions, the evolving Federal Reserve Monetary policy, and relentless inflation, have all contributed to rising investor anxiety. The Administration's somewhat contradictory policies at times have overwhelmed investors and negatively affected investor sentiment. And while negative sentiment can push markets down in the short term, it's the strength of the economy that can steer this market, longer term.

Since 1950 the S&P 500 Index has had an average drawdown of close to 14%, over the course of a calendar year. That spans from the peak, (high for the year) to the trough (low for the year).

I mention this as a reminder to the swings that are very common in the market. And while volatility has certainly crept back up, it doesn't necessarily mean that we are in for a terrible year. According to **Strategas Research Partners**, the S&P 500 has had a positive return in nine of the past 10, FIRST YEARS, of the four-year presidential term.

The euphoric sentiment toward the end of last year has waned, which in itself is a good thing for the market, over time. Markets don't rise on euphoria; they scale the wall of worry, and worry is what we seem to have at the moment. Yet I want to mention, that for now, the economy is expanding, as inflation, albeit bumpy, is still trending lower. The Federal Reserve is more likely to cut rates over time than tighten them. Earnings and profit margins are still impressive and broadening out beyond just technology companies. The labor market is resilient and the consumer is in reasonable shape. That is why it's important to separate the very short-term view of the market from the longer term.

**OVER**

Still on the agenda are the tax cuts that were set to expire at the end of 2025. This should be an area that the Administration takes up in the year ahead. Those tax cuts look like they will be extended and potentially increased, along with promises of continued action to ease the Federal regulatory burden for companies in the energy, technology and automotive sectors. We here will be continuing to monitor these areas and keep you informed as to any major changes to policy or tax law that could happen in the coming months.

Recently, there has been more talk of increasing domestic energy production and bringing down energy prices. The Administration has made it clear that the US should be the leader in AI, advanced manufacturing, space exploration and other leading-edge activities. And although recently it has become very hectic with a chaotic policy on tariffs, it is our hope that the Administration is able to settle things down with a more cohesive, consistent path forward.

Tom Essay, from the **Sevens Report**, noted that Senior Levels of the Trump Administration are staffed with successful people who have spent their lives working in the economy and markets; and it's very unlikely that they have gone on a mission to wreck the US economy. Regardless of one's political view, it's hard to argue that Howard Lutnick, Secretary of Commerce and Scott Bessent, Treasury Secretary, don't understand markets or the economy.

The S&P 500, from its peak on February 19, 2025, to its close on March 13, 2025, has entered technical "correction territory", which is defined as down 10% from the peak. While we know that 2023 and 2024 were years that recorded over 20% annual returns for the S&P 500 Index, we actually had a 10% correction in October 2023, (from its peak in July 2023 to its low in October 2023) – and then the market went on to finish 2023 with a better than 20% return.

So, I'd like to close with these personal observations and comments:

The stock markets seem to move even faster today than ever, as does the relentless flow of news. I understand the feeling that during these times, you have to take action! The media today does not help. Staying calm with confidence in the investment plan you have laid out is almost universally the best course of action.

We are here to talk with you about any concerns you have with this volatility and how it affects you. So please do not hesitate to reach out to us with any questions or concerns.

Sincerely,

A handwritten signature in black ink, appearing to read 'Bryan Bastoni', with a long horizontal line extending to the right.

Bryan Bastoni, CFP  
CERTIFIED FINANCIAL PLANNER, TM