

March 20, 2025

Good Morning,

The Federal Reserve kept interest rates unchanged on Wednesday. Chair Powell described lower growth forecasts and economic uncertainty as potential headwinds. He also cited tariffs as roadblock to fighting inflation, but that it would be transitional. The Fed still expects to cut rates two times this year, which provided relief to investors and a modest rally in stocks. Powell also announced a reduction in the pace of shrinking the Fed's balance sheet, meaning they will be reinvesting more in new bonds as older bonds mature. This will help keep rates lower – another relief to markets.

However, markets continue to be “tariffed, and investors are eager for the trade uncertainty to change. But there's no reason to assume that it will change in the way they want. In fact, the market may not yet grasp what President Trump intends with reciprocal tariffs. The effective tariff rate of 50% could be a shocker, and Trump has set April 2nd as the deadline for implementation.

What was intended as a one-week mission turned into a nine-month odyssey for NASA astronauts Suni Williams and Butch Wilmore. The two completed 4,576 orbits and traveled 121 million miles. They are finally back to Earth after a successful splashdown. Interestingly, that's how I look at my personal investment account values. After soaring for most of last year, they are back to where they were last summer. They are safe and sound and the long-term mission is still in place.

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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.

Have a great weekend!

Wade

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