SIGHT|LINES
MARKET PULSE

April 24, 2025

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- Equities rose today, with the information technology and industrials sectors performing best.
- The S&P 500 rose 2.0%, the Dow Jones Industrial Average (Dow) was up 1.2%, and the Nasdaq rose 2.7%.
- Non-U.S. markets were up. The DAX (Germany) was up 0.5%, and the Nikkei (Japan) rose 0.5%.
- The 2-year Treasury yield fell to 3.79%, and the 10-year Treasury fell to 4.30%.

CATALYSTS

- U.S. equities rose for the third consecutive day, approaching their highest levels since President Trump's tariff announcement. The rally is fueled by optimism around trade negotiations and growing expectations that the Federal Reserve (Fed) may cut rates sooner than expected. Fed Governor Christopher Waller expressed support for rate cuts if aggressive tariffs begin to impact the labor market. Meanwhile, Cleveland Fed President Beth Hammack said the Fed could adjust rates as early as June, provided there is clear evidence regarding the economy's direction.
- Trade negotiations with Japan, Norway, and India are ongoing, with speculation of a near-term deal with India gaining traction. Additionally, Treasury Secretary Scott Bessent hinted at a potential de-escalation with China, describing the tariff standoff as unsustainable and suggesting a deal might be possible. Some reports indicate that negotiations began today, although China denied these claims.
- Investor sentiment has softened as both businesses and consumers grow more cautious about the economic outlook. Economists have revised their growth forecasts lower, and many have increased their probability for a recession. The consensus forecast is for the U.S. economy to expand 1.7% this year with a 30% probability of a recession.
- As the Q1 2025 earnings season progresses, uncertainty and tariffs are prominent themes in earnings calls. The blended growth rate stands above 8%, up from 7.2% late last week and at the start of the quarter. Nearly 77% of companies reporting so far have exceeded consensus EPS expectations.

INVESTMENT STRATEGY OUTLOOK

- We continue to see the year defined by *Gravitational Shifts* – with a rebalancing of markets, the economy, and policy, now complicated by rising trade tensions.
- At the start of the year, our base case outlook projected U.S. GDP growth of 1.5% to 2.5%, indicating a positive but slower pace of economic growth compared to last year. The newly announced trade policies and ongoing uncertainty represent a meaningful downside risk to that forecast. Some countries may negotiate, while others could retaliate with tariffs on their own. This will likely add to market volatility in the near term.
- **Stay diversified.** Investors should ensure they are properly diversified within their portfolios and avoid shifting strategies or chasing near-term performance.
- **Dollar cost average.** Invest cash earmarked for a long-term strategy gradually with the flexibility to add more during market weakness.
- **Look long term and stay anchored on your goals and objectives.** Market volatility can create opportunities, and long-term investors may find compelling opportunities, especially in areas aligned with durable long-term themes.
- For more insights and market commentary visit Stifel Insights.

Investing involves risks, including the possible loss of principal invested. Past performance does not indicate future results. The **Standard & Poor's 500 Index** is a capitalization-weighted index that is generally considered representative of the U.S. large capitalization market. The **Dow Jones Industrial Average** is an index that shows how 30 large, publicly owned companies based in the United States have traded during a standard trading session in the stock market. The **NASDAQ Composite Index** is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market, and Capital Market. The **Nikkei 225** consists of the shares of the 225 largest companies in Japan. The **DAX Index** consists of the 30 most actively traded German companies on the Frankfurt Stock Exchange. The **Bloomberg U.S. 1000 Value Total Return Index** provides exposure to companies with superior value factor scores based on their earnings yield, valuation, dividend yield, and growth. The **Bloomberg U.S. 2000 Total Return Index** is a float market-cap-weighted benchmark of the lower 2,000 in capitalization of the **Bloomberg U.S. 3000 Index**. The **Bloomberg Magnificent 7 Total Return Index** is an equal-dollar weighted equity benchmark consisting of a fixed basket of 7 widely traded companies classified in the United States and representing the Communications, Consumer Discretionary and Technology sectors as defined by Bloomberg Industry Classification System (BICS). Dollar-cost averaging does not assure a profit or protect against a loss. Investors should consider their ability to continue investing during periods of falling prices.

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