SIGHT|LINES
MARKET PULSE

April 22, 2025

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- Equities rose today, with the financials and consumer discretionary sectors performing best.
- The S&P 500 rose 2.5%, the Dow Jones Industrial Average (Dow) was up 2.7%, and the Nasdaq rose 2.7%.
- Non-U.S. markets were mixed. The DAX (Germany) was up 0.4%, and the Nikkei (Japan) fell 0.2%.
- The 2-year Treasury yield rose to 3.82%, and the 10-year Treasury fell to 4.40%.

CATALYSTS

- U.S. equities recovered most of yesterday's losses as investors reacted to reports of progress on trade negotiations with Japan and India. In addition, Treasury Secretary Scott Bessent indicated potential de-escalation with China, calling the tariff standoff unsustainable and suggesting a deal is possible, though negotiations have not yet begun.
- Similar to yesterday, today's move comes amid lighter-than-typical trading volume, according to a Bloomberg report. Volume in Nasdaq 100 was about 13% below the recent average, while yesterday's volume was around 20% below the historical average. Equity markets closed lower on Monday after President Trump continued to pressure Federal Reserve (Fed) Chair Jerome Powell, calling for "preemptive" interest rate cuts. This followed Powell's comments last week, where he acknowledged that tariffs are likely to lead to higher inflation and slower growth but emphasized the Fed is not in a hurry to lower rates as it continues to assess incoming data.
- 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.
- While Q1 2025 earnings season is just getting started, uncertainty and tariffs are the major topics of conversation during earnings calls. Analysts have been trimming their earnings forecasts for companies in the S&P 500, with earnings growth estimated to be 7.2% for Q1, down from 11.5% at the start of the year.

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.

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