

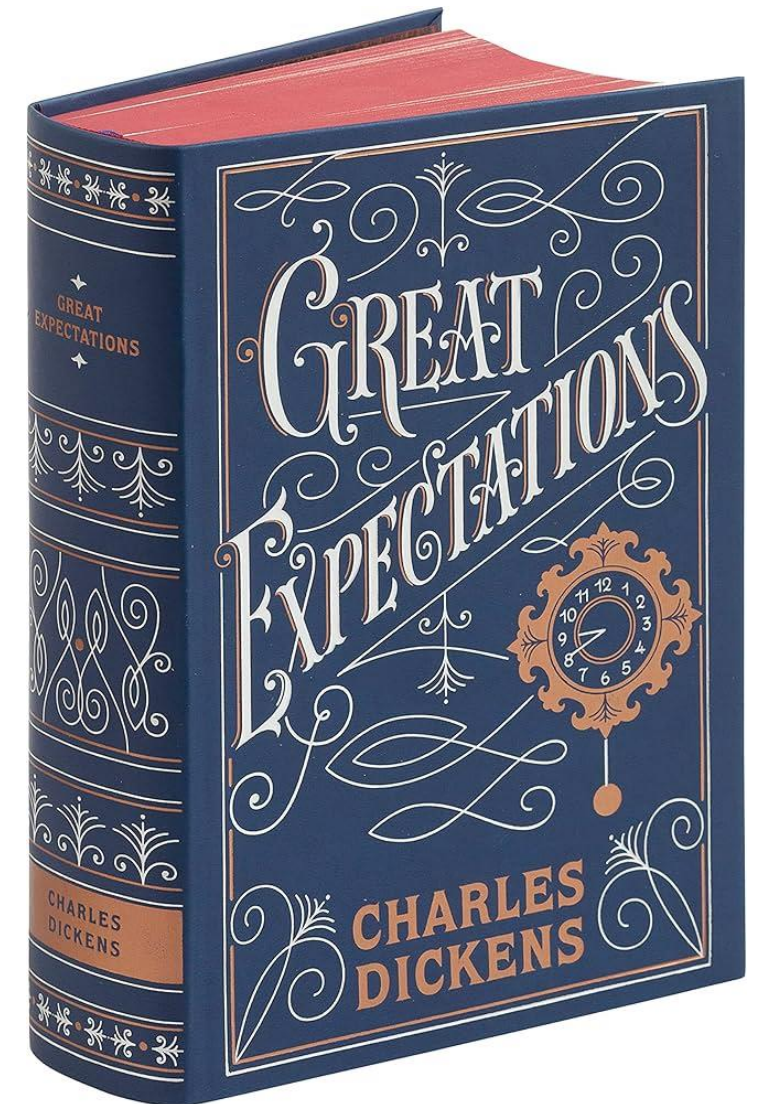


**Markets & Portfolio Strategy
Update**

April 3, 2025

2025 Outlook: Great Expectations

- Everywhere we looked, we saw *Great Expectations* for the U.S. economy and markets to deliver strong results in 2025
- Starting points matter, with the bullish and optimistic view for 2025 a notable contrast to 2023 and 2024's bearish and pessimistic views
- This did not mean that good things couldn't happen, but the bar to surprise to the upside was much higher, with no cushion to absorb bad news
- Our view going into the year was for:
 - High volatility within equity markets given “priced for perfection” valuations, crowded positioning, and optimistic expectations for earnings growth
 - A wide, choppy trading range for equities and rates that had leadership rotations
 - Potential downside to GDP growth estimates given bullish consensus contrasted with fading tailwinds
 - Risks skewed to the downside for policy given one-sided bullish expectations



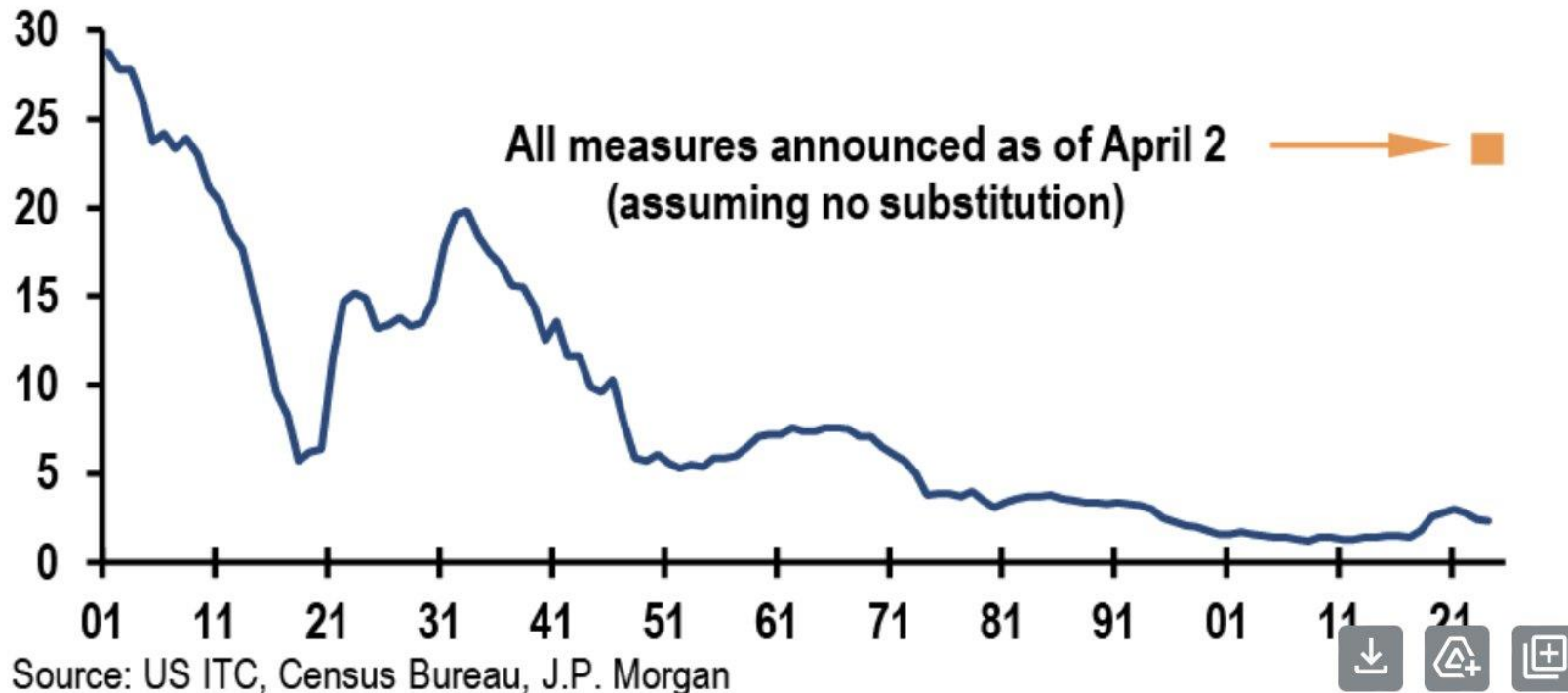
Takeaways from the “Day of Liberation”

- The tariffs announced yesterday were larger and broader than expected
- Total new tariffs so far amount to \$600 billion per year or 2% of annual U.S. GDP
- Tariffs rates for each country are based on the size its **trade surplus** with the U.S., not the **tariffs** it assesses on U.S. imports (e.g., Brazil vs. Switzerland)
- Certain goods (e.g., energy, semiconductors, pharmaceuticals) are exempt but could be tariffed separately later; 25% auto tariffs are now in effect

U.S. Tariffs Now the Highest in Over a Century...And They Affect More Goods

Tariffs collected as a share of imports

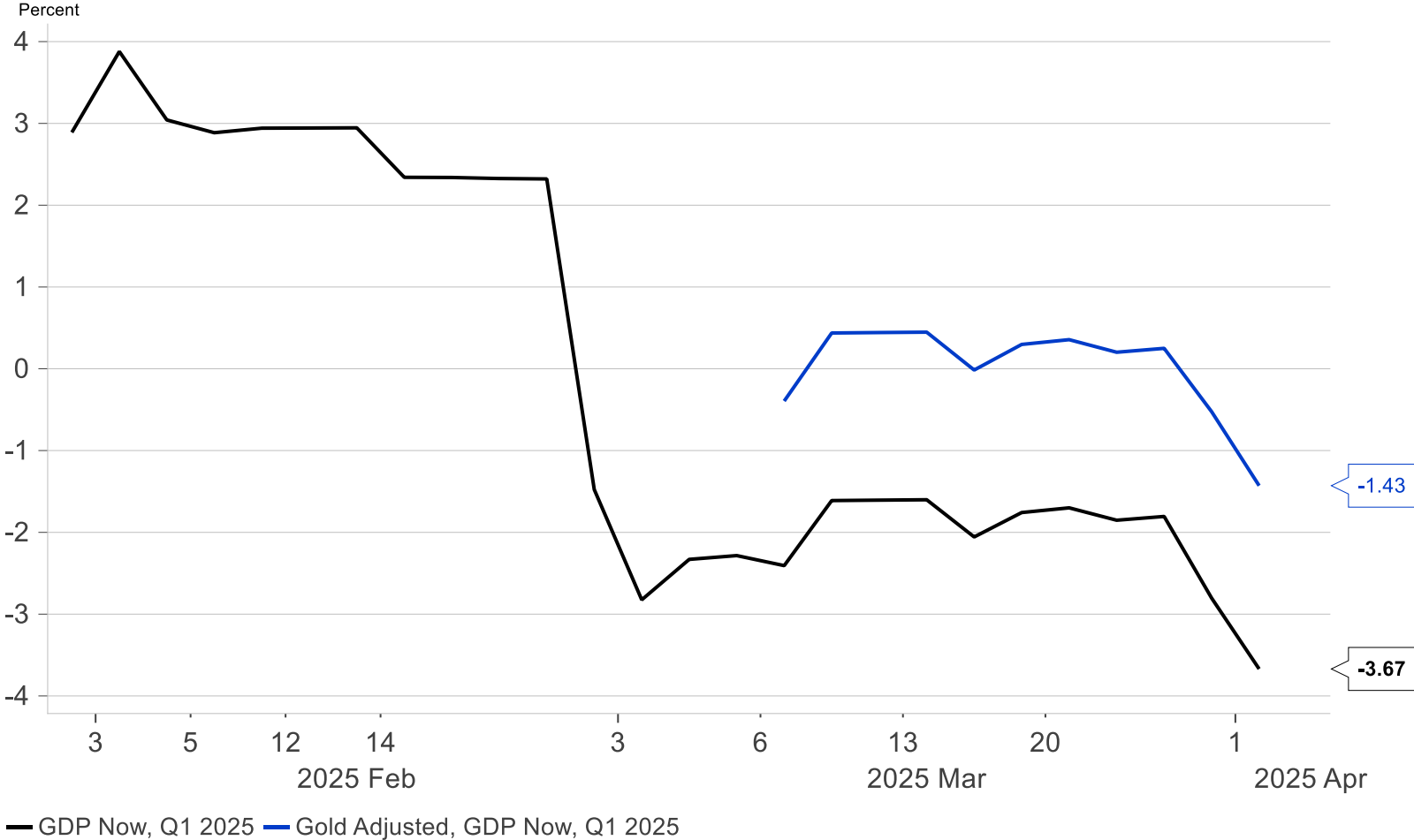
Percent, annual



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Q1 GDP Growth Likely to Be Weak, and Not Only Because of Tariffs

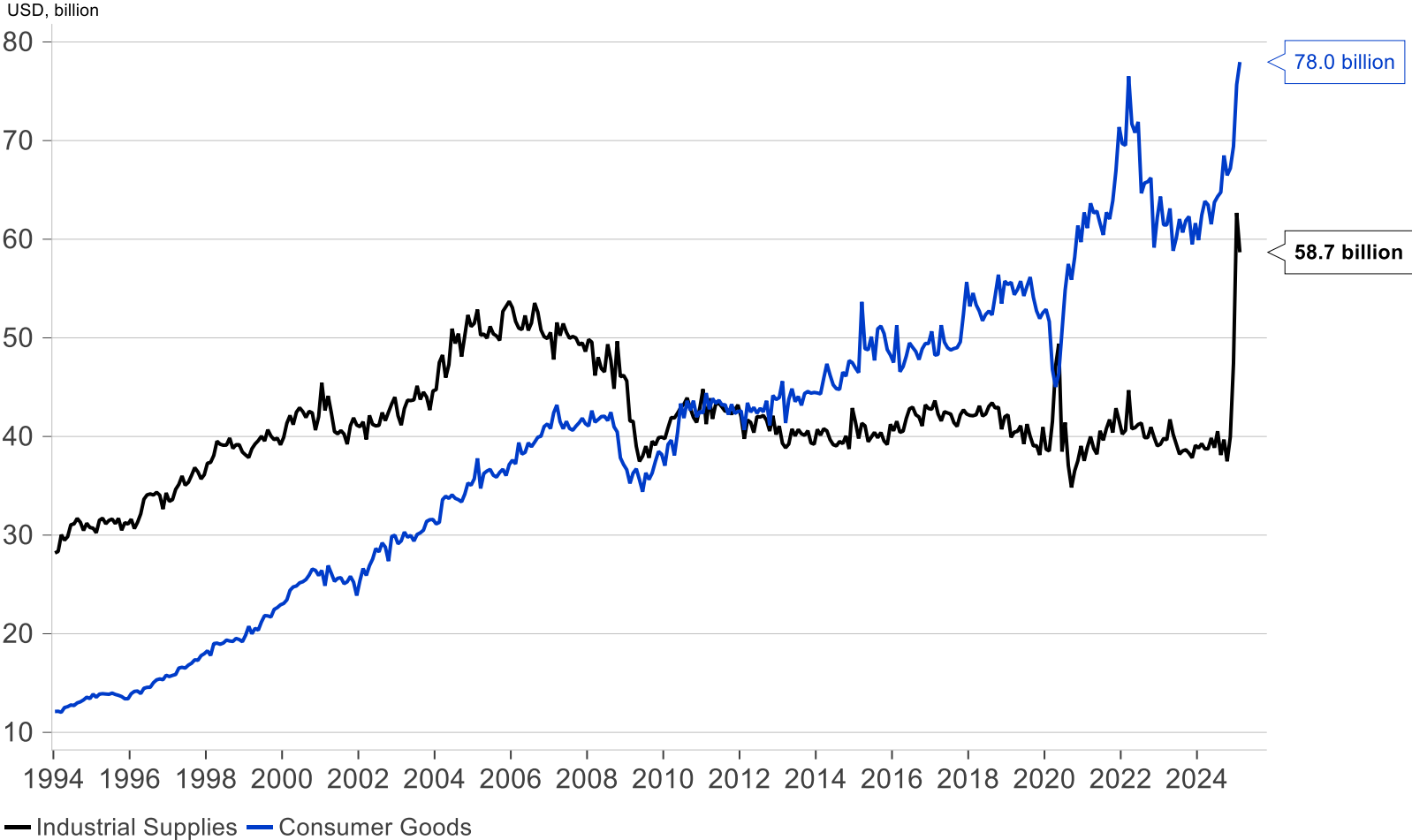
Atlanta Fed Q1 GDP NowCast



Source: NewEdge Wealth, Macrobond, Bloomberg Federal Reserve Bank of Atlanta

Imports Were Massive in January and February, Should Reverse in Q2

U.S. Imports of Industrial Supplies and Consumer Goods



Source: NewEdge Wealth, Macrobond, Bloomberg U.S. Census Bureau

U.S. Dollar Continues to Weaken on Tariff Risks, Could Exacerbate Inflation

Bloomberg U.S. Dollar Spot Index

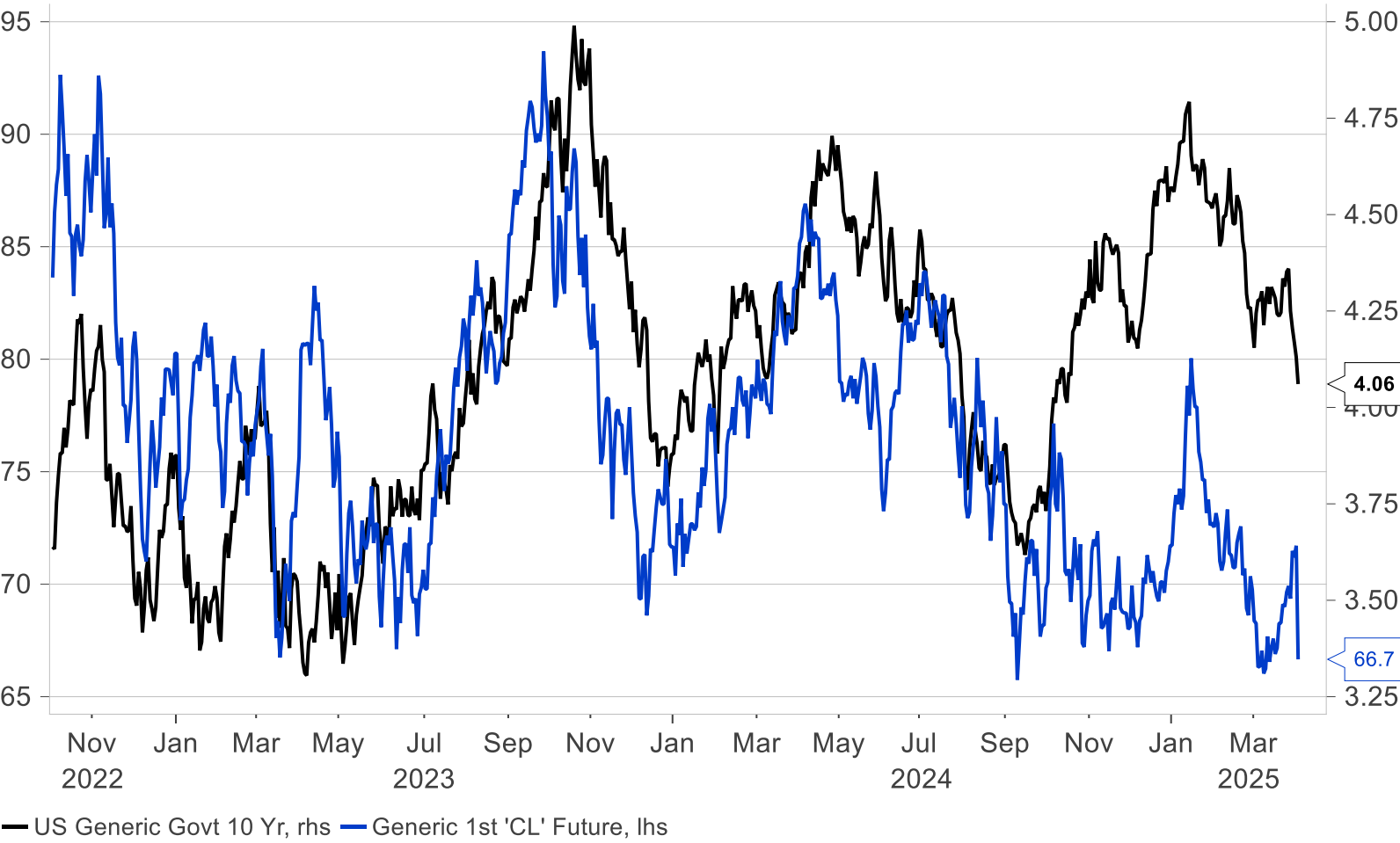


— Bloomberg Dollar Spot Index

Source: NewEdge Wealth, Macrobond, Bloomberg

Interest Rates and Oil Both Down Sharply on Tariff News

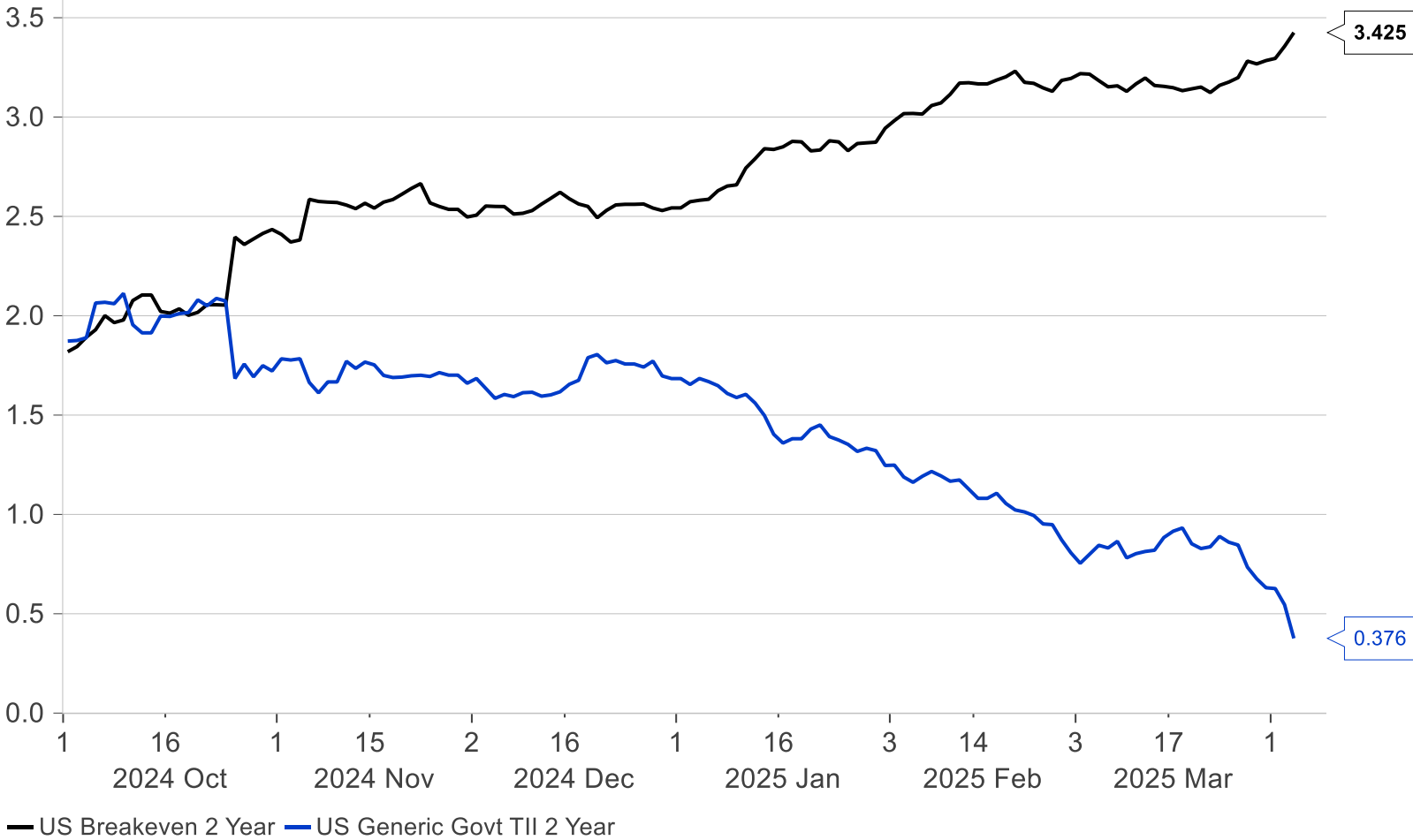
10-year U.S. Treasury Yield and WTI Crude Oil Price



Source: NewEdge Wealth, Macrobond, Bloomberg

Market-Based Inflation Expectations Are Rising as Growth Expectations Fall

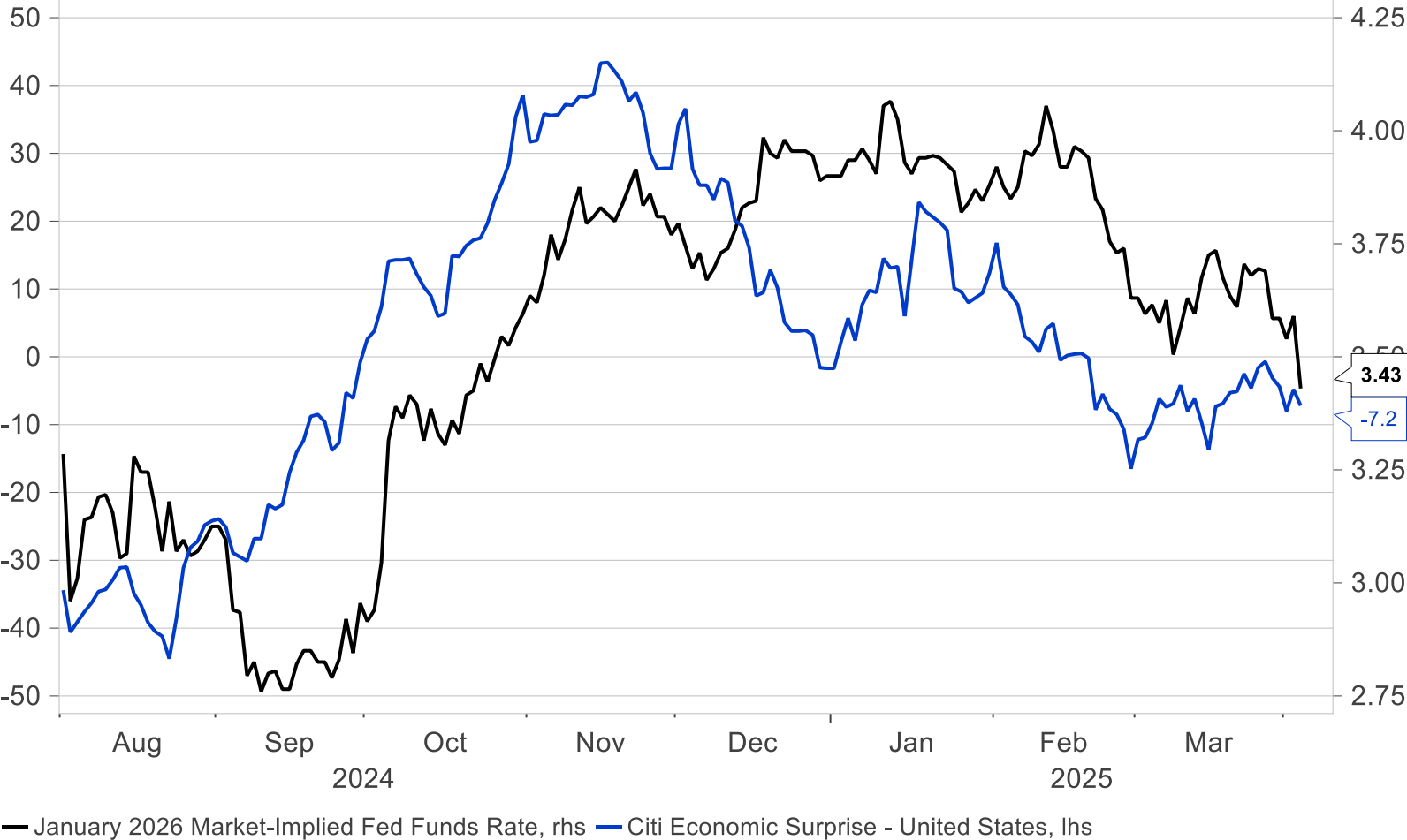
2-year U.S. Treasury Breakevens and Real Yields



Source: NewEdge Wealth, Macrobond, Bloomberg

Stagflation-Like Conditions Put the Fed in a Tough Spot

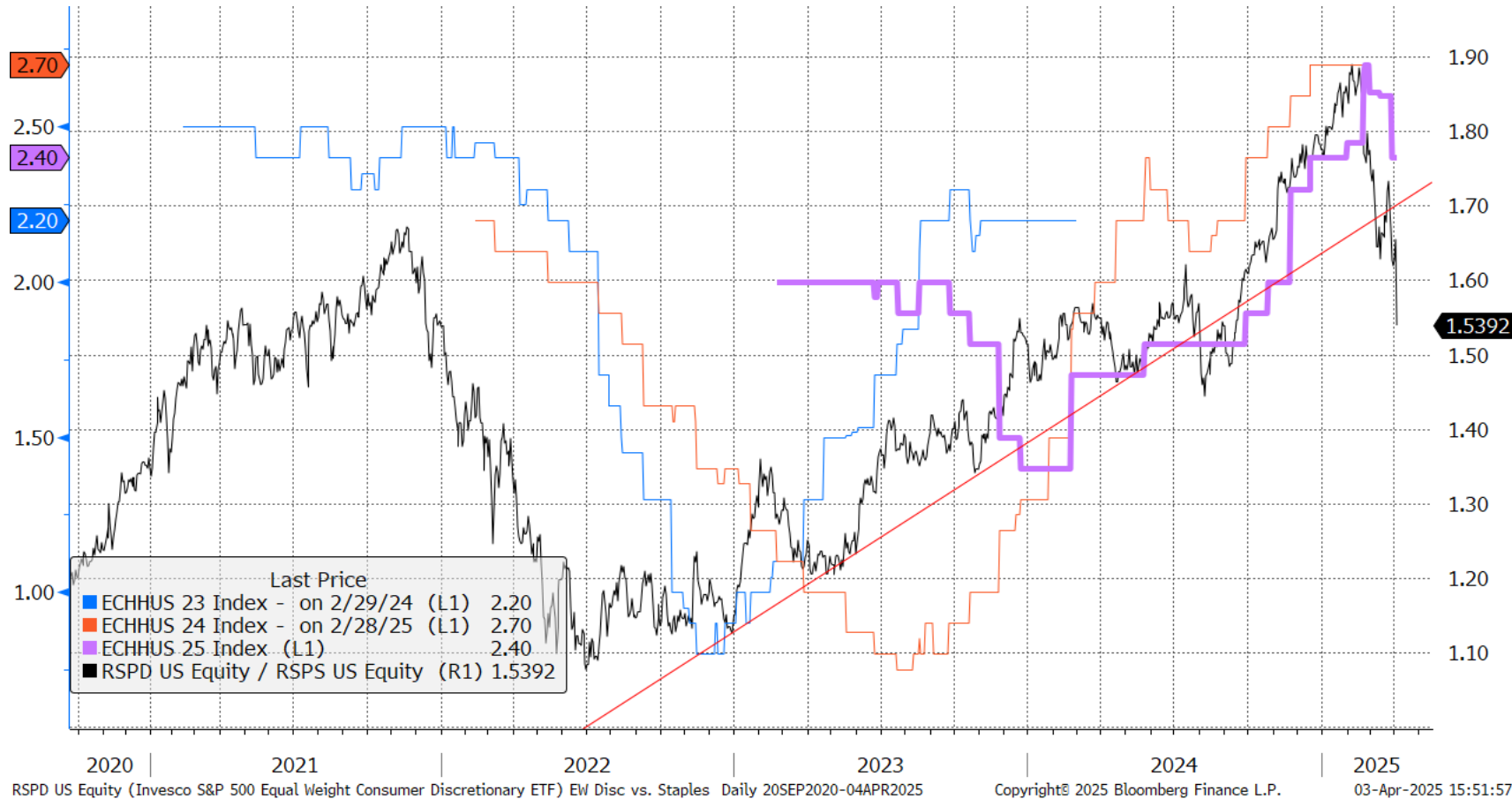
Economic Surprises are Driving Fed Funds Expectations



Source: NewEdge Wealth, Macrobond, Bloomberg

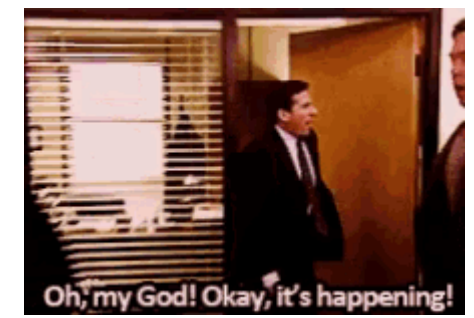
1. Is it Happening? Is the Equity Market Warning About the Consumer?

Equal Weight Discretionary vs. Staples Household Consumption Forecasts in GDP



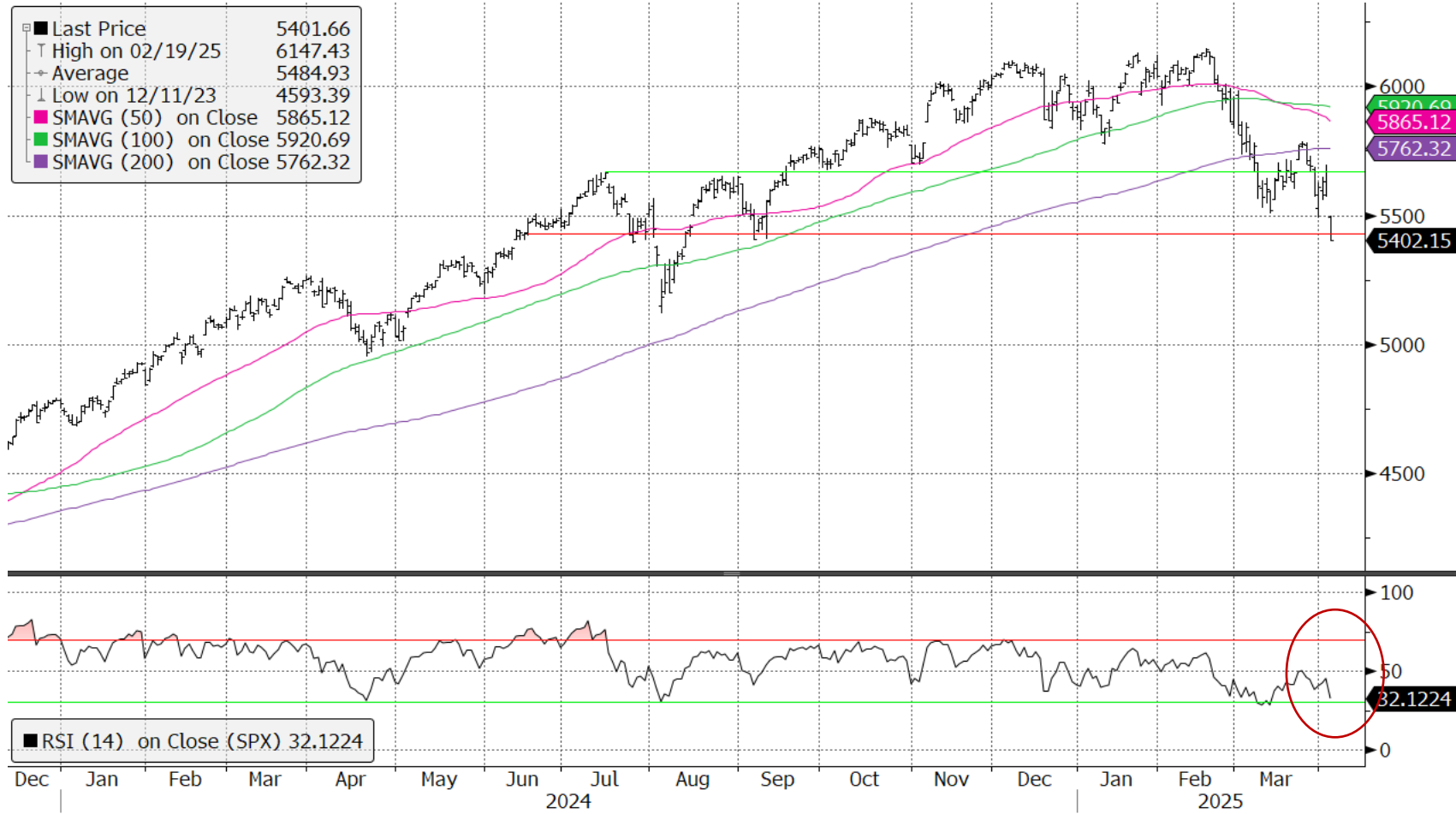
Weakness in equal weight discretionary vs. staples in coinciding with the first meaningful cut to household consumption forecasts in the last 2 years.

If this ratio breaks down further, we think it will signify even greater downside risks to consumer and overall GDP growth estimates.



S&P 500 Not Oversold Externally Yet

S&P 500 with Daily Relative Strength Index

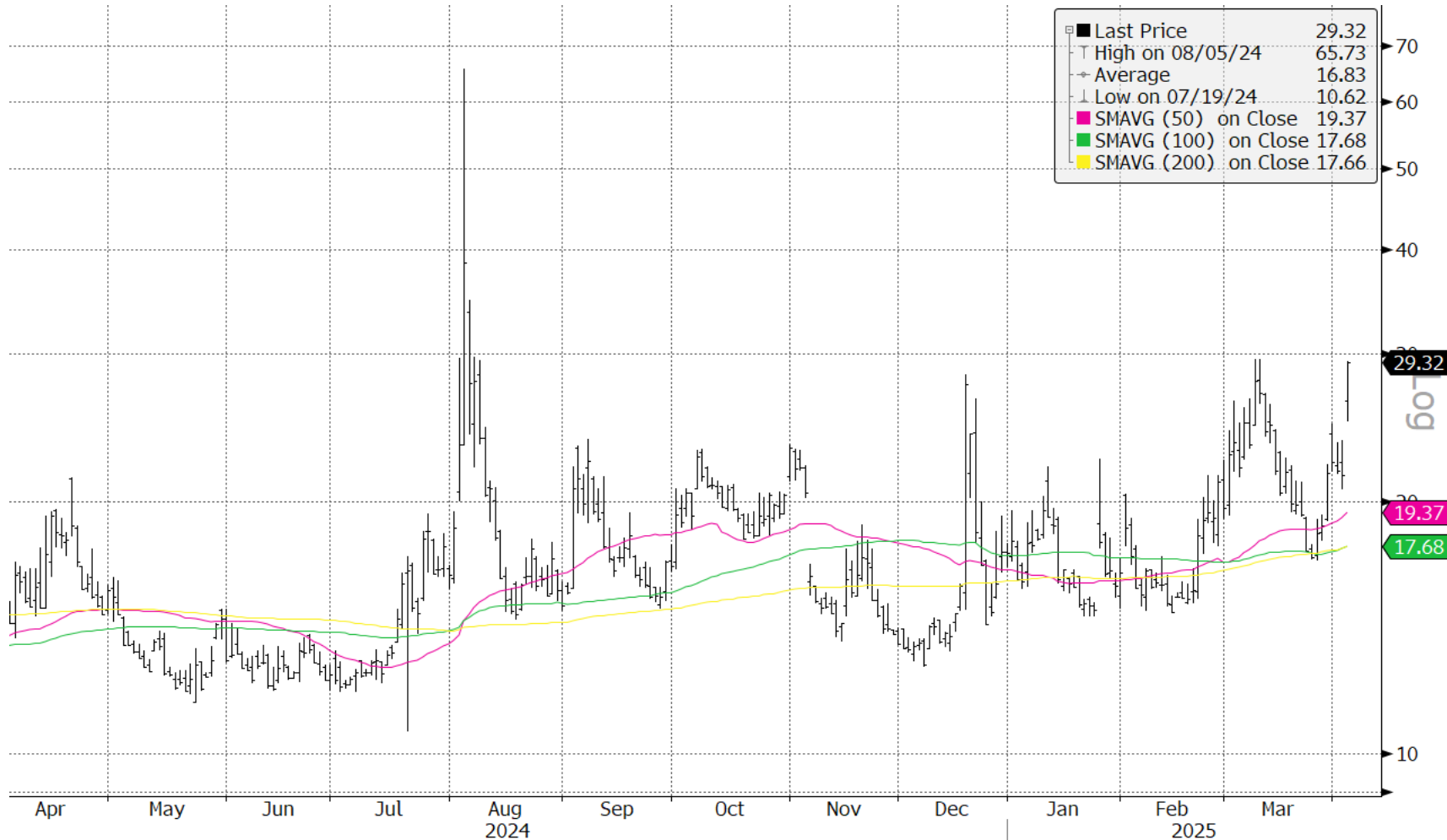


The S&P 500 failed to break back above its 200 day moving average, rolling over.

The index is not oversold yet (RSI shown here), which suggests more near-term downside is possible.

Watching for Flush

VIX Index



VIX Index (Chicago Board Options Exchange Volatility Index) VIX Daily 03APR2024-04APR2025

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We have been running our “Flush Deck” after every week day and it has been yet to signal “flush” or “capitulation” or “indiscriminate selling”.

The measures we watch update overnight, so we will be back to update on:

- Put Call Ratio
- % of names at 20 day lows
- % of names above their 50 day
- VIX
- Short ETF flows

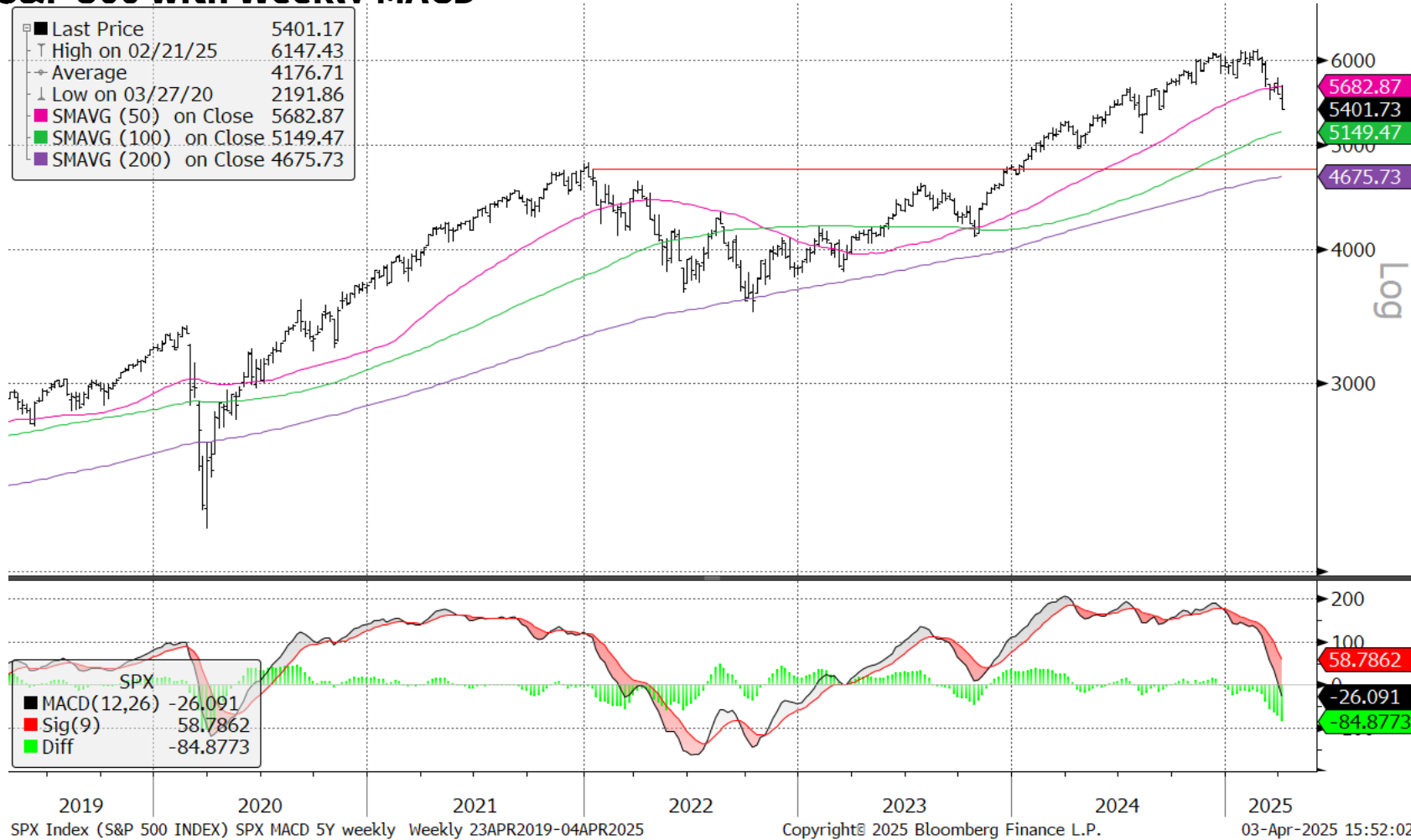
Watching Credit For Deeper, More Protracted Drawdowns

CDX Index



What if This is a Deeper Bear Market? 4,700 Would Be the Level...

S&P 500 with Weekly MACD



At the risk of stoking fear, we think it is always helpful to level set where the market could trade in the event of a weaker economic environment/recession and a protracted bear market.

This is not our base case, but our bear market projection for the S&P 500 is ~4700.

This would be a 23% correction from the February highs (in line with prior periods of recession fears), would equate to 17.5x on 2025 EPS of \$270 (current forecast, which would likely get cut in this scenario, but still a helpful reference point), and this price level is both the 200 week moving average and the 2022 market high.

Using this level to stress test portfolios and risk tolerance can be a helpful exercise.

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TIPS: Bloomberg Barclays Global Inflation-Linked: U.S. TIPS Total Return Index Unhedged
Municipals 5-Year: Bloomberg Barclays Municipal Bond 5 Year (4-6) Total Return Index Unhedged USD
Core Bond: Bloomberg Barclays US Agg Total Return Value Unhedged USD
U.S. MBS: Bloomberg Barclays US MBS Index
High Yield Municipals: Bloomberg Barclays Muni High Yield Total Return Index Value Unhedged USD
High Yield: Bloomberg Barclays US Corporate High Yield Total Return Index Value Unhedged USD
Foreign Bond: Bloomberg Barclays Global Aggregate ex-USD Total Return Index Value USD (50/50 blend of hedged and unhedged)
EM Debt (unhedged): J.P. Morgan GBI-EM Global Diversified Composite Unhedged USD
U.S. Large Cap: S&P 500 Total Return Index
U.S. Small Cap: Russell 2000 Total Return Index
International Developed: MSCI EAFE Net Total Return USD Index
Emerging Markets: MSCI Emerging Markets Net Total Return USD Index
World: MSCI ACWI Net Total Return USD Index
U.S. Equity REITs: FTSE Nareit Equity REITs Total Return Index USD
Commodities: Bloomberg Commodity Total Return Index
Midstream Energy: Alerian MLP Total Return Index
Hedge Funds: Hedge Fund Research HFRI Fund of Funds Composite Index
U.S.: MSCI USA Net Total Return USD Index


Europe: Euro Stoxx 50
United Kingdom: UK FTSE 100
Japan: Tokyo TOPIX Stock Exchange Index
China: Hang Seng Index
Brazil: Ibovespa Brasil Sao Paulo Stock Exchange Index
India: NSE Nifty Index
South Korea: Korea Stock Exchange KOSPI Index
Taiwan: Taiwan Stock Exchange Index

REITs Diversified: FTSE Nareit Eqty Diversified Total Return Index
REITs Healthcare: FTSE Nareit Eqty Health Care Total Return Index
REITs Industrial: FTSE Nareit Eqty Industrial Total Return Index
REITs Lodging/Resorts: FTSE Nareit Eqty Lodging/Resorts Total Return Index
REITs Office: FTSE Nareit Eqty Office Total Return Index
REITs Residential: FTSE Nareit Eqty Residential Total Return Index
REITs Retail: FTSE Nareit Eqty Retail Total Return Index
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Real Assets Agriculture: Bloomberg Sub Agriculture Total Return Index
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Any questions?

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