To Our Valued Clients,

"There are decades where nothing happens, and there are weeks where decades happen." April certainly felt like one of those periods. The month began with Liberation Day, had some historic daily market swings and tariff developments in the middle, and ended with a negative GDP print for Q1. It was a doozy and delivered an unrelenting cycle of news that left investors with plenty of noise to sift through.

It feels like an eternity since President Trump stood in the Rose Garden and held up his poster board of tariffs, outlining aggressive levies for nearly every major trading partner. Yet, little has changed since that day as we wait for any material update on negotiations. Expectations are growing that deals with India and Japan will be in place in the coming weeks, but uncertainty persists as it relates to some of our largest trading partners, like the EU and China. This holding pattern creates a challenging environment for corporate America. Not only the abrupt implementation but the whipsaw effect from new tariff developments has paralyzed business leaders who have had to place investment and operational decisions on hold as they attempt to assess what impact these new taxes will have on their bottom line. These uncertainties have added pressure to stocks, at one point pushing the S&P 500 to flirt with bear market territory. The index traded as low as 19% below its February high, including a 12% drop across just four trading sessions before exhibiting a sharp reversal and gaining 9.5% in a single day. This was the index's 3rd largest daily gain ever and serves as a prime example of why one should avoid timing the market—it gained in a single day what would be characterized as a strong year. Technology and Consumer Discretionary stocks have been the largest culprits, in part because of the particularly high share of their revenues that are generated overseas, placing them squarely in the crosshairs of any global trade war. Despite the volatility, the S&P 500 has managed to recover some ground, ending April about 11% above its lows but still 10% off its February peak.

On the economic front, we received our first reading for Q1 GDP yesterday, providing some valuable insight into the health of the U.S. economy. GDP contracted by 0.3% during the quarter—a sharp drop from 2024's growth rates and below estimates of -0.2%. Although the headline reading pointed towards a swift drop in growth, the report wasn't all bad. Trade was unsurprisingly the largest detractor. The trade deficit surged in Q1 as companies ramped up imports ahead of tariffs going into effect; this front-running accounted for nearly all the negative growth. Meanwhile, the core drivers of the economy—consumer spending and fixed investment—remained resilient, both growing around 1.2% for the quarter. While not booming, these numbers indicate continued underlying growth for now.

April was a month largely characterized by volatility and uncertainty, but it also highlighted economic and market resilience. Thanks for reading, and as always, if you have any questions or if we can help in any way, please don't hesitate to give our office a call.

With My Best Regards,

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