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Personal Portfolios • Pension and Profit Sharing Funds • Foundations and Trusts

April 2025

Dear Friends,

The year began with broad market optimism; investors had high expectations that the second Trump administration's market-friendly policies (tax cuts, deregulation, and stimulative fiscal policy) would more than offset the negatives of looming tariffs. Broad market indices, however, peaked in February and began to retreat as the administration took a more combative stance towards traditional trading partners, international institutions and long-standing security agreements. For the first quarter, the S&P Equal Weight Index was down -1.8%, the S&P U.S. Aggregate Bond Index rose 2.6% while Gold soared 19.0%, hitting an all-time high. Gold's record-breaking rise reflected mounting anxiety over capricious U.S. economic policies, a fraying global economic order, and potentially a referendum on U.S. stewardship of the global financial system.

All of this occurred before President Trump's "Liberation Day". After April 2nd, the stock market went off a cliff. The President declared a national emergency in order to "make America wealthy again" and proceeded to impose stiff tariffs on almost 100 trading partners. Particularly hard hit were Mexico, Canada and China. The stock market plunged 10.5% in two days vaporizing \$6 trillion of wealth. Why such anxiety? Tariffs significantly impact businesses by increasing import costs, potentially leading to higher consumer prices (inflation), disrupting global supply chains and affecting business profitability and growth. As a result, business spending is being tabled until there is more clarity and consumers are slowing their spending as their 401(k) plans erode and job security takes on new meaning. The Federal Reserve Bank of Atlanta projects that U.S. GDP will be negative in the first quarter. Government policy is pushing the economy into slower growth or outright recession.

The Trump administration originally insisted it wouldn't be deterred from imposing tariffs by stock market turmoil. But the sharp decline in equities, bonds and currencies led to a Trump "pivot" on April 9th. Fearing further disruption in markets, the president quickly authorized a 90-day pause on his reciprocal tariff plans for all countries except China. The stock market immediately erupted with the Dow gaining 2,962 points or 7.9%. Despite the renewed optimism, it is going to be a long 90 days as investors await the outcome of negotiations with U.S. trading partners, especially considering the conflicting communications emanating from the White House. And while there appears to be a level of market distress that could again soften the course of U.S. economic policy in the near term, investors need to ask whether the White House's intended alterations to global trade, not to mention the distrust sown along the way, will indeed lead to greater corporate profits and higher stock prices in the longer term.

Anthony D. Beadell

Sincerely.

Jon S. Beadell, PhD