RSD ADVISORS

April 5th, 2025

In the first quarter US stocks were considerably weaker. The S&P 500 was down about 5% and large techs in the Nasdaq 100 were down 10%. It was risk off. Some sectors that were interest rate sensitive sectors did considerably better, and bonds yields were lower (prices were up). International stocks also did quite well. This market showcased the benefit of diversification. Most of the client portfolios managed here did considerably better than the S&P 500 in the first quarter. Gold was up as well as gold stocks. Tariff threats started to affect the market in February.

Subsequent to the end of the quarter, the Trump administration announced significant tariff increases. Tariffs are effectively a tax increase on consumption. Combined job and government spending cutbacks along with tariff increases are leading to most market participants anticipating an economic slowdown, if not an outright recession. Tariffs initially push up prices, so the Federal Reserve is hesitant to cut short term interest rates.

We are now in a trade war. The markets are asking, “where do we go from here?” Is there an off ramp? We have seen unusual market behavior, with the US dollar declining, interest rates spiking and stocks selling off. This has the appearance of a dash for cash or a “run on the bank”.

I expect to see some policy changes very soon. Either a climb down from the high tariffs, or an intervention by the Federal Reserve or both.

My recommendation at this point is to hold onto your assets, unless you believe you have far too much risk in your portfolio. As I am focused on taking appropriate risks, client portfolios are properly positioned for risk and liquidity (the ability to access cash if needed).

If you have any questions, please contact me.

Best

Richard Daskin, CIO