

MARKET UPDATE

LETTER FROM OUR CIO

MARCH 10, 2025

When equity markets experience volatility like they have in the past few weeks, this can be concerning and unsettling for some. Therefore, we are providing some insight into what is happening in markets and what we are doing as a result. The recent volatility is driven by a series of factors, reflecting both macroeconomic issues and geopolitical tensions.

For context, the S&P 500 and the Nasdaq Composite have experienced declines recently due to a mix of economic data releases and fiscal policy uncertainties. The current tariff situation is significantly affecting the economic landscape, driven by the President's recent trade measures. Substantial tariffs have been implemented on significant trading partners like Canada, Mexico, and China. In retaliation, Canada has responded with equivalent tariffs on a range of U.S. goods, and China has targeted U.S. agricultural products with new tariffs. These tariffs may potentially have broad economic repercussions impacting consumer prices and trade relationships. The implementation of these tariffs can lead to increased costs for consumers as import taxes generally result in higher prices for goods. This increase in consumer prices could contribute to inflation domestically and the potential slowing of economic activity.

The uncertainty surrounding trade policies is expected to deter business investments and affect economic stability. CEOs and key decision makers prefer predictability to make sound decisions both short and long-term. The current ambivalence is not enabling firms to determine where policies may be headed. Overall, the continued imposition of tariffs is a concern for global trade dynamics and economic growth prospects. Concerns about these economic policies and global trade have played crucial roles in the aforementioned volatility. The Federal Reserve has signaled a readiness to adjust monetary policy but remains cautious, as uncertainties persist. The Fed's stance seeks to balance inflation control with economic growth, given continued concerns over trade impacts.

In summary, 2025 has brought diverse challenges to Equity markets, with current volatility traced back to macroeconomic fluctuations, fiscal policies, and global uncertainties. Investors remain cautious, swaying between optimism for economic resilience and apprehension about geopolitical developments and policy impacts. As markets proceed, the interaction between economic indicators, policy decisions, and global events will likely steer the Equity markets, offering both risks and opportunities. Even though the S&P500 is down 4% for the year as of 3/10/25, the previous 12 months through 3/10/25 return is approximately +11%. European markets are up approximately 10% so far in 2025 as per the MSCI EAFE Index. And most balanced client portfolios are flat so far this year. This short-term volatility has only erased a portion of the returns in the US markets, bringing the 1-year returns of most global stock markets closer in line with each other.

At Legacy Edge Advisors, we remain focused on managing the risk in client portfolios. We have made changes and will continue to do so with an eye towards finding growth in portfolios, while retreating the core exposure to cheaper Value markets. We are underweighting Equities in general and overweight to Fixed Income. Within the Equity allocation, we are overweight in Value and US, while underweight in Growth and International. We continue to feel as if the relatively strong economic growth and a robust labor market, coupled with moderating inflation will provide the foundational support for Equity markets in the future. It is prudent for investors to be patient with the short-term news and to not overreact. History shows us that your financial plan and goals, along with your risk tolerance, should drive most investment decisions. If you have additional questions, please consult with your advisor for guidance.



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