

QUARTERLY UPDATE

LETTER FROM OUR CIO

APRIL 2, 2025

Economic and Market Overview: Q1 2025

The first quarter of 2025 presented a tapestry of economic signals, with market participants navigating through a blend of cautious optimism and underlying concerns. Growth in US GDP has been stable, however, has been overshadowed by the Federal Reserve's cautious stance, maintaining the Fed Funds rate between 4.25% to 4.50% and adjusting its GDP growth forecast for 2025 down to 1.7%. The Fed's unchanged interest rate outlook and the uncertainty of further interest rate cuts before the year's end have influenced market sentiments significantly. Concerns continue to linger over President Trump's tariffs, with implications for economic growth and inflationary pressures seen as largely transitory. Despite these challenges, the Fed continued to highlight that possible rate cuts will be contingent upon inflation trends and overall economic stability.

Equity markets displayed volatility as investors reacted to macroeconomic reports and potential policy shifts. By mid-March, key indices such as the S&P 500 experienced a downturn of about -10% from all-time highs, driven by weakened investor sentiment and political uncertainty. Some corporate earnings were released late in the quarter, with major technological players indicating sector-specific challenges, particularly within federal revenue segments. We are awaiting comprehensive earnings reports from other companies to gauge full-quarter assessments better. Overseas markets have been the bright spot so far in 2025, outperforming US markets by over 10%.

Outlook for Q2 2025

The upcoming quarter presents a cautiously optimistic yet vigilant outlook. Financial markets expect potential stabilization should economic data and earnings align positively. The anticipated release of Q1 corporate earnings in April will be a critical factor in guiding investor expectations and confidence. Significant attention will be paid to how policy evolves, particularly regarding tariffs and monetary easing. Political sentiment and economic resilience will also influence market trajectories, with the S&P 500's newly revised year-end target suggesting moderate growth prospects. Stakeholders will closely observe consumer sentiment metrics, economic indicators, and any shifts in fiscal and trade policies that could impact growth forecasts. We believe that sentiment may pivot favorably if supported by robust economic data and policy adjustments.

In summary, Q1 2025 left markets delicately poised. While challenges persist, opportunities may arise if tariff policy adjustments and economic factors converge positively. As Q2 unfolds, investors must remain agile, attuned to geopolitical developments, and responsive to emerging economic signals. Maintaining a diversified portfolio and focusing on the evolving market dynamics is paramount to us at Legacy Edge Advisors. We remain constructive on sectors such as semiconductors and software to take advantage of AI trends, cybersecurity, industrials, healthcare innovation and the electrical grid. We tactically reduced equity exposure in the qualified accounts in late January, going overweight Fixed Income. While we continue to maintain that markets will focus on economic activity, valuations are stretched, and earnings expectations will come down to account for the impact of tariffs. We continue to monitor the economic, political and market environment and believe that portfolios at Legacy Edge are well positioned.



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