

# Making Sense

Tariff & Trade Policy Market Update

April 4, 2025, 2:00 pm ET



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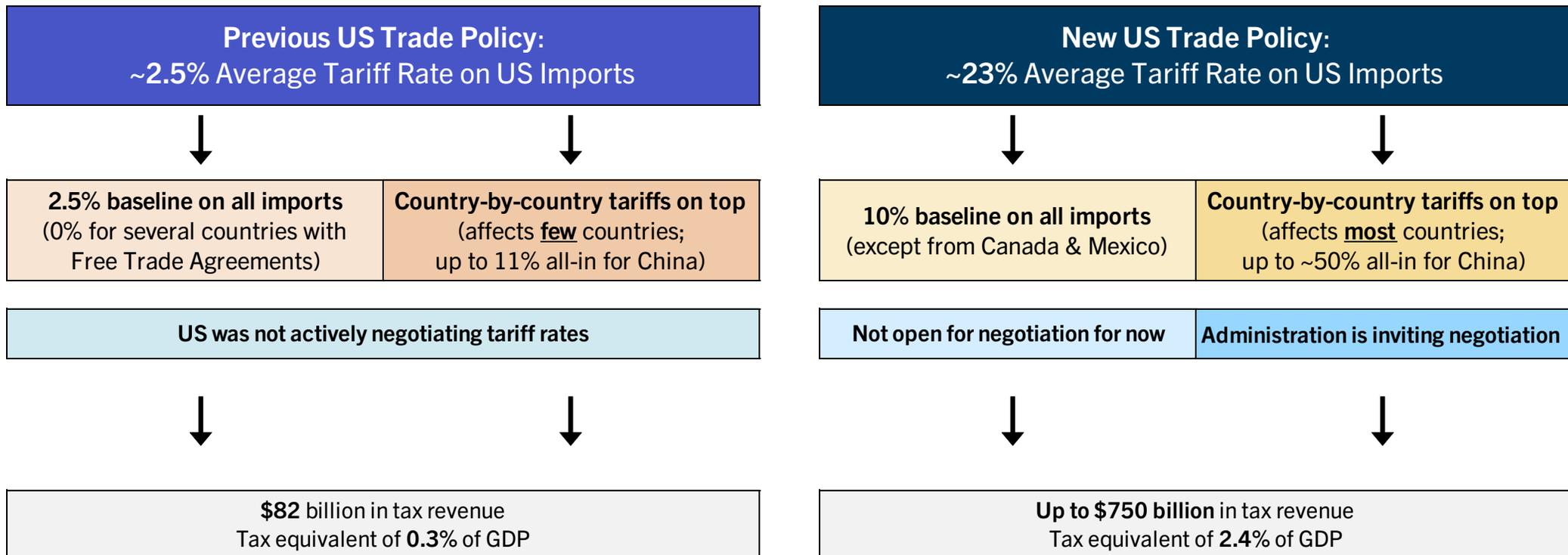
# What are we going to cover?

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1. **Tariff and Trade Policy Update**
2. **Market Update**
3. **What to Do and Expect**

# US Trade Policy – What Was Announced?

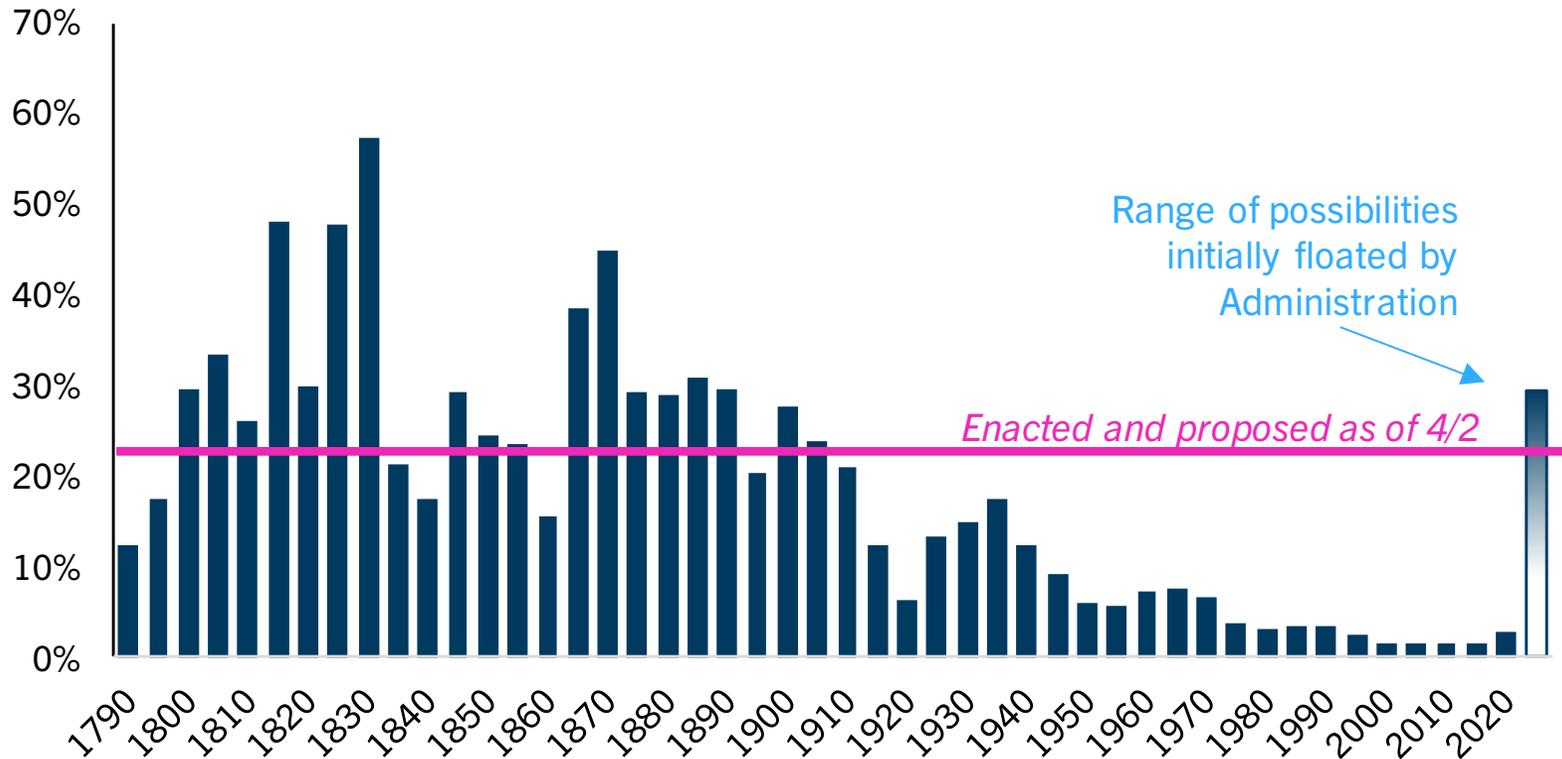
New trade policy will increase the US tariff rate substantially, raising taxes by up to 2% of GDP



# US Trade Policy – Historical Perspective

Tariffs are at their steepest in over 100 years

US Weighted Average Effective Tariff Rate



Source: Historical Statistics of the United States, Treasury Department, Yale Budget Lab, Bloomberg

## US Trade Policy – Where Do We Go From Here?

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Many important variables remain up in the air

### Optimistic Scenario

1. Trading partners open negotiations with the US
2. Inflation remains reasonably under control
3. Firms and consumers can substitute tariffed goods
4. Domestic demand remains firm
5. Companies modify supply chains to manage costs

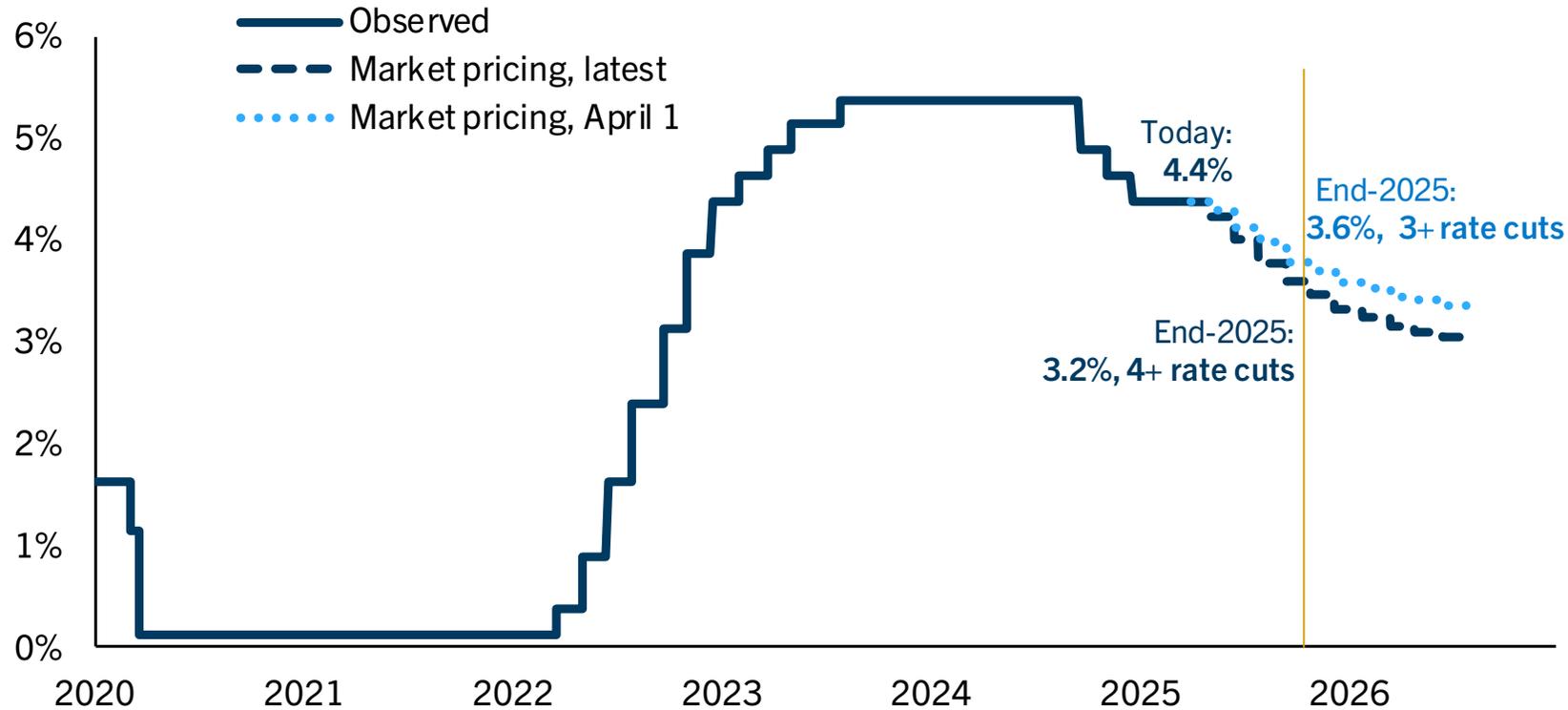
### Pessimistic Scenario

1. Trading partners retaliate with higher tariffs
2. Inflation rises sharply
3. Substitution is difficult or impossible
4. Higher prices and uncertainty weigh on demand
5. Companies face margin compression and raise prices

# Implications for Federal Reserve Policy

Markets now expect more interest-rate cuts, implying growth risks outweigh inflation risks

Federal Funds Rate and Market-Implied Path



# Market Returns

US equities are in correction territory; aggregate fixed income has delivered strong returns

Total Market Returns			
As of 4/3/2025			
	Since Feb. 19	YTD 2025	CY 2024
US Equities	-12.6%	-8.5%	+23.8%
Intl. Developed Equities	-0.3%	+7.6%	+4.4%
Emerging Market Equities	-2.6%	+3.2%	+8.0%
Aggregate Fixed Income	+2.7%	+3.6%	+1.3%
Municipal Bonds	-0.0%	+0.7%	+1.1%

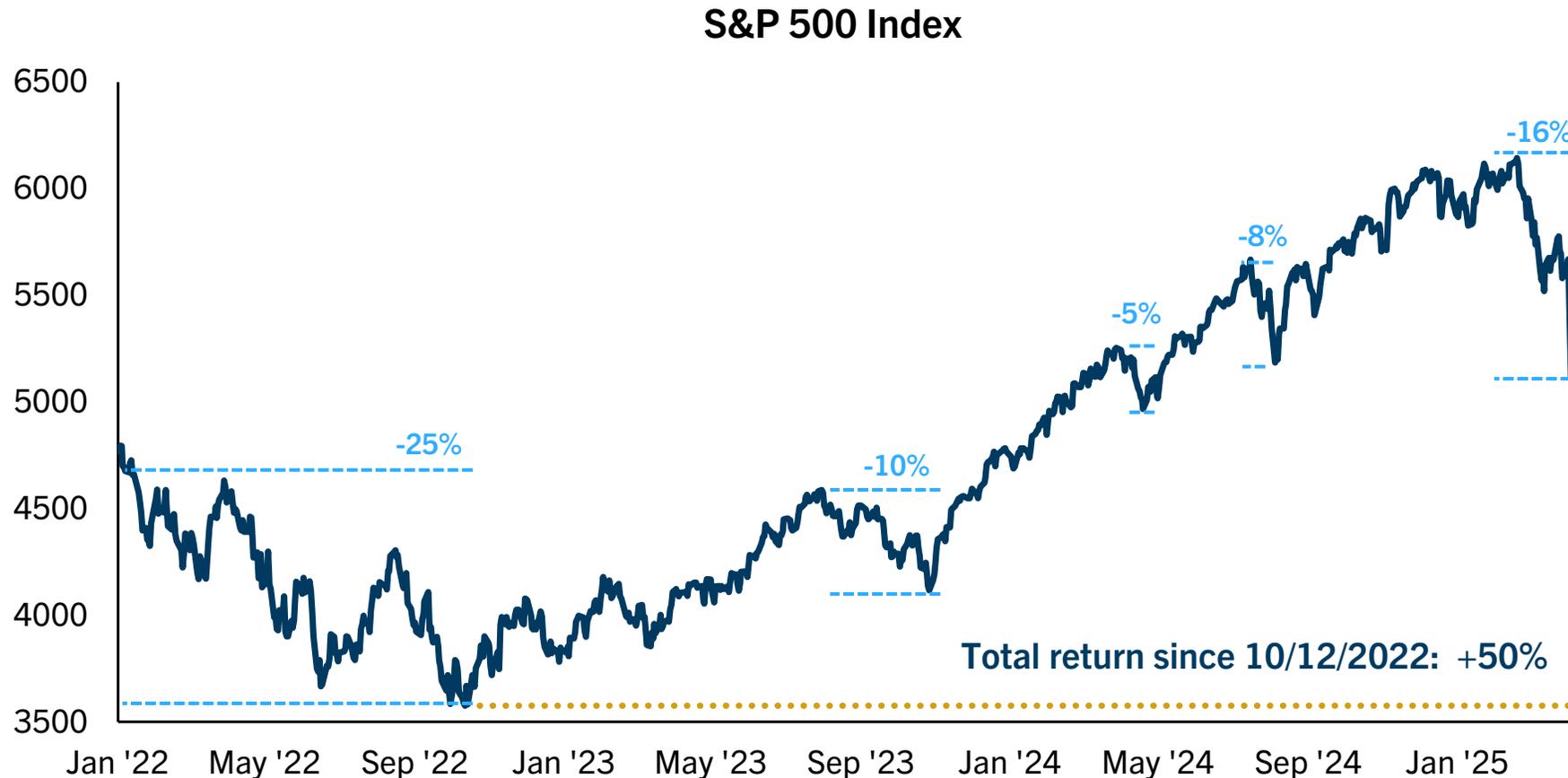
### Views From Our 2025 Outlook

- We expect heightened market volatility in 2025
  - Policy uncertainty
  - Large-cap stocks priced to perfection
- We expect lower equity market returns over the next decade than the last
- Portfolio balance remains essential
- Time in markets – rather than timing markets – pays off in the long run

Source: Bloomberg. Total return data as of 4/3/2025.

# US Equity Market Selloff

The S&P 500 is in correction, down 16% from recent all-time highs



Source: Bloomberg. Market data as of 2:00pm on 4/4/2025.

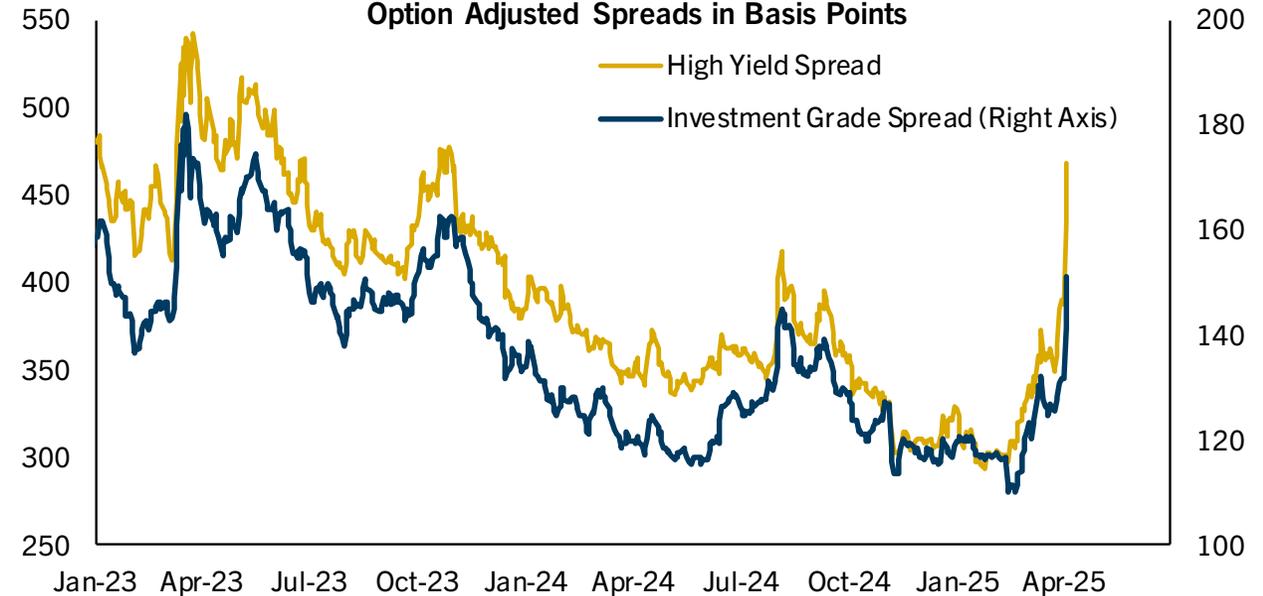
## Fixed Income

Treasury yields have moved sharply lower; spreads have widened

### 10-Year Treasury Yield



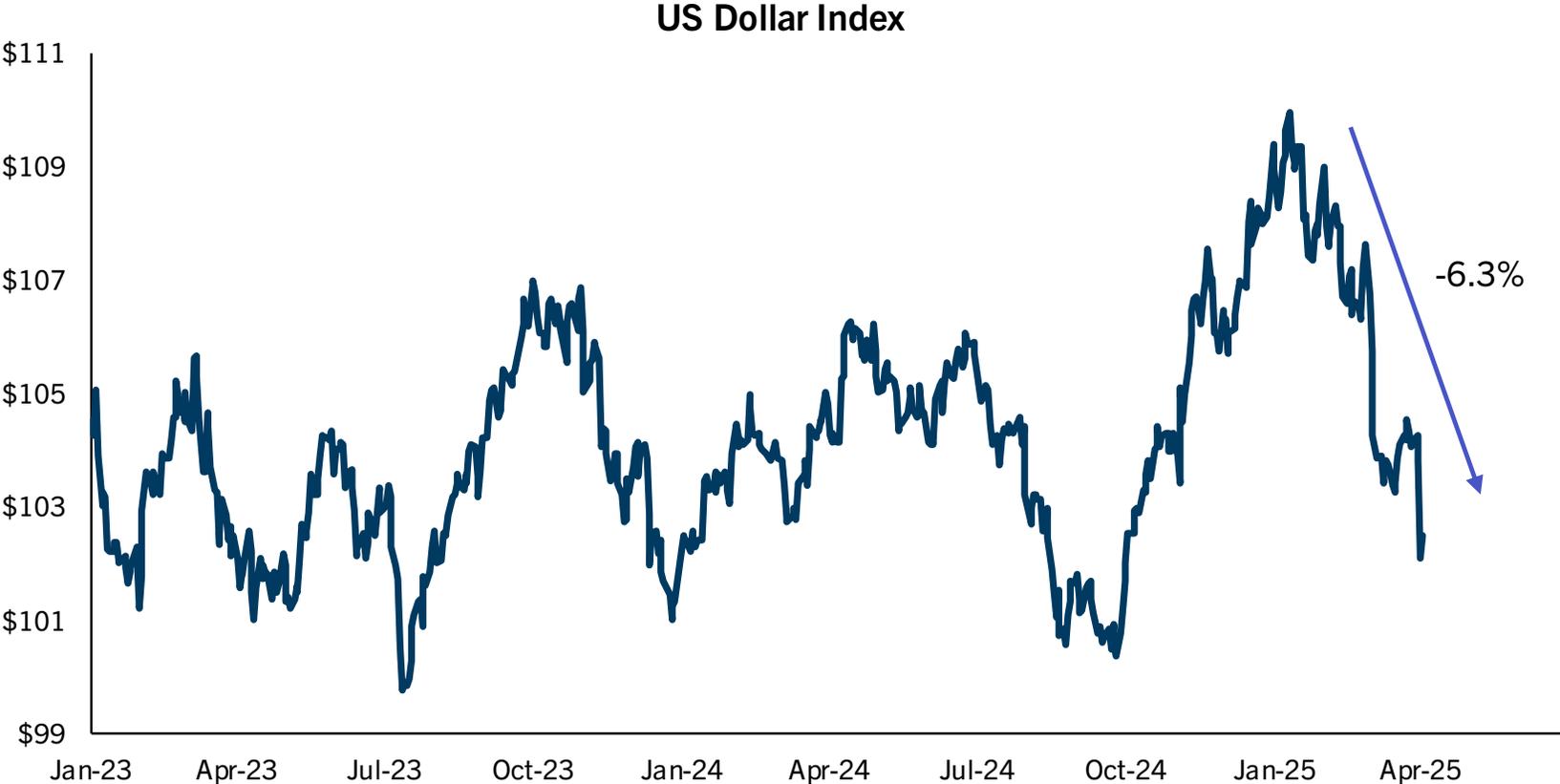
### US Fixed Income Option Adjusted Spreads in Basis Points



Source: Bloomberg. Market data as of 2:00pm on 4/4/2025.

# Foreign Exchange

Dollar weakness can be supportive of exports, all else equal

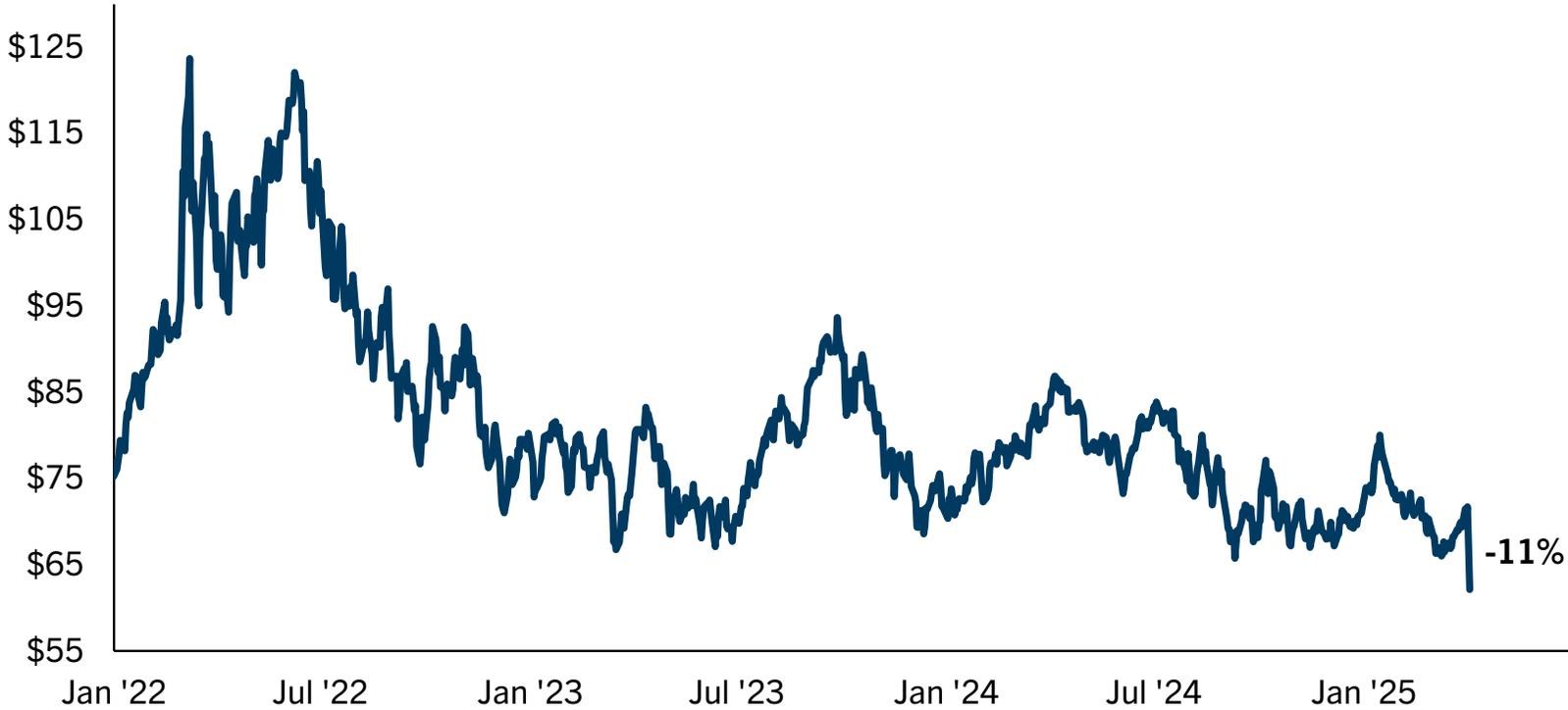


Source: Bloomberg. Market data as of 2:00pm on 4/4/2025.

# Oil Prices Have Fallen Sharply

Crude oil is declining due to global growth concerns, but declining fuel prices can help on the inflation front

Crude Oil, WTI



Source: Bloomberg. Market data as of 2:00pm on 4/4/2025.

# The S&P 500 Has Recovered Fairly Quickly After Most Drawdowns

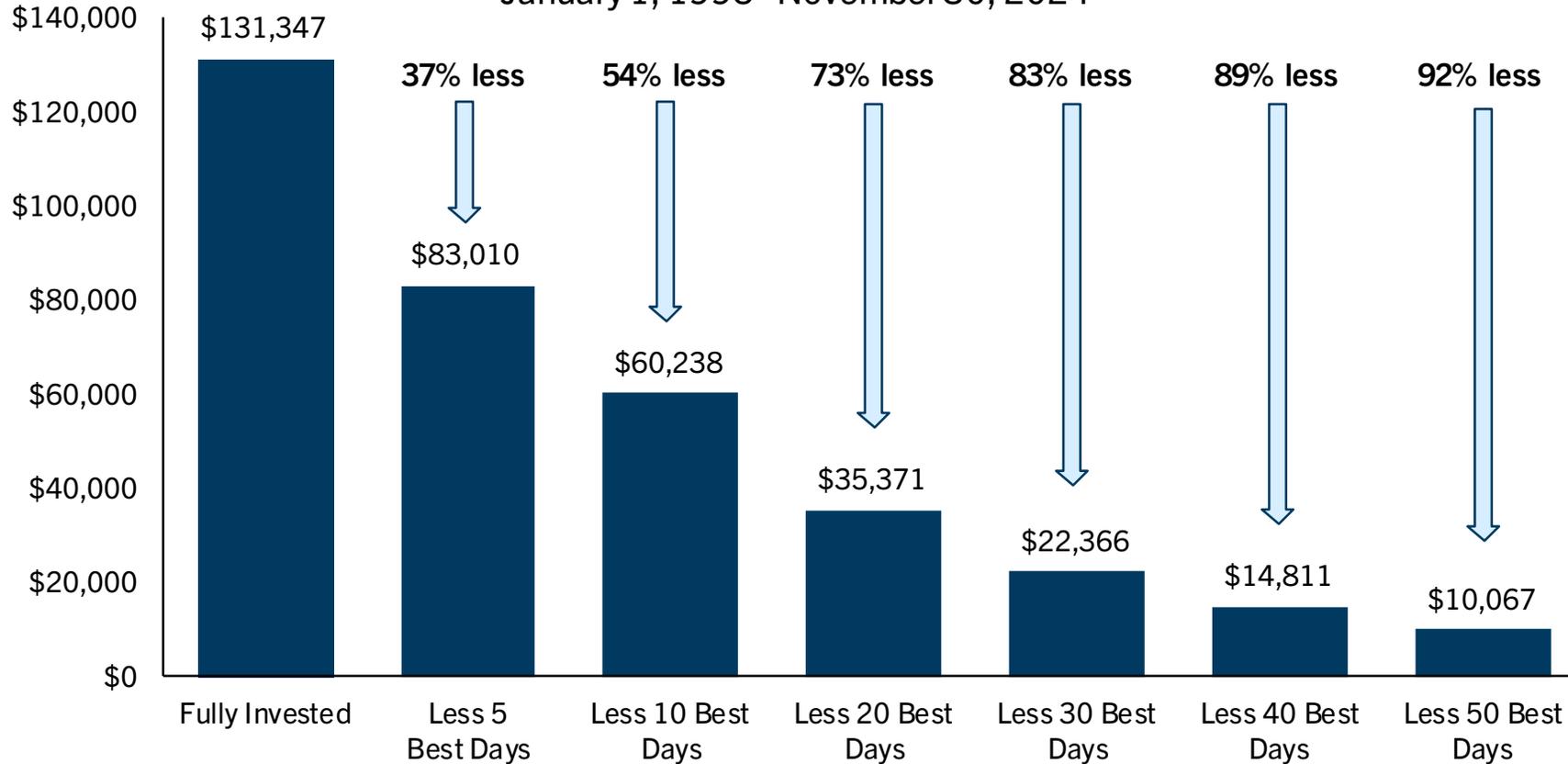
Major S&P 500 Declines - 1950 to Present						
Start Date	End Date	Months Peak-to-Trough	% Decline	1-year Post Low	1-year % Recovery of Previous High	Months Peak-to-Full Recovery
2/19/2025	3/13/2025	1	-10.1%	N/A	N/A	N/A
1/3/2022	10/12/2022	9	-24.5%	23.6%	93.3%	23
2/19/2020	3/23/2020	1	-33.8%	79.1%	118.6%	6
9/20/2018	12/24/2018	3	-19.4%	39.9%	112.8%	7
1/26/2018	2/8/2018	0	-10.1%	7.0%	96.2%	6
5/20/2015	2/11/2016	9	-12.6%	28.3%	112.2%	11
5/2/2011	10/4/2011	5	-16.7%	32.0%	110.0%	9
4/23/2010	7/2/2010	2	-15.6%	33.6%	112.8%	6
10/9/2007	3/9/2009	17	-55.2%	72.0%	77.0%	54
11/27/2002	3/11/2003	3	-14.2%	40.7%	120.7%	5
3/24/2000	10/9/2002	30	-47.4%	35.5%	71.3%	79
7/16/1999	10/15/1999	3	-11.8%	11.5%	98.3%	4
7/17/1998	8/31/1998	1	-19.1%	39.8%	113.1%	4
10/7/1997	10/27/1997	1	-10.8%	23.4%	110.1%	2
7/16/1990	10/11/1990	3	-19.2%	33.2%	107.6%	7
1/2/1990	1/30/1990	1	-10.0%	9.4%	98.5%	5

Major S&P 500 Declines - 1950 to Present							
Start Date	End Date	Months Peak-to-Trough	% Decline	1-year Post Low	1-year % Recovery of Previous High	Months Peak-to-Full Recovery	
8/25/1987	10/20/1987	2	-29.4%	21.4%	85.8%	21	
10/10/1983	7/24/1984	9	-11.4%	35.5%	120.1%	10	
11/30/1981	8/12/1982	8	-15.6%	65.5%	139.6%	9	
2/13/1980	3/27/1980	1	-16.7%	46.1%	121.7%	4	
9/12/1978	11/14/1978	2	-12.8%	18.1%	103.0%	10	
9/21/1976	3/6/1978	17	-13.5%	19.0%	102.9%	20	
7/15/1975	9/16/1975	2	-13.5%	32.1%	114.2%	6	
11/7/1974	12/6/1974	1	-13.2%	39.5%	121.1%	3	
1/11/1973	10/3/1974	20	-44.8%	44.4%	79.7%	42	
11/29/1968	5/26/1970	18	-32.6%	48.8%	100.3%	28	
2/9/1966	10/7/1966	8	-15.6%	27.0%	107.3%	13	
12/12/1961	6/26/1962	6	-26.9%	38.7%	101.4%	16	
8/3/1959	10/25/1960	14	-10.1%	34.1%	120.5%	17	
7/15/1957	10/22/1957	3	-19.8%	36.8%	109.7%	13	
8/2/1956	2/12/1957	6	-13.2%	0.6%	87.3%	11	
1/5/1953	9/14/1953	8	-12.4%	44.8%	126.9%	12	
		<b>Average</b>	<b>7.0</b>	<b>-20.1%</b>	<b>34.2%</b>	<b>106.3%</b>	<b>14.6</b>
		<b>Median</b>	<b>3.4</b>	<b>-15.6%</b>	<b>34.1%</b>	<b>109.7%</b>	<b>9.3</b>

Source: Bloomberg, Strategas, Goldman Sachs, First Citizens Wealth

# Market Timing Is a Dangerous Game

Growth of \$10,000, S&P 500 Compounded Total Returns  
January 1, 1995 - November 30, 2024



- Nearly half (48%) of the S&P 500 Index's strongest days occurred during a bear market.
- Another 28% of the market's best days **took place in the first two months of a bull market**—before it was clear a bull market had begun.

Source: Strategas, First Citizens Wealth, NDR Research.

## What to Do and Expect?

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- More headlines and back and forth negotiations between US and other nations
- Continued market and economic volatility over the shorter term
- Focus on what we can control – your financial plan, goals and objectives, and your asset allocation
- Stay connected with your First Citizens partner

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