



Market Commentary

Weekly perspective on current market sentiment

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Last week's S&P 500 Index: +5.7%

When will the pace slow? Good question.

Key takeaways

- When it comes to the financial markets and portfolio management during volatile times, you need to have a plan of action.
- We feel current equity levels offer an attractive entry opportunity even with the bounce higher off the recent lows.

Some investors might regard the pace and direction of various implemented tariffs as all part of the plan. Others likely have a different view. Whatever view our regular readers might take, the bottom line is, when it comes to the financial markets and portfolio management during volatile times, we believe you need to have a plan of action or at least be happy with where you currently stand.

From our perspective, even before the current tariff strategies were deployed, our analysis suggested the economy was going to hit a bump in the road and slow in the first half of this year. That line of thought is still intact. We are favorable large- and mid-cap domestic equities. These represent the high-quality segments of the equity asset classes we cover. We have also suggested that investors move money from bonds, specifically the intermediate portion of the yield curve, into mid-cap U.S. equities in an effort to take advantage of the fall in stocks and the rally in bond prices (yields fell).

But the tariff uncertainty has accelerated. Over the course of the last couple of weeks, we have seen the administration go from an aggressive reciprocal tariff strategy that involved meaningful universal tariffs on virtually all of our trading partners to a pause that suspends most reciprocal tariffs but leaves a 145% levy on imports from China. Turn off the news for a few hours or a day and in this current environment you may have missed a lot of meaningful headlines. You have to pay attention. But, granted, it is hard to keep up with the pace of announcements we have seen in recent weeks.

We know that not all investors feel comfortable stepping into the equity market right now. After all, you have to be able to sleep at night. Fortunately, interest rates offered in cash alternatives now are generally above when the pandemic hit and can provide some income nervous investors.

For those investors with a long-term horizon, we feel current equity levels offer potential for an attractive entry opportunity even with the bounce higher off the recent lows. As of the time of this writing, we are still 12% below the all-time record high in the S&P 500 Index set back in mid-February. In fixed income, we favor investment grade and would be focused on investment-grade corporate bonds and essential-service municipal securities.

When the pace of tariff-related announcements will slow is anybody's guess. We believe long-term investors should be bringing mid-cap U.S. equities up to a favorable allocation along with our long-favored position in large-cap domestic equities.

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