Beacon Trust
INNOVATING WEALTH STRATEGY

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Beacon Weekly Investment Insights

The one thing we can control is how we react to things we can't control.

Despite a week of important economic data, investors were focused on one thing: the President's announcement on his tariff policies, aka tax increases related to imported goods. The market, for months, has been hoping for clarity as his policy stances and actions to date caused a lack of visibility resulting in significant volatility. For the first quarter the Dow declined 1.3%, the S&P 500 4.6% and the NASDAQ 10.4%. Investors sought security in bonds as the 10-year US Treasury yield declined to 4.15% as they began to consider slower growth, higher inflation and a cautious consumer. Though the soft data would confirm a possible inflection point in the economy the hard data has yet to signal something more dire though we are mindful that this can be a self-fulling prophesy.

On Wednesday the President's self-described Liberation Day, turned into a Black Swan event, as he imposed a minimum 10% tariff on every nation importing to the US. Additionally, he included reciprocal tariffs on many of our largest Asian and European trading partners resulting in total tariffs of 30-60%, in some instances significantly more. One of the few positives were no further tariffs on Canada and Mexico for the time being. It remains unclear on whether and to what degree the implementation will occur as April 5th and 9th are deadlines for negotiations to occur, though these dates could be extended prolonging uncertainty. China led the way Friday morning by raising tariffs on all US exports to 34%. We would expect further volatility in the coming weeks as other countries respond with their own additional tariffs or acquiesce agreeing to limit the damage through negotiation. So, it will be interesting to see who blinks first. The markets reacted violently to the policy changes with equities retrenching 8-10% and the 10-year yield continued to move lower towards 4% down 54 basis points during the week but, more specifically, in two days. The dollar weakened rather than strengthened signaling policy concern and a lack of confidence in the US.

As noted earlier there were several economic reports that were overshadowed by tariffs. ISM manufacturing and services came in weaker than anticipated. Manufacturing was 49.0% down from 50.3% the prior month. Services held above 50% at 50.8% though down from 54.4% in February. Recall anything above 50% is positive however the delta is trending negatively; something to watch. Multiple measures of employment were announced culminating with Friday's non-farm payrolls which was better than expected at 228,000 vs. expectations of 140,000. The unemployment rate rose to 4.2% and hourly wages year over year came in at 3.8% year over year; lower than the 4.0% anticipated. Job openings (JOLTS) was reported at 7.57mil, slightly weaker than estimates, and down month over month. ADP rose sharply versus estimates and the prior month to 155,000. February was revised up also to 84,000. Initial jobless claims declined 6000 to 219,000 and below 226,000 forecasted. Granted these are "rear view mirror numbers" and do not reflect what may happen in coming months as tariffs filter into the economy but, for the moment, healthy employment supports further consumption though in a cautious manner.

The legendary investor Charlie Munger once said, "*The big money is not in the buying or the selling, but in the waiting."* We all know this to be historically accurate and sound advice though in the moment challenging to adhere too. The question all of you are surely asking is how are we responding to these developments? First, your investment team is highly experienced in navigating turbulent times with decades of combined experience in managing money. Though we have no clearer insight than many of you, we are reviewing our holdings making some adjustments where prudent. Overall, the companies owned are of high quality with strong managements having a history of navigating their organizations through uncertain times. We will be getting their outlooks, post this tariff announcement, in upcoming earnings reports.

It should be anticipated that these comments will be cautious as the outcome is fluid. The good news, and what we advocate, is diversification and asset allocation help to weather the storm. Bonds, non-US equities, and gold have provided positive contributions during this volatile period. During times of uncertainty, opportunities exist for long term investors, but it is always wise to reassess one's tolerance for risk. In this regard, we encourage a conversation with your relationship manager and portfolio manager to confirm that your portfolio construction aligns with your goals, time horizon and aversion to risk. The outcome of this discussion will determine any need for changes. In short we counsel adhering to the long game even when it's uncomfortable as this has proven to be extremely rewarding in the past.

The week ahead is the start of 1Q earnings announcements led off with the major financials, the likes of JP Morgan, Blackrock, Wells Fargo, and Delta Airlines. By this time the following week we will be in full swing. On Thursday expect the March release of CPI.

Impermanence: the state of not lasting forever or not lasting a long time.

Market Scorecard:	04/04/2025	YTD Price Change
Dow Jones Industrial Average	38,314.86	-9.94
S&P 500 Index	5,074.08	-13.73%
NASDAQ Composite	15,587.79	-19.28%
Russell 1000 Growth Index	3,281.06	-18.83%
Russell 1000 Value Index	1,678.06	-8.00%
Russell 2000 Small Cap Index	1,827.03	-18.08%
MSCI EAFE Index	2,407.03	6.38%
US 10 Year Treasury Yield	4.00%	-86 basis points
WTI Crude Oil	$62.62	-13.29%
Gold $/Oz.	$3,057.00	16.55%

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