



The Weekly Market Update – 4/21/25: Our Latest Thoughts on Tariffs

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	Trailing 12-Months	All-Time High	% to High
S&P 500	5,282.70	-1.50%	-5.87%	-10.18%	0.54%	6,144.15	16.3%
Dow Jones Industrial Average	39,142.23	-2.66%	-6.81%	-8.00%	-1.67%	45,014.04	15.0%
NASDAQ Composite	16,286.45	-2.62%	-5.85%	-15.66%	-0.57%	20,173.89	23.9%
Russell 2000	1,880.62	1.10%	-6.53%	-15.67%	-11.48%	2,442.74	29.9%
MSCI EAFE (USD)	2,390.90	4.06%	-0.41%	5.71%	1.88%	2,511.97	5.1%
MSCI Emerging Markets (USD)	1,067.07	2.09%	-3.12%	-0.78%	2.56%	1,444.93	35.4%
Bloomberg Commodity Index	102.91	1.41%	-3.28%	4.20%	3.44%	237.95	131.2%
Barclays U.S. Aggregate Bond	91.39	0.87%	-0.99%	1.06%	0.99%	112.07	22.6%

Source: FactSet

U.S. financial markets are on edge in April as trade policy remains unresolved, clouding expectations. More than two weeks since the president announced sweeping global tariffs on 4/2/25, the S&P 500 remained down -6.8% (from 4/2/25 to 4/18/25), closing at 5,283 on 4/17/24. Over that same period, the 10-year U.S. Treasury yield has moved to 4.33% from 4.18%, respectively. While still a relatively short period of time, it is more common for yields to fall during equity market weakness as demand for U.S. Treasury securities rises. S&P 500 daily volatility has surged since 4/2/25, with an average daily move (up or down) of 2.7% over the past 2+ weeks, compared to a 1.1% average for the year-to-date. We believe that current trade policy (10% universal tariffs, other targeted tariffs on Mexico and Canada, and more than 100% on most Chinese goods), as it stands, creates substantial near-term headwinds caused by both rising input costs and reduced demand (due to higher prices or retaliatory actions abroad). But in recent weeks, equities rallied each time on positive trade news, including a 90-day delay on most reciprocal tariffs, a lower late for electronics from China, and the president expressing support for a delay in automobile tariffs to help U.S. manufacturers. The president appears ready to sign trade deals and could also ease trade policies if markets continue to falter (that appeared to be the case when the 90-day tariff pause was put in place on 4/9/25). That could provide some downside support for equities if markets believe that worst-case outcomes are increasingly unlikely. We agree that a potential trade deal with Japan, South Korea, the European Union, or others can drive the S&P 500 higher, but we caution that signing trade deals country by country is complicated and leaves us optimistic, but skeptical. In addition, a 10% universal tariff, if it remains, will alter global supply chains and require economic adjustment. And a trade war with China is highly disruptive and can impact several key parts of the U.S. industrial economy. Through mid-April, however, the U.S. labor market performed well, with solid jobs growth and below-trend layoffs. With consumer confidence wavering, a continued strong labor market remains critical as we look ahead.

First quarter (1Q25) earnings season heats up this week with S&P 500 earnings estimated to increase +7.2% year-over-year (Y/Y). Through 4/17/25, 59 (12%) S&P 500 companies had reported March quarter results with earnings (+9.1%) running modestly better than expected. This week, 122 S&P 500 companies are scheduled to report with high Y/Y expectations for the Health Care, Technology, Utilities, and Financials sectors. According to FactSet, the average growth rate expected for the “Magnificent 7” stocks is +14.8%, contributing more than 2 points to the +7.2% index growth expected (S&P 500 “other 493” earnings growth estimated +5.1%). Some investors will minimize 1Q25 results as tariff-related economic concerns gained steam in late March and April. This puts added scrutiny on forward guidance and outlooks for the balance of 2025.

Equity market weakness has continued as investors see limited near-term catalysts. With trade tensions with China showing no signs of relief and President Trump publicly admonishing the Federal Reserve Bank (Fed) for keeping its overnight fed funds interest rate target at restrictive (high) levels, sentiment remains low, and the S&P 500 was down nearly -3% in mid-Monday trading. While earnings reports this week could exceed expectations, investors appear more concerned about earnings trends over the balance of 2025. What investors are waiting for, in our view, are trade deals with at least a few large trading partners and some de-escalation with China. Visibility remains cloudy on both issues.

James D. Ragan, CFA
Co-CIO, Director of Investment Management & Research
(206) 389-4070
jragan@dadco.com

Important Disclosure: The information contained herein has been obtained by sources we consider reliable, but is not guaranteed and we are not soliciting any action based upon it. Any opinions expressed are based on our interpretation of data available to us at the time of the original publication of the report. Assumptions, opinions, and estimates constitute our judgment as of the date of this report and are subject to change without notice. Investors must bear in mind that inherent in investments are the risks of fluctuating prices and the uncertainties of dividends, rates of return and yield, as well as broader market and macroeconomic fluctuations and unforeseen changes in the fundamentals or business trends affecting the securities referred to in this report. Investors should also remember that past performance is not indicative of future performance and D.A. Davidson & Co. makes no guarantee, express or implied, as to future performance. The information is not intended to be used as the primary basis of investment decisions. Because of individual client requirements, it should not be construed as advice designed to meet the particular investment needs of any investor. It is not a representation by us, or an offer, or the solicitation of an offer, to sell or buy any security. Further, a security described in a report may not be eligible for solicitation in the states in which a client resides. D.A. Davidson & Co. does not provide tax advice and investors should consult with their tax professional before investing. Further information and elaboration is available upon request.

Market Indices: The information on indices is presented for illustrative purposes only and is not intended to imply the potential performance of any fund or investment. Indices provide a general source of information on how various market segments and types of investments have performed in the past. Index performance assumes the reinvestment of all distributions, but does not assume any transaction costs, taxes, management fees, or other expenses. You may not invest directly in an index. Past performance is not an indicator of future results. The S&P 500 Index is a market cap weighted index that is designed to measure the US large-cap equity performance. The index is composed of the 500 leading publicly traded US companies based on size, liquidity, industry, and profitability criteria. The Dow Jones Industrial Average is a price weighted index that tracks 30 large, exchange-traded companies trading on the New York Stock Exchange (NYSE) and the NASDAQ. The NASDAQ Composite Index measures all NASDAQ domestic and international based common type stocks listed on The NASDAQ Stock Market. Today the NASDAQ Composite includes over 3,000 companies. The Russell 2000® Index is a market cap weighted index that measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The MSCI EAFE® Index (Europe, Austral, Asia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US and Canada. The MSCI EAFE® Index (Europe, Austral, Asia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US and Canada. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The S&P 500 Equal Weight Index is compiled by S&P Dow Jones. It is an equal-weight version of the widely used S&P 500. The index includes the same constituents as the capitalization-weighted S&P 500, but each company is allocated a fixed weight, or 0.2%, of the index total at each quarterly rebalance.

The Global Industry Classification Standard (GICS) is a four-tiered, hierarchical industry classification system. Companies are classified quantitatively and qualitatively. Each company is assigned a single GICS classification at the Sub-Industry level according to its principal business activity. MSCI and S&P Dow Jones Indices use revenues as a key factor in determining a firm's principal business activity. The 11 sectors are: Communication Services, Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Real Estate, and Utilities. Sectors that are called "defensive," are thought to be less exposed to economic cycles compared to "cyclical" sectors, and often attract investor interest during periods of economic weakness.

FactSet is a data aggregation software utilized by D.A. Davidson's Wealth Management Research. The FactSet consensus refers to the aggregate of all analysts' estimates from firms that submit estimates to FactSet for a given financial metric.

The Conference Board conducts a monthly Consumer Confidence Survey design to reflect prevailing business conditions and potential outcomes in the months ahead. It surveys consumer attitudes, buying intent, and expectations stratified by age and income in nine U.S. regions. A second widely followed survey of consumer confidence is conducted monthly by the University of Michigan. Its Survey of Consumers, surveys personal finances, business condition, unemployment and inflation.

The Trump Administration on 2/12/25 announced a framework for its Reciprocal Tariffs, with a link to the memorandum, "[Fair and Reciprocal Plan](#)." On 3/26/25, the White House announced tariffs on imported automobiles and certain automobile parts. Here is a link to a [Fact Sheet](#) from the President that outlines the action. The President's [April 2, 2024 Tariff Announcement](#) is also linked.

The Treasury yield curve displays the market interest rate across different contract lengths for U.S. Treasury bonds, indicating the relationship between the interest rate and the time ("term") to maturity. The yields of the 2-year and 10-year U.S. Treasury bonds are widely followed barometers of the current U.S. interest rate environment. Treasury bond data used in calculating interest rate spreads is obtained directly from the U.S. Treasury Department, through FactSet.

S&P 500 earnings growth reflects the year-over-year change in operating earnings on a per share basis. Earnings data are aggregated for all S&P 500 constituents and are measured according to the relative market capitalization weights for each company. Estimated earnings are the combined FactSet estimates of analysts covering each company included in the index.

The Federal Reserve Bank's Open Market Committee (FOMC) consists of twelve members – the seven members of the Board of Governors of the Federal Reserve System, the president of the Federal Reserve Bank of New York, and four of the remaining eleven Federal Reserve Bank presidents, who serve one-year terms on a rotating basis. The FOMC holds eight regularly scheduled meetings per year. At these meetings, the Committee reviews economic and financial conditions, determines the appropriate stance of monetary policy, and assesses the risks to its long-run goals of price stability and sustainable economic growth. The Federal Reserve influences the demand for, and supply of, balances that depository institutions hold at Federal Reserve Banks and, in this way, alters the federal funds rate. The federal funds rate is the interest rate at which depository institutions lend balances at the Federal Reserve to other depository institutions overnight.

The Bureau of Labor Statistics (BLS) compiles U.S. labor statistics from two monthly surveys. The household survey measures labor force status by demographics, while the establishment survey measures nonfarm employment and data by industry. The nonfarm payrolls component of the establishment survey is drawn from private businesses and government entities. The nonfarm payrolls number is among the most widely used data points to assess U.S. employment trends. The unemployment rate is the percentage of the labor force that is jobless and actively willing and available to work.

The term “Magnificent 7” was first used in early 2023 by Bank of America. It referred to seven publicly traded stocks that at the time were the most highly valued companies in the S&P 500 index ranked by equity market value. The seven stocks were: Apple, Microsoft, Alphabet, Amazon, Nvidia, Meta, and Tesla.

Volatility looks at to what degree and how quickly prices move over a given span of time. In the stock market, increased volatility, in the form of rapidly falling prices, is often a sign of rising uncertainty.