

Markets endured unprecedented volatility in April, driven by the Trump administration's sweeping tariff policies and a subsequent partial reversal that sparked historic swings. The S&P 500 fell 0.76% for the month, the Dow Jones Industrial Average dropped 3.17%, while the Nasdaq-100 gained 1.52%, reflecting a turbulent response to trade war fears, though closing out the month with a brief reprieve. A 10% baseline tariff, which escalated to a 145% rate on China, triggered a two-day market collapse of over 10% on April 3rd and 4th, followed by a 9.5% S&P 500 rebound on April 9 after a 90-day tariff pause was announced. With the 10-year Treasury yield climbing to 4.48% and GDP contracting by 0.3% in the latest report, investors face a precarious landscape as global trade negotiations unfold.

"Throughout these tariff policy developments, the U.S.-China trade conflict intensified, amplifying global market unease. Trump's decision to raise tariffs on Chinese imports to 145% prompted China to retaliate with 125% tariffs on U.S. goods – targeting agriculture, tech, and autos. This 'tit-for-tat' escalation fueled fears of a prolonged trade war."

April's market rollercoaster was dominated by President Trump's trade policy announcements, which oscillated between aggressive escalation and unexpected reprieves. On April 2, dubbed "Liberation Day," Trump unveiled a 10% baseline tariff on all imports, with reciprocal rates of up to 50% for 60 countries, including 20% on the European Union (EU), 24% on Japan, and 34% on China. The announcement, far broader than anticipated, sparked a historic sell-off, with the S&P 500 plummeting 10.73% to below 5,000. The CBOE Volatility Index (VIX) spiked to 52.33, its highest reading since March 2020, reflecting intense market fear.

The tides turned on April 9, when Trump posted on Truth Social, announcing a 90-day pause on reciprocal tariffs (except for China, whose rate was raised to 125%, totaling 145% with the baseline). Markets erupted, with the S&P 500 soaring over 9.00%, its best day since 2008 and the Nasdaq-100 surging over 12.00%, its second-best day ever. Despite this rally, volatility persisted – by month-end, the S&P 500 was still down 0.76%, the Dow -3.17%, and the Nasdaq-100 up 1.52%, underscoring the market's struggle to stabilize. Trump's May 4 announcement of a 100% tariff on foreign movies¹ further rattled sentiment, contributing to the S&P 500's 0.64% drop from 5,650.38 on May 5, snapping a nine-day win streak.

Throughout these tariff policy developments, the U.S.-China trade conflict intensified, amplifying global market unease. Trump's decision to raise tariffs on Chinese imports to 145% prompted China to retaliate with 125% tariffs on U.S. goods – targeting agriculture, tech, and autos. This 'tit-for-tat' escalation fueled fears of a prolonged trade war. Treasury Secretary Scott Bessent claimed the tariffs gave Trump 'maximum negotiating leverage,' with over 75 countries entering trade talks, and China's Commerce Ministry signaled openness to negotiations by late April, offering a glimmer of de-escalation.

Tariff-induced uncertainty led to sharp downgrades in U.S. economic forecasts. JPMorgan projected a -0.3% GDP contraction for 2025 (down from +1.9%), with unemployment rising from 4.2% to 5.3%. Goldman Sachs briefly raised its recession probability to 35% on April 9 before revising 2025 GDP growth down from 1.5% to 1.3% after the tariff pause. The Q1 GDP report, released April 30, showed an annualized contraction of -0.3%, down from 2.4% in Q4 2024, driven by a record U.S. goods trade deficit as imports surged pre-tariff implementation.

Companies appeared to further prepare for negative economic headwinds as March jobless claims jumped 18,000 to 241,000 – more than the 225,000 analysts projected.² However, consumer spending remained robust, which may help bolster corporate earnings, creating more uncertainty in the economic outlook.

The Federal Reserve maintained its federal funds rate target at 4.25%–4.50% in its most recent meeting on May 7th, emphasizing continued caution amid inflation and growing economic uncertainty. The Fed noted increased risks of both higher unemployment and rising inflation. Despite earlier market expectations of multiple rate cuts in 2025, the Fed's current stance suggests a more patient and data-dependent approach. The Committee reiterated its commitment to achieving 2% inflation over the long run and will continue reducing its balance sheet. Markets are now pricing in only one rate cut by the end of July, as policymakers weigh mixed signals from inflation data, global trade dynamics, and domestic growth resilience.³

Corporate earnings appear to be following suit with the negative trend of the overall economy, as analysts have been cutting S&P 500 earnings estimates more aggressively than usual, largely due to concerns over tariffs and a potential economic slowdown. In April, Q2 2025 EPS estimates were reduced by 2.4%, a larger drop than the typical 1.6%–1.9% downward revision in analyst estimates on average. Nine (9) of the 11 major sectors saw earnings downgrades, with Energy taking the biggest hit. Full-year 2025 estimates were also lowered by 3.1% since December. Communication Services and Utilities were among the few sectors with rising estimates.⁴

The bond market reflected the volatility seen in equities, with the 10-year Treasury yield climbing from 4.23% to an intra-month high of 4.48% in April, fueled by inflation concerns and unconfirmed speculation that China may have been selling U.S. Treasuries. Long-term Treasuries suffered sharp losses, with the iShares 20+ Year Treasury Bond ETF (TLT) dropping over 3% on April 7th and more than 2.75% on April 10. Yields briefly dipped back to 4.00% on April 4th amid recession fears but quickly rebounded following a pause in tariffs. The yield curve steepened, putting pressure on bank stocks—evidenced by the S&P Banks Index's 7.27% decline on April 4th – as expectations for rate cuts diminished. By month-end, yields had moderated to 4.17%. This volatility highlighted the market's growing uncertainty around inflation and the Fed's policy path. As we move ahead, investors will be closely following the Trump administration's trade policies for insight into how the broader economic and market outlook will unfold.

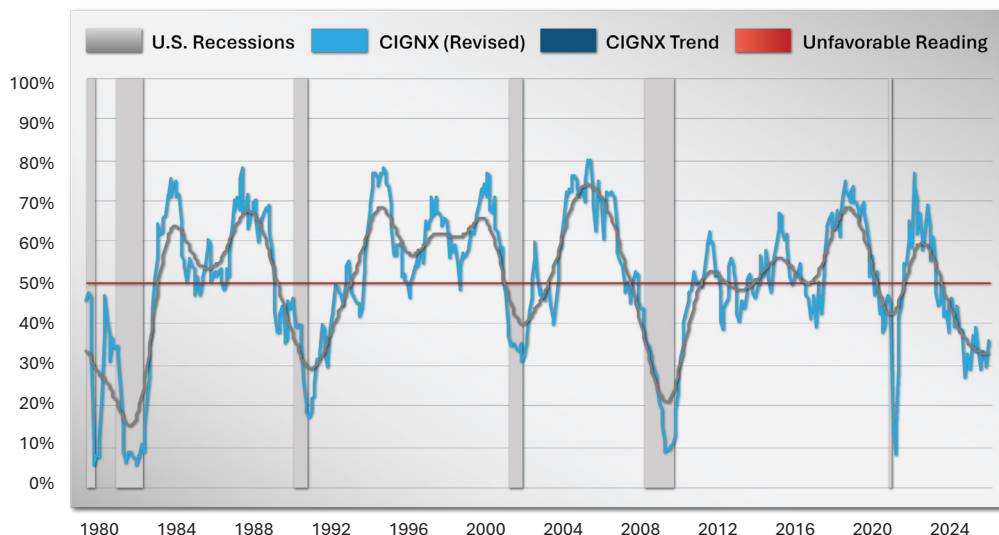
¹ <https://truthsocial.com/@realDonaldTrump/posts/114452117143235155>

² <https://apnews.com/article/unemployment-benefits-jobless-claims-layoffs-labor-bfac62e6ed38b60169465cd6982e5bb6>

³ <https://www.federalreserve.gov/newsevents/pressreleases/monetary20250507a.htm>

⁴ <https://insight.factset.com/analysts-making-larger-cuts-than-average-to-eps-estimates-for-sp-500-companies-for-q2>

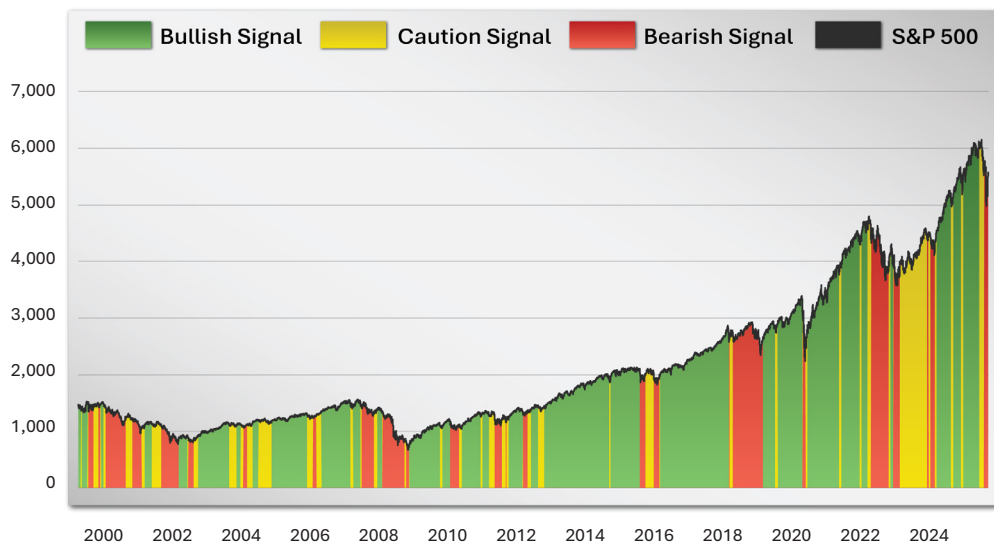
CIGNX = 32.9



Our **CIGNX** Economic Indicator has a reading of **32.9**, down from last month's revised reading of **40.9**. The reading is indicative of slowing economic activity. This remains below our baseline threshold of 50.0, indicative of unfavorable conditions, and slightly below our secondary baseline reading of **40.0**, which we typically interpret as the economy experiencing recessionary conditions. **Our overall economic outlook remains negative.**

MONTH (2025)	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
CIGNX (Revised)	36.3	34.8	40.9	32.9								
CIGNX Trendline	32.9	32.9	32.9	32.9								

ALPHA = Negative (Sell) OMEGA = Positive (Buy)



Our short-term signal (**Alpha**) remains **Negative** through April, while our intermediate-term signal (**Omega**) turned **Positive** during the month, indicating the near-term outlook is unfavorable, but the intermediate-term market outlook is favorable. We have moved to a "Neutral" or "Caution" positioning across each of our Dynamically and Tactically managed portfolios, with the standard exposure to equities. **Our overall market sentiment outlook is Bearish.**

MONTH (2025)	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
ALPHA	SELL	SELL	SELL	SELL								
OMEGA	BUY	BUY	SELL	BUY								

U.S. Large Cap Stocks
S&P 500 Index
Monthly: -0.68%
Year to Date: -4.92%

The S&P 500 Index posted its third consecutive monthly decline, falling -0.68% in April and bringing its year-to-date return to -4.92%. Weakness was led by names like Apple (AAPL) and Amazon (AMZN), but losses were more broad-based than in March — evidenced by the S&P 500 Equal Weight Index falling -2.29%. Broader market sentiment continued to turn risk-off following the announcement of new Trump-era tariffs, dubbed “Liberation Day,” which sparked concerns over potential trade disruptions and renewed inflationary pressures. Growth-oriented sectors were particularly impacted by the heightened uncertainty.

U.S. Mid Cap Stocks
S&P 400 Index
Monthly: -2.25%
Year to Date: -8.21%

Mid-cap stocks extended their year-to-date decline in April, with the S&P MidCap 400 Index falling -2.25% for the month, bringing its YTD return to -8.21%. This segment remained under pressure amid rising macroeconomic uncertainty and renewed trade policy concerns, which tend to disproportionately impact domestically focused companies. The broad-based weakness across sectors suggests investors continued to rotate away from traditionally riskier assets, with mid-caps caught between the volatility of small caps and the defensive characteristics of larger company names.

U.S. Small Cap Stocks
S&P 600 Index
Monthly: -4.19%
Year to Date: -12.74%

Small-cap stocks continued to struggle, with the S&P 600 Index declining -4.19% this past month, extending its losses to -12.74% for the year. As the most sensitive segment of the market to shifts in sentiment and macroeconomic uncertainty, small caps were hit hard by the recent volatility surrounding trade policy and broader risk-off moves. Their limited exposure to large, globally diversified multinational operations and constrained pricing power left them particularly vulnerable in the current environment, where investors favored safety and scale.

U.S. Bonds
U.S. Agg Bond Index
Monthly: 0.39%
Year to Date: 3.19%

The Bloomberg U.S. Aggregate Bond Index posted a modest gain of 0.39% in April, bringing its year-to-date return to 3.19%. The positive monthly performance reflected some stabilization in interest rate expectations, even as investors continued to digest shifting macroeconomic signals. While volatility in yields remained elevated, investment-grade bonds benefited from steady demand and a more balanced view on the pace of future rate cuts. The asset class continues to offer attractive income opportunities compared to the past decade, especially for investors seeking core portfolio ballast.

Alternative Assets
S&P GSCI Index
Monthly: -8.43%
Year to Date: -3.96%

The Bloomberg GSCI Index fell sharply in April, returning -8.43% for the month and bringing its year-to-date performance to -3.96%. The decline was driven primarily by a steep selloff in crude oil, with the GSCI Crude Oil Index down over 17% for the month. The pullback reflected shifting sentiment around global growth expectations and a softening supply-demand outlook. Meanwhile, gold bucked the broader commodity trend, with the price of gold (USD) rising over 7.50% in April as investors sought safety amid rising geopolitical tensions and increased market uncertainty.

U.S. Real Estate
S&P 1500 Real Estate
Monthly: -2.16%
Year to Date: 0.64%

The S&P 1500 Real Estate sector declined 2.16% in April but remains modestly positive for the year at 0.64% as of the end of the month. Rising yields and evolving expectations around the Federal Reserve’s interest rate path continued to pressure interest rate-sensitive areas of the market, including real estate. Still, despite the monthly pullback, the asset class has demonstrated relative resilience so far in 2025, as investors increasingly seek income-generating assets that may offer a degree of stability amid persistent market volatility and uncertainty.

The information presented herein is based on data derived from various underlying data sources. The figures presented, while deemed accurate, are not guaranteed. A Smarter Way to Invest makes no representation or warranties as to the accuracy of the information presented, the underlying source data, or the source data providers. The content of this letter is provided for informational purposes only and is not advice or a recommendation for the purchase or sale of any security. Carefully consider your investment objectives, risk factors, and charges and expenses before investing. There are risks involved with investing, including possible loss of principal. This information reflects the views of the Smarter Way To Invest Portfolio Management Team on the date made and may change without notice. We will not be responsible for any investment decisions, damages or other losses resulting from or related to the use of the information we provide. When applicable, we have provided references where information was acquired for use in this newsletter.