

Markets declined broadly in March and into the beginning of April as investors digested the potential economic implications of newly announced tariffs by the Trump administration. The S&P 500 dropped -5.63%, the Dow Jones Industrial Average fell -4.13%, and the Nasdaq-100 down -7.61% for the month of March in anticipation of the new trade policies. Treasury yields were little changed, with the 10-year holding at 4.23%.

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The markets trended down substantially in March with an even larger reaction being triggered on April 2nd, dubbed “Liberation Day” by the Trump administration, when the president formally announced the new tariff regime during a high-profile address. Most of March was relatively uneventful, with the FOMC meeting providing little insight into the upcoming economic landscape, as the Fed held rates steady for the 2nd consecutive meeting¹. The month was primarily characterized by markets anticipating Trump’s announcement scheduled in early April, and attempting to gain any insight into the trajectory of his trade policy.

Trump’s announcement shocked many, as the policies were far more broad-sweeping and severe than most had anticipated. Trump framed the tariffs as a bold step to “liberate” the U.S. economy from unfair trade practices, unveiling a 10% base rate on imports with plans to escalate to as high as 50% for certain countries failing to meet trade demands. The announcement sparked an immediate and steep decline in global markets, with major U.S. indices falling over 5% the following day—marking the worst single-day drop of the year. The sell-off was fueled by fears of retaliatory measures and a potential global trade war, as investors rushed to price in the uncertainty surrounding the administration’s aggressive stance.

Speaking aboard Air Force One on Sunday April 6th, Trump doubled down on his tariff strategy, characterizing the new levies as “medicine” necessary to fix long-standing trade imbalances. “Sometimes you have to take medicine to fix something,” he said, referring to tariffs as high as 50% on certain imports. The administration emphasized that these tariffs—initially set at 10% and escalating based on each country respectively—were intended to pressure trading partners into negotiating more favorable terms. “They want to talk, but there’s no talk unless they pay us a lot of money on a yearly basis,” Trump added.

The announcement rattled both investors and foreign governments. Retaliatory measures from China began immediately, with concerns growing that this could escalate into a global trade war. U.S. customs officials began collecting the 10% base tariffs on Saturday April 5th, while the higher “reciprocal rates”—ranging from 11% to 50%—were expected to take effect Wednesday April 9th at 12:01 a.m. EDT.

However, on Wednesday, April 9th at 01:18 p.m. EDT, Trump posted on Truth Social that Reciprocal Tariffs above the 10% baseline would be paused for 90 days, except for China whose newly imposed reciprocal tariff rate was raised to 125%, bringing the total effective tariff rate on Chinese imports to 145%. China responded with their own retaliatory tariffs of 125% on US goods². Despite the escalating “tit-for-tat” trade war developing between the US and China, the pause on the broader reciprocal tariffs spurred an exuberant recovery in the markets, with major US equity indices climbing over 10% in the hours after Trump’s Truth Social post. The S&P 500, Nasdaq-100, and Dow Jones Industrial Average ended the day up 9.52%, 12.02%, and 7.87%, respectively. This reprieve was short-lived, however, as each of these indices dropped -3.44%, -4.18%, and -2.48% the following day, respectively, continuing

the roller coaster of volatility to close out the week. The bond markets experienced similar turmoil, especially in the long-end of the yield curve, as the 10-year Treasury yield rose to 4.48%, and long-term US Treasuries dropping over -2% in value, sparking concerns and speculation that China may be dumping its sizeable US Treasury bonds.

Economic leaders have struggled to determine whether these actions represent a lasting policy shift or a hardline negotiating tactic. The White House has said more than 75 countries have entered into discussions with the U.S. since Trump’s tariff announcement, signaling a potential for favorable trade terms to be reached before the end of the 90-day pause³. “He’s created maximum leverage for himself,” Bessent told NBC. Markets are now grappling with uncertainties surrounding the potential economic fallout, and where the final tariff policies will land. JPMorgan economists revised their 2025 U.S. GDP forecast downward by 1.6 percentage points, now expecting a 0.3% contraction for the year. They also project unemployment could rise to 5.3%, up from 4.2%.⁴—a stark shift from earlier growth expectations as businesses brace for higher costs and reduced global demand. Goldman Sachs announced its prediction for a US Recession on April 9th, only to rescind that call 73 minutes later after Trump’s Truth social post pausing reciprocal tariffs, and the markets subsequently rallying.

On the international front, several countries have signaled a willingness to negotiate. Taiwan offered to drop its own tariffs entirely as a gesture to open talks, while Israel, India, and Italy are seeking exemptions or bilateral deals. However, industries are already feeling the strain. At a wine expo in Verona, Italian producers and U.S. distributors expressed alarm over the planned 20% tariff on EU goods, warning that it could cause lasting damage to trade relationships and consumer prices.⁴ This sentiment is echoed across other sectors, from manufacturing to agriculture, where companies are voicing growing concern about the potential ripple effects of higher costs and reduced export demand.⁵ Although, the pause and subsequent negotiations may cause some temporary relief in the face of uncertainty.

Looking Ahead, investors are now focused on whether these tariffs will lead to meaningful trade deals or further escalation of retaliatory measures. The uncertainty is likely to keep markets volatile in the near term, with the S&P 500 and other indices potentially testing lower levels if trade tensions worsen. At the same time, the Federal Reserve’s response will be critical. While the Fed has remained on the sidelines so far, a sharper economic downturn could force their hand, potentially leading to emergency measures similar to those seen during the COVID-19 crisis. For now, a cautious approach remains warranted as the global economic landscape navigates this new chapter of uncertainty.

¹ <https://www.federalreserve.gov/mediacenter/files/FOMCpresconf20250319.pdf>

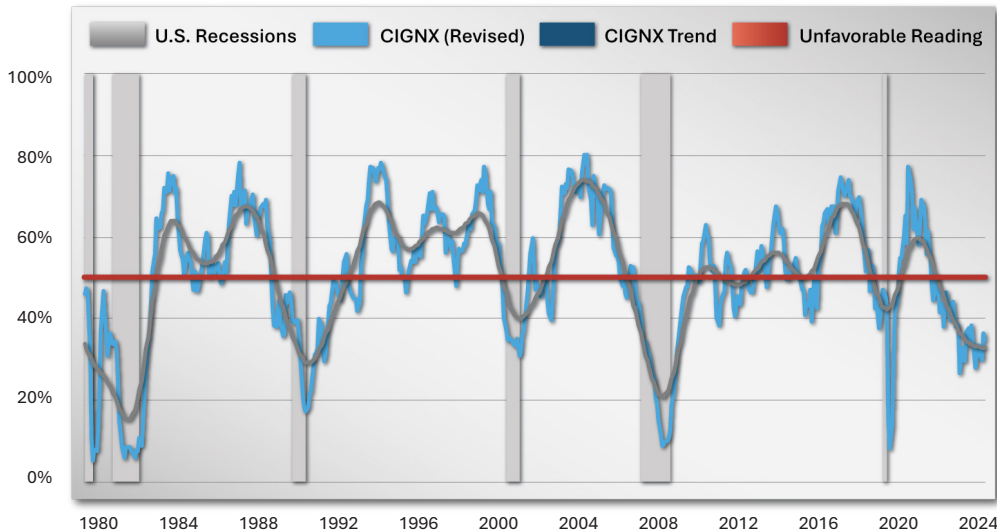
² <https://www.reuters.com/world/trumps-tariff-pause-brings-little-relief-recession-risk-lingers-2025-04-11/>

³ <https://www.jpmorgan.com/insights/global-research/current-events/us-tariffs#:~:text=J.P.%20Morgan%20Research%20has%20lowered,down%200.3%25%20from%20previous%20estimates>

⁴ <https://www.reuters.com/markets/trumps-20-tariff-clouds-future-italian-wines-us-2025-04-06>

⁵ <https://www.iien.com/operations/article/22934857/the-impact-of-tariffs-on-industrial-manufacturing>

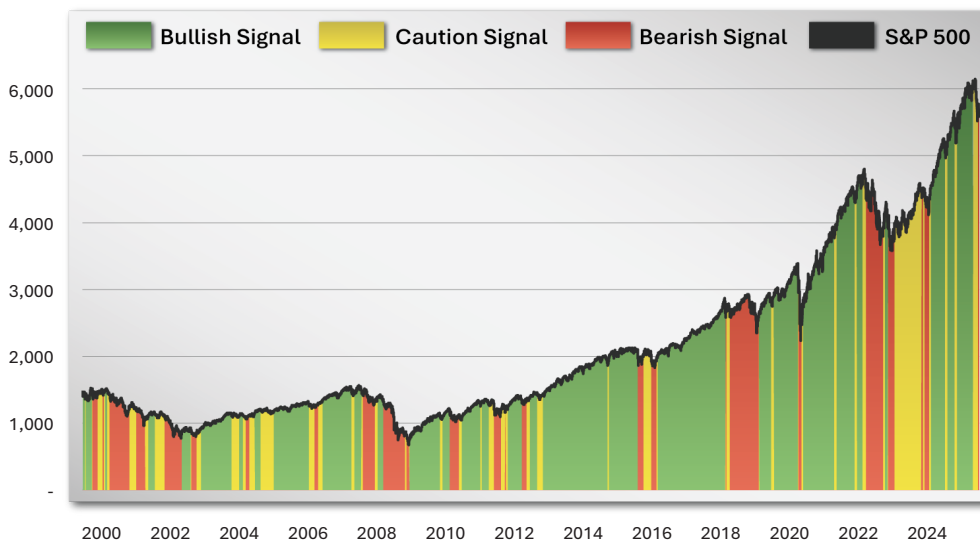
CIGNX = 40.6



Our **CIGNX** Economic Indicator has a reading of **40.6**, down from last month's revised reading of **34.8**. The reading is indicative of improving economic activity, yet still not favorable. This remains below our baseline threshold of **50.0**, indicative of unfavorable conditions, and 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)	36.2	34.8	40.6									
CIGNX Trendline	32.9	32.9	32.9									

ALPHA = Negative (Sell) OMEGA = Negative (Sell)



Our short-term signal (**Alpha**) remains **Negative** through March, while our intermediate-term signal (**Omega**) turned **Negative** during the month, indicating both the near-term and intermediate-term market outlooks are bearish/unfavorable. We remain in a "Bearish" positioning across each of our Dynamically and Tactically managed portfolios, with a reduced 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									
OMEGA	BUY	BUY	SELL									

U.S. Large Cap Stocks

S&P 500 Index

Monthly: -5.63%

Year to Date: -4.27%

The S&P 500 Index experienced a sharp decline in March, falling -5.63% for the month and bringing its year-to-date return to -4.27% as of month-end. The pullback marks the second consecutive month of negative returns and reflects a broader risk-off tone developing in equity markets. Once again, major technology names within the 'Magnificent 7' were key drivers of the weakness, with continued selling pressure in companies such as Tesla (TSLA), Alphabet Inc. (GOOGL), and Amazon.com Inc. (AMZN). The concentrated nature of the large cap index makes it particularly vulnerable to declines in these high-weight names.

U.S. Mid Cap Stocks

S&P 400 Index

Monthly: -5.47%

Year to Date: -6.10%

Mid cap equities extended their recent weakness in March, declining by -5.47% for the month and bringing year-to-date performance to -6.10% through the end of the first quarter. The selloff erased the early optimism seen in January and reflects a broader shift in investor sentiment away from riskier segments of the equity market. As macroeconomic concerns—ranging from sticky inflation to renewed fears of a slowdown—continued to weigh on markets, mid cap companies faced increasing scrutiny over their ability to maintain earnings momentum and navigate tightening financial conditions.

U.S. Small Cap Stocks

S&P 600 Index

Monthly: -6.14%

Year to Date: -8.93%

The S&P 600 Small Cap Index experienced the steepest decline among U.S. equity segments in March, falling -6.14% for the month and bringing its year-to-date return to -8.93% through March 31st. This marked the third consecutive monthly loss for small caps and underscored the heightened sensitivity of this segment to macroeconomic conditions. As concerns over slowing economic growth, persistent inflation, and tighter financial conditions persisted, small cap stocks were hit hardest, reflecting investor skepticism around their ability to weather a more challenging economic environment.

U.S. Bonds

U.S. Agg Bond Index

Monthly: 0.04%

Year to Date: 2.78%

The U.S. Aggregate Bond Index was nearly flat in March, posting a modest gain of 0.04% for the month. Despite muted performance, the index remains positive for the year, with a 2.78% return year-to-date through the end of March. Treasury yields remained range-bound as investors weighed mixed economic signals and shifting expectations around the Federal Reserve's path forward. While some early-year optimism around rate cuts has moderated, the bond market has held its ground, benefiting from ongoing investor interest in more stable, income-generating assets amid equity market volatility.

Alternative Assets

S&P GSCI Index

Monthly: 2.90%

Year to Date: 4.89%

The GSCI Commodity Index rebounded in March with a 2.90% gain, bringing its year-to-date return to 4.89%—outpacing all major U.S. equity market segments. The positive performance was driven in part by a broad recovery in energy and precious metals. Brent crude oil prices rose during the month as supply concerns and geopolitical tensions supported energy markets. Meanwhile, silver extended its rally with another strong month, and gold continued to gain modestly, reflecting ongoing demand for inflation hedges and store-of-value assets.

U.S. Real Estate

S&P 1500 Real Estate

Monthly: -2.37%

Year to Date: 2.86%

The S&P 1500 Real Estate Index gave back some of its recent gains in March, declining -2.37% for the month, though it remains in positive territory for the year with a 2.86% return year-to-date. The pullback comes amid renewed uncertainty around the timing and extent of future Federal Reserve rate cuts, as interest rate-sensitive sectors like real estate remain closely tied to monetary policy expectations. While real estate has benefited from the broader belief that the Fed's hiking cycle is behind us, the lack of near-term rate movement appeared to weigh on sentiment in March.

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