

WEEKLY INSIGHT

April 4, 2025

Liberation Day Arrives

The much anticipated “Liberation Day” announcement of U.S. tariff policy, including reciprocal tariffs, arrived this week. It had an immediate impact on financial markets as equity market futures and interest rates declined post-announcement. For the week domestic stocks fell 1.9% as measured by the Russell 3000 Index. Within the broad U.S. market, value stocks continued to outperform growth stocks and small caps declined more than large caps as the Russell 2000 Index fell 2.3% for the week. Equity market weakness was offset by bond market strength as the broad benchmark for bonds returned 0.9% for the week and currently sits at a year-to-date return of 3.0%. This positive year-to-date return from bonds compares favorably with the -3.65% return for U.S. stocks.

Foreign equity markets also experienced declines for the week with the MSCI EAFE Index of developed markets returning -2.3% and the MSCI Emerging Market Index registering -1.6%.

Another Good Quarter for GDP

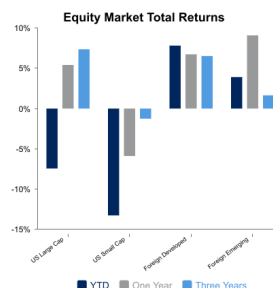
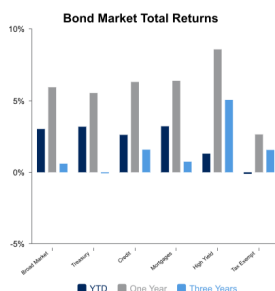
Economic data releases for the week were overshadowed by the ongoing attention paid to the prospective announcement on tariff policy. However, included in these releases was the final figure for fourth quarter gross domestic product (GDP). The result came in at 2.4%, slightly higher than consensus forecast of 2.3%. One of the components that saw its contribution to GDP growth for the period increase was consumer spending. In the prior estimate, consumer spending was reported to have grown 3.7% and the final report revealed an even more robust increase of 4.0%.

Another key piece of data released was the current reading of the University of Michigan’s Consumer Sentiment Survey. The survey came in with a reading of 57.0, the third-consecutive decrease and the lowest level seen since the reading of 56.7 in November 2022. One of the survey’s components, the expectations index, fell 18.0%, reflecting growing concern by consumers regarding their personal finances, business conditions, unemployment and inflation.

Soft vs. Hard Data

While surveys like the one compiled by the University of Michigan indicate growing concern, other releases pointed to a more stable economic environment. This differentiation reflects a current disconnect between the “soft data” that comes from surveys versus “hard data” that represents actual results for economic activity. An example of hard data is the Wards Auto Report that indicated light vehicle sales in March. The report registered a seasonally adjusted annualized rate of 17.8 million, the highest level for the month of March since 2021. This stronger level of buying, while still a favorable piece of hard data, may have difficulty advancing in the future if the weakening consumer sentiment translates into a lower level of consumer economic participation.

Investor focus, and ours, will continue to be on the recently announced tariff policy and its potential impact on the U.S. and global economies, as well as the financial markets.



Interest Rates (%)	Current	12M Ago	3YR Ago
Fed Funds Rate (Upper b	4.50	5.50	0.50
3-Month T-Bill	4.30	5.36	0.51
10-Year Treasury	4.13	4.35	2.38
30-Year Treasury	4.50	4.51	2.43
10-Year Corporate AA	5.07	5.21	2.09
10-Year High Yield Corp.	6.58	6.69	3.90
Commodity Prices (\$)	Current	12M Ago	3YR Ago
Gold (\$/oz.)	3,134	2,300	1,926
Oil (WTI, \$/barrel)	71.71	85.43	99.27
Currencies	Current	12M Ago	3YR Ago
USD (Dollar Index Spot)	103.81	104.25	98.63
USD/EUR	0.92	0.92	0.91
USD/JPY	149.28	151.70	122.52

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