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As markets pulled back from all-time highs during the first quarter, the move was viewed as part of a healthy trading pattern amid stretched valuations in an overbought environment. The calm softening in market sentiment, however, did little to prepare us for what came next. Enter the era of “Shock & Awe,” where the first two weeks of the new quarter brought historic levels of volatility. Not long after updating our Dow Jones Industrial Average fundamental range based on 2025–2026 projections, the market swiftly retreated from the upper threshold of 43,600+ and broke below our lower range of 38,200. Despite a quick dip into oversold territory, the uncertainties tied to a full-fledged trade war raised concerns about “catching a falling knife.”

Following the announcement of tariffs on “Liberation Day”, the situation became increasingly clouded by inconsistent and rapidly changing daily reports, making it difficult to gauge a clear direction. Amid the uncertainty, we believe it is still possible to step back and offer meaningful perspective. In addition to delaying the implementation of reciprocal tariffs for 90 days (excluding China), certain areas and industries - such as technology products and auto manufacturing - have been identified for further review. This welcome development (to the extent we can call it that) has helped reduce fears of a worst-case scenario, contributing to improved market stability heading into the third week of April.

It was not long ago that the yield curve closely mirrored our expectations of slowing GDP growth and manageable near-term inflation. But out of the blue, the yield on the 10-year Treasury spiked to roughly 4.6%, up from below 4% in just a week - raising serious concerns, especially among those tracking global trade flows and the strength of the U.S. dollar. Several theories have emerged to explain the spike: foreign nations selling Treasuries for liquidity, waning confidence in the U.S. as a future leader in global trade, or fears about the dollar losing its status as the preferred reserve currency. We view this yield spike as an anomaly and expect rates to normalize in line with slower economic growth. The key question remains: “recession or no recession?”

Turning to client portfolios, we have observed a trend of companies pushing back earnings estimates from the current fiscal year to the next. This supports the potential for portfolios to revisit previous high-water marks within the next year or so, once new global trade patterns take shape. The quicker we resolve these uncertainties, the sooner this recovery can take place. As U.S. companies potentially scale back participation in global consumption trends, foreign equities may become a more strategic and viable component within diversified portfolios.

We continue to take a long-term view while preparing for near-term volatility. In line with this philosophy, we view volatility as an opportunity to invest for the future while managing downside risk relative to each client’s risk tolerance. For portfolios supporting ongoing distributions, managing sequence risk - especially avoiding withdrawals in oversold markets - is a top priority.

There are many important conversations to be had with your adviser. We have weathered the Tech Bubble, the Financial Crisis, and COVID—and now, we face the challenges of a Trade War. We will, most certainly, get through this as well. Please do not hesitate to reach out to your adviser with any questions about your portfolio or financial plan.