MARKET STRATEGY
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April 10, 2025

The Trump "Put" Averts a Bear Market, For Now

Major Equity Indices (price return, no dividends)	Index Price 4/9/25	One Day 4/9/25	YTD price return	1Q25 price return	Date of Peak	Date of Trough	Peak-to-Trough % Pullback
Russell 1000 Value	1,087	**7.1%**	**-3.5%**	**1.6%**	11/29/24	4/8/25	**-16.2%**
Dow Jones Industrial Average	40,608	**7.9%**	**-4.6%**	**-1.3%**	12/4/24	4/8/25	**-16.4%**
S&P 500 Equal Weight	6,694	**8.0%**	**-5.7%**	**-1.1%**	11/29/24	4/8/25	**-18.3%**
S&P 500	5,457	**9.5%**	**-7.2%**	**-4.6%**	2/19/25	4/8/25	**-18.9%**
Russell 1000 Growth	2,384	**11.8%**	**-10.8%**	**-10.1%**	1/23/25	4/8/25	**-23.3%**

Data Source: FactSet as of 4/9/25. Price return (excludes the impact of dividends). Calculations use closing prices. Date of most recent high (peak) ocurred on different dates for each index, some were in 2024 and some in 2025.

Equity markets surged on 4/9/25 after President Trump announced a 90-day pause in many of his latest tariffs. A "surge" is an understatement as the S&P 500 equity index gained +9.5% on the day. This was the largest one-day gain in more than five years since a +9.4% day on 3/24/20 (when market volatility was whipsawed by the COVID-19 shutdown followed by government stimulus). While the action, for now, was only a delay in reciprocal tariffs, and tariffs on China and a universal 10% rate remained, it confirmed that trade negotiations are part of the Administration's strategy, and for now, cooler heads have prevailed. We attribute the outsized gain to a reversal of extreme negative positioning from many investors, including bets against equity markets as the magnitude of announced tariffs, without offsets, presented serious challenges to economic growth (potential for higher costs, higher prices, and lower demand). The decision to delay the tariffs will at least postpone the more extreme impact of immediate tariffs, allowing time for companies to adjust, or better, for trade deals to replace the tariffs. This caused an immediate reversal of negative sentiment and negative bets, and across-the-board buying. At current levels, we believe U.S. equity markets are positioned for clear economic weakness, creating lower-than-expected corporate earnings growth, but are not fully pricing in a recession (a decline in economic output for a period of time), which generally drives a period of negative earnings growth. During times of extreme market volatility, it is important, in our view, to follow pre-determined investment plans. Market declines and negative headlines can be emotional, and we remind investors that the U.S. economy is large and diverse and able to withstand economic disruption. Leading, high-quality companies can emerge from tough times in strong competitive positions and can be positioned to build long-term gains for investors.

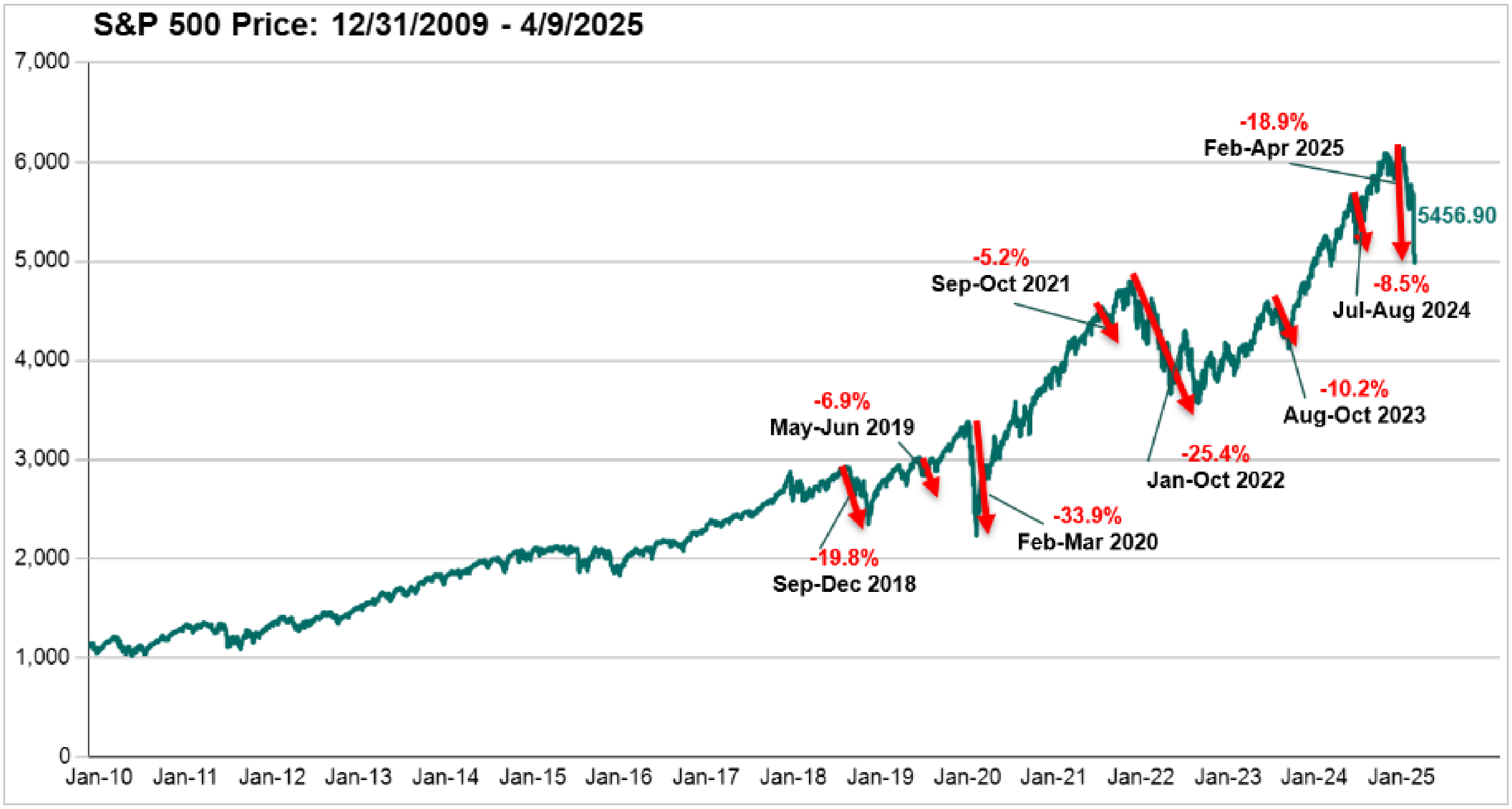
2025 has seen intense political and investor debate about President Trump's ultimate tariff policy goals: A) prioritizing tariff revenue and domestic manufacturing vs. B) negotiating trade deals to open export markets (which can also include domestic manufacturing). In March, investors discussed a "Trump Put," which is the idea that at some level of market weakness, the President would relax tariff hawkishness, and shift to option B, emphasizing trade negotiations to stimulate investor optimism. This can be compared to a put option on the S&P 500 in the derivatives market which, for the put owner, rises in value as the market declines, providing some downside protection. Investment markets over the past week appeared to overly focus on option A, with limited hopes for trade deals, abandoning hopes for a tariff pause. But when a shaky bond market (the U.S. Treasury bond market exhibited signs of potential distress early this week as the 10-year Treasury yield quickly moved from 4.01% to 4.50%) joined the sell-off in equities, the "Trump Put" may have been exercised. Perhaps that was the strategy all along, and it provided the inertia for a meaningful bounce in equity markets. After the Wednesday rally, the S&P 500 remained down -7.2% year-to-date (YTD), and while near-term economic headwinds have likely receded, the debate will return to the impact of tariffs that remain in place, the success, or not, of trade negotiations, and the trends of consumer confidence and spending.

We expect continued market volatility as the U.S. economy adjusts and investors assess these factors. The risk of slowing economic growth that slips into recession remains, but becomes less likely for now, in our view. This is important because recessions, most of the time, are accompanied by a period of earnings declines. Perhaps markets are adjusting to lower-than-expected earnings results, but a sustained drop in earnings, in our view, is not fully reflected, and we have not seen meaningful deterioration in consensus earnings estimates. Large percentage up-days and down-days (in the past five trading days, the S&P 500 was -4.8% on 4/3, -6.0% on 4/4, and +9.5% on 4/9) are a sign of elevated uncertainty and we believe uncertainty remains, particularly around tariffs, but also from pending earnings reports and Congressional budget negotiations. Outcomes to each of these factors can be positive or negative, but at least the trade and tariff situation can be adjusted as it is a policy decision.

Our message to long-term investors in this challenging and uncertain environment is to stay the course. Remain invested in diversified high-quality assets and high-quality companies. That does not mean remaining idle, however, as portfolios can become out of balance with portfolio targets, and overweight positions in growth assets are exposed to more volatility. Leaning in to more defensive positioning makes sense for some investors, which includes traditionally defensive equity sectors and high-quality bonds. Market declines often become opportunities for long-term investors as equity indices have recovered from declines over long periods as economic volatility stabilizes and growth resumes. The S&P 500 index, since 2009, has experienced peak-to-trough declines every year (we show each year's maximum peak-to-trough decline from 2018 through 2025) including -19.8% in 2018, -33.9% in 2020, and -25.4% in 2022. Each time, the S&P 500 recovered the decline and ultimately went to new highs. While timing the bottom and ultimate recovery is difficult, our portfolios must be invested at the time to participate in the recovery. During uncertain times, we want to stick to the plan and remain disciplined in our decision making. The rally on 4/9/25 is a good example of why long-term investors should remain invested as we can't predict when the big rally days will occur.

Please refer to pages 3-4 of this report for disclosure information

The S&P 500's down -7.2% YTD return through 4/10 compared to the previous day's YTD decline of -15.3%. In addition, the decline from the from 2/19/25 closing high now sits at -11.2% vs. the peak decline of -18.9%. The correction stopped short of the down -20% level that to us defines a "bear market," although the Russell 1000 Growth index did slip into a bear market, down -23.3% at the peak decline (now down -10.8% YTD). While the definition of an equity bear market (down more than -20%, using closing prices) vs. an equity "correction" (down between -10% and -20%) is admittedly arbitrary, for the S&P 500, those levels are important as market corrections are relatively common, while bear market are comparatively rare. Including all S&P 500 pullbacks greater than -7%, since 2009, there were 12 market declines between -7% and -20% (roughly one every 15 months), with an average decline of -12.6%, and two bear markets (2020 and 2022), with an average decline of -29.7%. Since 1960, there were 10 bear markets. When markets make a bottom, there are very often strong returns over the next 12 months, but it does take time. Since 2009, in all market corrections greater than -15%, it took an average of 5 months to recover the losses and establish new highs, but in the ten bear markets since 1960, it took an average of 26 months to make a new high. There were four S&P 500 bear markets without a recession, and in the non-recession bear markets, a new high was made after an average of 14 months. The peak-to-trough decline so far this year remains in the "correction" zone.



Data Source: FactSet and D.A. Davidson. S&P 500 price chart 12/31/09 to 4/8/25 (using closing prices). Red lines are the largest intra-year peak-to-trough decline each year from 2018 to 2025.

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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, publicly owned companies trading on the New York Stock Exchange (NYSE) and the NASDAQ. The Russell 1000 Growth index includes the Russell 1000 companies that exhibit relatively higher price-to-book ratios, and higher expected earnings and sales growth. The Russell 1000 Value index includes the Russell 1000 companies that exhibit relatively lower price-to-book ratios and lower than average expected earnings and sales growth. The S&P 500 Equal Weight Index is the equal-weight version of the S&P 500, which is weighted by market capitalization. In the Equal Weight version, each company is assigned an equal weight, about 0.2%, and is rebalanced quarterly.

Other Disclosures:

Gross domestic product (GDP) refers to the monetary measure of the market value of all final goods and services produced within a country's borders within a specific time period. Real GDP is adjusted for the impact of inflation. GDP numbers are compiled by the Bureau of Economic Analysis (BEA), a division within the U.S. Department of Commerce. Quarterly GDP is reported as a percentage change from the prior quarter, annualized. The BEA also reports data on a year-over-year percentage change from the same period one year prior. The most recent GDP report can be found at www.bea.gov.

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

S&P 500 earnings growth reflect 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 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.

U.S. Personal Consumption Expenditures (PCE) is an indicator of the growth in consumer spending and measures the value of goods and services purchased by persons who reside in the U.S. It is reported monthly by the Bureau of Economic Analysis (BEA). We also track the BEA data on Non-Residential Fixed Investment, as a measure of business investment.

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.

The National Bureau of Economic Research (NBER) is a private non-profit research organization. The NBER is widely used as an organization that analyzes U.S. economic data and the business cycle and determines the start dates and end dates of economic recessions. The NBER defines recession as "a significant decline in economic activity that is spread across the economy and that lasts more than a few months;" and also looks at the depth, diffusion, and duration of the downturn.

We define a "market correction" as a peak-to-trough decline exceeding 10%, but less than 20% (a decline exceeding 20% would be a bear market). In 2025 the S&P 500 closed at 6,144 on 2/19/25, at the time the closing high price for the year-to-date. On 4/8/25, the index closed at 4,983, a decline of -18.9% from the closing high price. A "bear market" is when the peak-to-trough (closing price) decline exceeds 20.0%.

When we discuss "growth stocks" we are referring to companies that generate expected earnings growth (over a multi-year period) that is above expected earnings growth for the overall market (typically the S&P 500 index). The largest sector weights (by market capitalization) in the Russell 1000 growth index (as of 12/31/24) were Information Technology, Consumer Discretionary, and Communication Services. "Value" stocks are characterized by companies that trade at discounted valuations to an index, sector, and/or a peer group. The largest sector weights in the Russell 1000 value index (as of 12/31/24) were Financials, Industrials and Health Care.

Defensive sectors include companies that are historically less sensitive to economic cycles as product demand remains relatively more consistent across the business cycle. Cyclical sectors include companies that are more exposed to the business cycle such that growth accelerates when economic growth is above trend and decelerates when the economy slows.

International Trade in Goods and Services is published monthly by the Bureau of Economic Analysis. It measures trade in goods and services between U.S. residents and residents of other countries. U.S. sales are exports, U.S. purchases are imports. According to the year end 2024 report the U.S. trade deficit in goods was $1.21 trillion (imports of $3.30 trillion and exports of $2.08 trillion).

Information on the America First Trade Policy Memorandum is available from the White House.

The consumer price index (CPI) is a measure of average change over time in the prices paid by urban consumers for a market basket of goods and services. It is reported monthly by the U.S. Bureau of Labor Statistics. An alternative measure of consumer inflation is the Personal Consumption Expenditure (PCE) price index. PCE inflation is the percentage rates of change in the price index for personal consumption expenditures (PCE). The index is published monthly by the U.S. Bureau of Economic Analysis.

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 Tax Cuts and Jobs Act was tax legislation passed by Congress in 2017. The legislation reduced the statutory corporate income tax rate, and also lowered tax rates across personal income tax brackets. It also made changes to the personal standard deduction, personal exemption and estate taxes. Many of the provisions of the TCJA (not the corporate tax rate) are set to expire at the end of 2025, unless extended.