The Hefter Report – March 2025

Equity markets have been quite volatile since the presidential inauguration in January as investors digest the new administration's approach. Emerging policies regarding tariffs and government employment levels have placed pressure on stocks. With this uncertainty, corporate leadership find it difficult to make investment decisions and, consequently, investors react by taking off risk.

An additional factor in the recent market turmoil is stretched valuations which have increased substantially over the past few years to a point where the S&P 500 recently traded at over 23x forward earnings. Historically, that's a high multiple and many companies whose stock prices reflected near perfection scenarios, have seen their stock repriced.

While there may be continued impact on the market, we believe that policies that lower government spending will ultimately lower interest rates in the future and set up the stock market for renewed strength.

In the long run, we are still constructive on US stocks. Time has shown that staying invested during short-term disruptions is the best path to investment success. It is important to recognize that such fluctuations are a normal part of the investment landscape. By maintaining a long-term perspective, focusing on well-defined goals, and utilizing effective risk management strategies like diversification, we will navigate these temporary periods of uncertainty.

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