



CAPITAL MANAGEMENT GROUP

HLM Capital Insight – April 2025

We wanted to take a moment to provide an update on the current state of the stock market, particularly in light of recent economic developments.

The ongoing increase in tariffs has caused notable disruptions in global trade. The announcement was well publicized ahead of April 2nd but what surprised the markets more was the higher-than-expected levels proposed, followed by conflicting messaging from the administration regarding its willingness to negotiate terms with our trading partners. Higher prices for imported goods are inflationary and estimates now range from +0.6 to +1.5% increase in personal consumption expenditures (PCE). Prior to the tariff announcement, investors expected 2-3 rate cuts in 2024. It's possible that these cuts can still occur, however, with the prospects of rising inflation on the horizon, that scenario looks less likely, and the Fed could simply pause for now.

This uncertainty is causing markets to decline with many investors considering, sell first and think about next steps later. The problem with this approach is that, more often than not, they miss the bottom and by the time they are ready to recommit capital to equities, prices are higher than when they sold.

Despite these challenges, we believe that the current downturn presents an opportunity rather than a cause for alarm. While market volatility and uncertainty are natural at this stage, we expect that the impact of the tariff increases will begin to stabilize in the near future, offering a clearer outlook for recovery. As always, we will continue to review developments closely and keep you updated on any significant changes. Should you have any questions or wish to discuss our current market outlook in more detail, please do not hesitate to reach out.

Thank you for your continued trust. We look forward to navigating these challenging times together and taking advantage of the opportunities that lie ahead.

4/9 Update: Today, President Donald Trump announced a significant shift in U.S. trade policy, implementing a 90-day pause on tariffs for most countries. This temporary suspension reduces the general tariff rate to 10%, down from previous rates that reached as high as 25% for certain nations. However, tariffs on Chinese imports have been notably increased to 125%, up from the earlier rate of 104%.

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Asset allocation and diversification are investment methods used to help manage risk. They do not guarantee investment returns or eliminate risk of loss including in a declining market.

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