

PERSPECTIVES AND POSITIONS

By James Dykstal, CFA, Portfolio Manager, May 2025

This is a summary of our views on the economy and markets based on data through April 2025.

Economy

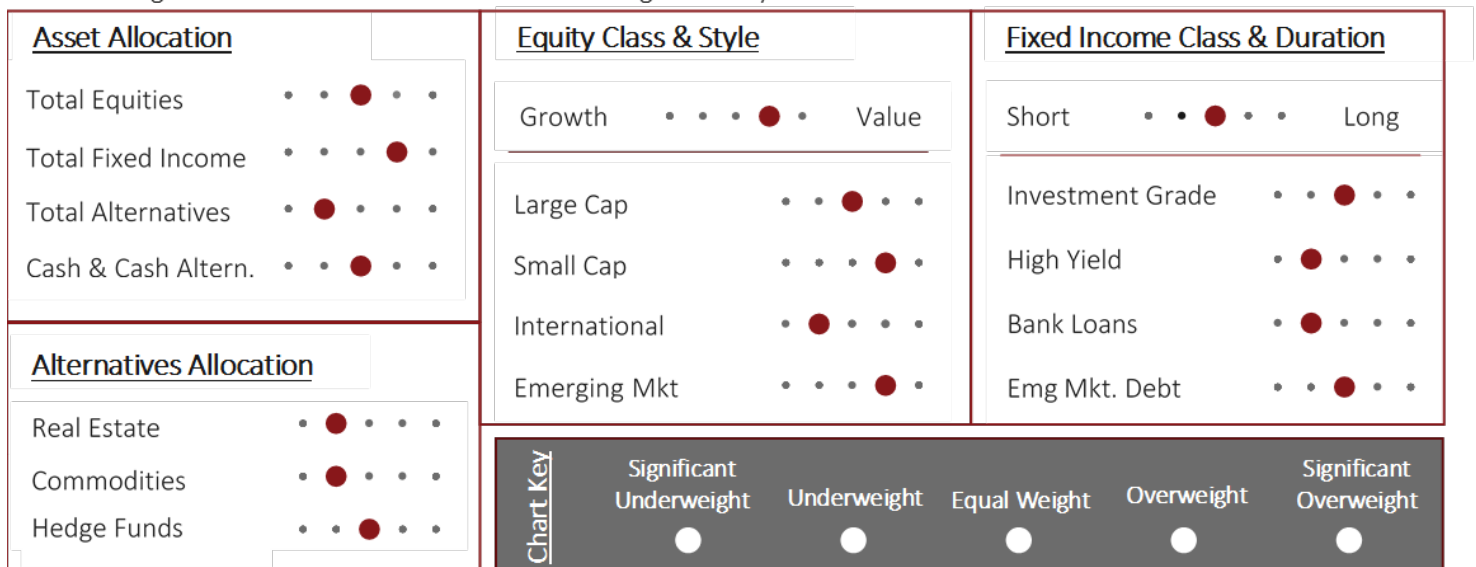
- U.S. GDP Growth – Our expectation that economic growth would slow is coming to fruition as first quarter 2025 GDP posted a negative preliminary report due to a surge in imports “front running” tariffs.
- Data suggest that the pace of inflation is slowing. The latest print in April was 2.3% as food and energy cost increases have slowed. Core inflation (excluding food and energy) was 2.8% in April versus 3.1% in February, driven by continued high shelter costs.
- The 10 year Treasury closed April at 4.17%, down from 4.57% at the end of January. This suggests that economic growth is expected to slow into the second half of 2025.
- Employment/Wages –The unemployment rate has remained steady but job creation slowed in both 2024, and now 2025. The April print for unemployment was 4.2%, up from 4.0% in January.
- Interest rates – The Fed has remained on the sidelines for 2025. The futures market is now pricing in the possibility of two rates cuts by the end of 2025.

Markets

- Fixed Income – Interest rates falling during the first quarter was a positive for bonds as lower rates are a tailwind to bond prices. Coupon rates available on investment-grade bonds look attractive.
- Equities – Equity markets have been very volatile in the first quarter and into April. The expectation that tariffs will significantly impact economic growth sent stocks into a tailspin in April. Equities have rebounded in the first half of May, but more volatility is expected as earnings and trade policy add to uncertainty.
- Alternatives – We continue to see valuations in real estate struggle as higher rates impact valuations of real estate properties. At some point in 2025 or later, opportunities for investment will present themselves.

TACTICAL POSITIONS

The following is our current Model Portfolio Positioning Summary:



¹ Provided by our affiliate, Discretionary Management Services (DMS), LLC