



Ben's Bow Tie Brief

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IS THE COAST CLEAR?

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Markets are trading near all-time highs while volatility has been relatively benign as of late. I guess stock investors have moved on from concerns about the impact of tariffs on growth and inflation, while historically high valuations don't seem to be a cause for worry.

Several assertions seem to be at the core of equity market confidence: that recent tariff proclamations are just negotiation starters; that legal challenges will render certain deals moot; that inflation pass-throughs will ultimately be modest; and that corporate profit-margin absorption will be offset by productivity-related gains.

I acknowledge that economic and earnings results have been better than initially feared back in April, and inflation has remained in check (for now), but it seems premature to declare victory on tariff impacts.

Beyond it being too early to assess tariff impacts, my general view of things is one of caution, as equity investor complacency is high and valuations appear to be stretched. Those two variables create a potential backdrop where any news that catches investors off guard could result in market weakness.

Let's not forget the panic that ensued in April. The market correction was fast and steep. We should be actively preparing for the next panic storm now, as our human nature will work to erase the memory of what's just happened. There will be other crises – real and imagined – triggering episodes of mass panic. But we can and must redouble our efforts to desensitize and avoid responding to the panic impulse.

Best,

Ben

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