April 2025

March was a rocky ride for the markets.

Investors have been navigating uncertainty on multiple fronts including, shifting interest rate expectations, economic data surprises, and the latest developments in trade policy. The back-and-forth on tariffs has sent ripples through the stock markets. The S&P 500 fell 10%+ from an all-time high in less than four weeks for just the seventh time since 1952 and the first time since the COVID Crash in February/March 2020. In all but one of the six prior rapid market corrections, the S&P 500 made a new all-time high at some point in the next year (Bespoke).

At the most recent Federal Reserve meeting, they kept rates unchanged. However, officials updated their rate and economic projections for this year and through 2027 and altered the pace at which they are reducing bond holdings. Despite the uncertain impact of President Donald Trump's tariffs as well as an ambitious fiscal policy of tax breaks and deregulation, officials said they still see another half percentage point of rate cuts through 2025. The Fed prefers to move in quarter percentage point increments, so that would mean two cuts this year. (CNBC)

The core personal consumption expenditures price index came out hotter-than-expected, rising 2.8% in February and increasing concerns about persistent inflation (CNBC). It was also reported that disposable personal income (income after taxes) rose 0.9% in February and is up around 4.4% from last year. If you adjust for inflation, it is up 2.7% from a year ago (First Trust). Rising incomes are important as it supports consumer spending which is around 75% of economic activity.

Despite the current headwinds, it is not all doom and gloom, and we are still seeing some positives. US industrial production grew 0.7% month over month in February versus estimates for growth of just 0.2%. Industrial production also made an all-time high for the first time in 76 months, dating back to September 2018, which was the third longest stretch without a new high since 1919 (Source: US Federal Reserve). The Commerce Department revised up its fourth-quarter GDP growth figure to a 2.4% annualized pace, from a previous estimate of 2.3%. That followed growth of 3.1% in the third quarter (WSJ).

Morgan Stanleys base case for the S&P 500 year-end target remains 6,500, though the path is likely to be volatile as the market continues to contemplate these growth risks for the time being. As always, our team is closely monitoring the situation and we are available for any questions that come up.

We hope your college basketball brackets are surviving March Madness, Wisconsin's loss knocked a few of us out. As we finish the mad dash to the end of tax season don't hesitate to call the team if you need anything.

notice. Neither the information provided, nor any opinion expressed constitutes a solicitation for the purchase or sale of any security.

The individuals mentioned as the Portfolio Management Team are Financial Advisors with Morgan Stanley participating in the Morgan Stanley Portfolio Management program. The Portfolio Management program is an investment advisory program in which the client's Financial Advisor invests the client's assets on a discretionary basis in a range of securities. The Portfolio Management program is described in the applicable Morgan Stanley ADV Part 2, available at www.morganstanley.com/ADV or from your Financial Advisor.

In this program the client pays a wrap fee to MSWM (the "MSWM Fee"), which covers MSWM investment advisory services, custody of securities (if we are the custodian), trade execution with or through MSWM, as well as compensation to any Financial Advisor. The Portfolio Management program fees are described in the applicable Morgan Stanley ADV Part 2, available at www.morganstanley.com/ADV or from your Financial Advisor.

The investments listed may not be appropriate for all investors. Morgan Stanley Smith Barney LLC recommends that investors independently evaluate particular investments and encourages investors to seek advice of a financial advisor. The appropriateness of a particular investment will depend upon an investor's individual circumstances and objectives.
Information contained herein has been obtained from sources considered to be reliable, but we do not guarantee their accuracy or completeness.

Past performance is no guarantee of future results.

S&P 500 Index is an unmanaged, market value-weighted index of 500 stocks generally representative of the broad stock market. **An investment cannot be made directly in a market index.**

Investments and services offered through Morgan Stanley Smith Barney LLC. Member SIPC

CRC 4363343   3/2025

James M. Koehler
Senior Vice President
Senior Portfolio Manager
Financial Advisor

"Ask me about our Road Map Planning Approach"

The Koehler Group at Morgan Stanley
303 Lippincott Drive, Suite 300 | Marlton, NJ 08053
Phone: +1 856-489-2474 | Fax: +1 856-343-4193
https://advisor.morganstanley.com/the-koehler-group

NMLS# 1316586