Q1: 2025 Morgan Stanley Volume: 31.1

THE MARSHALL/TEPPER GROUP

AT MORGAN STANLEY

Contact Us:

Jessica A. Marshall
Executive Director
Senior Portfolio Management Director
Financial Advisor
jessica.a.marshall@morganstanley.com
212-230-3602

Jerrold P. Tepper, CPM®
Senior Vice President
Senior Portfolio Management Director
Certified Portfolio Manager
Financial Advisor
jerrold.p.tepper@morganstanley.com
212-230-3601

Kenneth J. Bracht Jr.
Associate Vice President
Portfolio Management Associate
Financial Planning Specialist
Financial Advisor
kenneth.j.bracht@morganstanley.com
212-603-6177

Patrick J. Valenti
Assistant Vice President
Wealth Management Associate
patrick.valenti@morganstanley.com
212-230-3498

Stephen Miller
Client Service Associate
stephen.miller@morganstanley.com
212-230-3718

We appreciate your introductions to friends, family, and business associates, as well as your continued confidence in us.

55 East 52nd Street – 7th Floor
New York, NY 10055

Market Update

Unexpected Turbulence

You would probably agree that the first months of 2025 have been anything but predictable. Regardless of your politics, the markets saw opportunity through the lens of lower tax cuts and reduced regulations. How quickly the mood can change as the optimism of the early first quarter gave way to heightened volatility and increasing uncertainty.

The introduction of broad sweeping tariffs, possible extended trade wars and tensions amongst friends and allies, stopped the stock market and confidence in the economy in its tracks. A war of words and threats escalated into a broad sweeping series of punitive tariffs followed by promises of retaliation. By the end of March, what had earlier been a positive climb in the markets went negative.

Dealing with these new sources of volatility and uncertainty, both the consumer and numerous companies of all sizes began to show signs of strain. Retailers and service providers began to forecast a slowdown in spending and potential difficulties getting their inventories through a clogged supply chain. Price increases on goods were not far away.

Standing by and watching the action was the Federal Reserve. No longer just fighting inflation, they were now handed a new set of variables to consider. Faced with the prospects of a slowing economy, a retreating and fearful consumer, and the inability of companies to even see around corner, the Fed has remained watchful but choosing to stay out of the fray for now. For the first time in years, economists were dusting off the term "stagflation" which means we could get socked with the double "whammy" of slow growth compounded by inflation.

As we moved into the early weeks of the second quarter, the Trump administration was adamant regarding any negotiations. Tariffs that were imposed were broad and, in some cases, indiscriminate in their application. While the rumor mill was full of claims of backdoor discussions; it was eventually the markets that got the Administration's attention. Worth noting, is that it wasn't so much the stock market whipsawing from one day to another but the voice of the influential bond markets that made Trump push the pause button.

Expecting Treasury rates to fall when they in fact have gone up, the dollar has also declined at a rapid pace. These two occurring together and so rapidly were clear warning signs that global confidence in our economy was being lost, and that much needed liquidity could quickly disappear. Fortunately, this warning resonated with some who knew and understood the consequences. The Administration responded with a much needed 90 day cooling off period for most of the tariffs. However, China has remained a target as their tariffs were slated to increase to a cumulative 145%. China quickly retaliated with a 125% tariff of their own on many of our imported goods.

It is interesting as to how fluid and confusing all this news is as the story has changed so many times. Even as we write this in early April, we are hearing of some conflicting comments from the Administration regarding tariffs on high-tech products. What initially came out as an optimistic interpretation for a possible exemption for electronics now seems to be a "reclassification," whatever that means.

As we anticipate the warmer months of the year, we look for a more rational and open approach to be taken towards trade. Hopefully, discussions with key allies and trading partners will occur as well.

As always and for the many years that we have been privileged to work with you as your advisors we do our best to tune out the noise, offer guidance and to steer you towards your long-established goals.

Please be sure to visit our website at
https://advisor.morganstanley.com/the-marshall-tepper-group

Please see important disclaimers on the next page.

April 2025

CRC Tracking# 4408816