Foresight

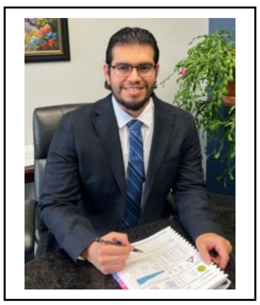
Capital Management Advisors, Inc.

NAPFA-Registered Financial Advisor | AIF® Accredited Investment Fiduciary®

Newsletter 2Q 2025 & Market Summary

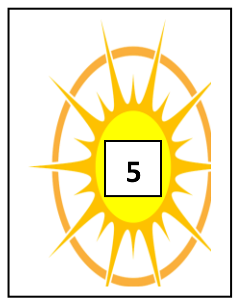
As of April 2025, the Economy continues steadfast but the Market has done an about face with a pullback of -5.84% YTD through April 25th. The Market pullback was to be expected after two years of double-digit growth, however the recent volatility has been exaggerated due to the recent tariff talks. We still see 2025 having a strong enough economy to weather this volatility and have the strength to produce an average rate of growth in the low single digits. However, if tariff negotiations do not moderate then a full economic slowdown will begin to take hold. The 1Q 2025 has 73% of S&P 500 companies reporting positive EPS beats and 64% have reported positive revenue beats, according to FactSet. The Consumer seems to be doing fine given workers are receiving wage increases averaging 3.2%, a rate higher than inflation which is at 2.4%. Seniors have received a 2.5% cost of living increase for 2025 for Social Security and unemployment remains low at 4.2%. The Federal Reserve is continuing to pause and "wait and see" until the tariff negotiations give more clarity on what inflation is likely to do before the Fed continues lowering interest rates. We still believe the Feds will lower at least two more times in 2025 bringing the rate closer to 3.5% by yearend. The Foresight Models diversification has helped to buffer the down turn with YTD returns as of Mar 31, 2025: Money Market +.75%, and All Fixed Income +1.47%, Conservative -.96%, Moderate -2.11%, Aggressive -2.87%, All Equity -4.17%, S&P 500 -4.53%.

Welcome our employee accomplishments and newest employees at Foresight!



Miquel Campos
BBA from Arizona University joined Foresight as Assistant Financial Analyst-Para Planner

Kristen Lang
Office Manager and Assistant to Financial Planners, BA- Minot State University



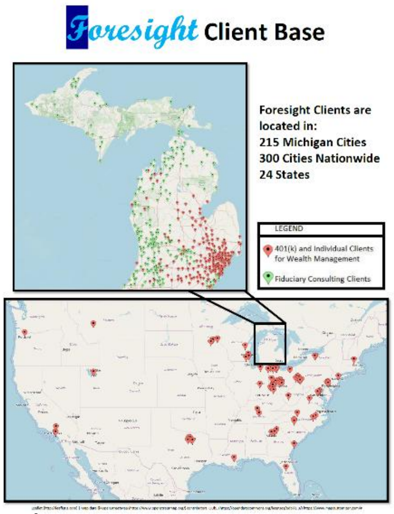
Patrick Carney and Laurie Stegenga
Both named 5-Star Advisor Award winners for 2025!

Liam Peoples
Pursuing a BBA-Finance at EMU-joined Foresight as a Financial Analyst Intern

New 401(k), 403(b), or 457 max. deferral if age 60-63: Beginning in 2025 there is a special deferral limit extra catchup for all employees who are ages 60 to 63. They can save up to $34,750! Those under the age of 50 can save up to $23,500 and those over the age of 50 can save up to $31,000 unless you are the in the special age range of 60-63 then you get an extra catchup to save $34,750.

I-Bonds Consider Redeeming them: Any I-Bonds that were purchased a year ago may be redeemed in the next couple of months. We recommend doing this as there are many other investment choices now that will pay higher interest than the I-bond, the Nov 2024 renewal rate is only 3.11%. Please contact Foresight if you need assistance on how to redeem your I-bonds from Treasurydirect.gov and ideas of how to reinvest these funds.

Roll over Excess Funds in 529 Plans to Roth IRAs: The Secure Act 2.0 now allows up to $35,000 of excess funds in 529 college savings plans to be rolled over to Roth IRAs for the child once they get a job and earn at least $7,000 per year. This can also be used as a gifting strategy to purposely overfund 529 plans with $35k. Contact Foresight with any questions.



FCMA Mutual Fund Model Returns
Mar 31, 2025

Money Mkt	+ .75%
100% Fixed Income	+1.47%
Conservative Model	- .96%
Moderate Model	- 2.11%
Aggressive Model	- 2.87%
100% Equity Model	- 4.17%
S&P 500 Model	- 4.53%

<u>Indexes:</u>

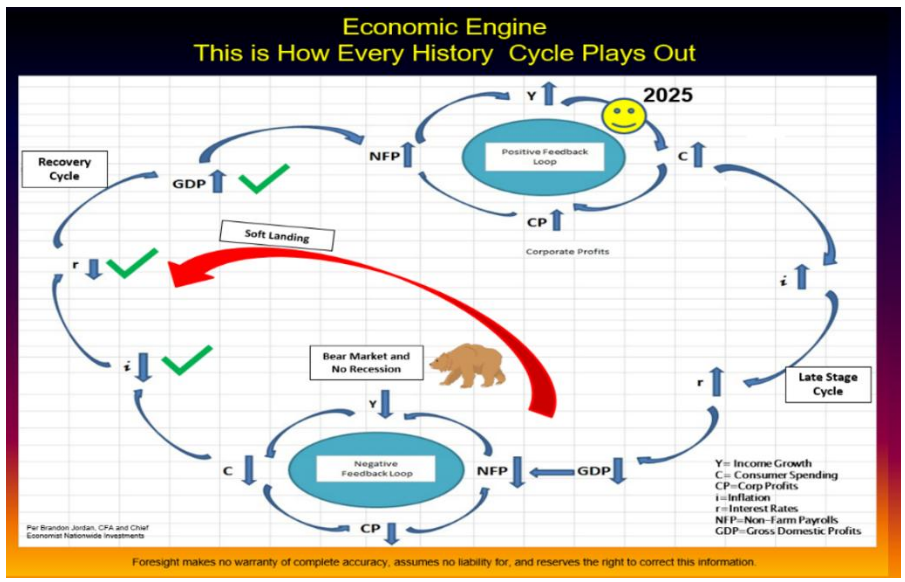
S&P 500 Index	- 4.27%
MSCI EAFE Foreign	+ 7.01%
10Yr T-Bond Index	+ 2.78 %

Future performance is not guaranteed; above returns are total return with reinvestment of dividends, interest, capital gains, and shown net of the highest FCMA management fee.

Patrick Carney not pictured

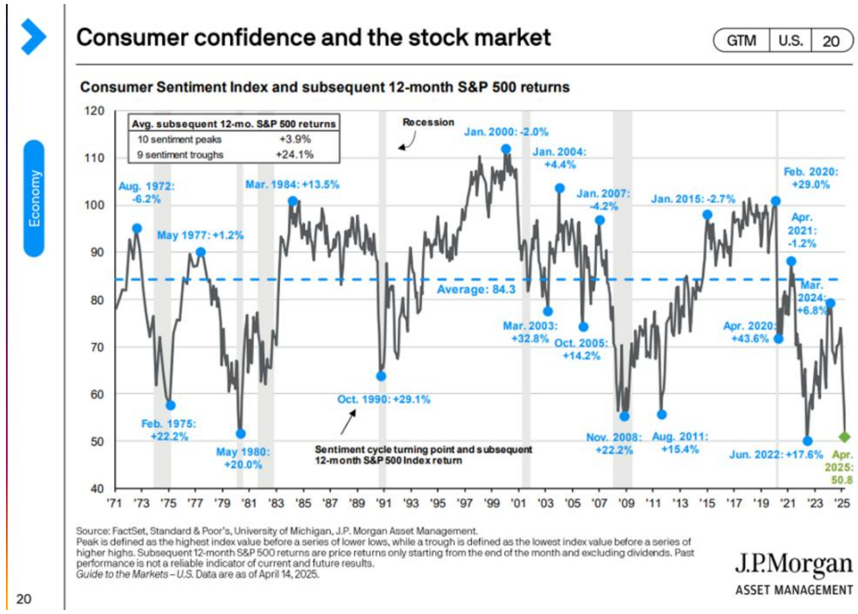
Foresight's Outlook and Portfolio Strategies

Market and Economic Outlook: from Patrick Carney, VP Director of Personal Wealth Management



The first quarter of 2025 and the month of April have brought about a lot of volatility in the markets due to the increasing uncertainty regarding proposed tariffs and the potential ramifications for the economy and financial markets. However, this uncertainty comes with the backdrop of a very strong United States economy with GDP at +2.4% year-over-year as of 4Q 2024, unemployment down to 4.2%, a labor force with roughly 7.7 million jobs still available, CPI inflation down to 2.4%, and wage growth averaging 3.2%, having outpaced inflation over the last few years. Regarding GDP it is likely that the US will have negative GDP for the 1Q 2025 due to the fact that many companies raced to import as much as they could before tariffs become a norm for the future. This will throw our imports versus exports out of kilter and look like we are at the beginnings of a recession. I want to caution you when you hear this news to understand that it isn't caused by our companies necessarily slowing production it is they raced to get their inventories built up so they could weather this uncertain time. The US companies had a decent 1Q 2025 and are tempering their future revenue forecasts downward, but we still expect a decent overall 2025 unless the tariff situation escalates and does not come to some reasonable agreement. The United States is also favorably positioned from a business cycle perspective, still between the mid to late stages while the rest of the world is either in the late stages of the cycle or cycling through a recession.

Despite the currently strong United States economy according to almost all “hard” data points, the proposed tariffs and overall economic policies have led to a sharp decline in “soft” data points like consumer confidence, which has drastically decreased so far in 2025. However, as shown by the chart below, the market historically performs well in the intermediate to long-term following these types of consumer confidence drops. So although the short-term will likely have continued uncertainty and volatility, this presents a long-term opportunity for investors.



Following “liberation day”, the market had one of its quickest corrections and sell-offs in history, with the S&P 500 dropping over -12% in just a few trading days. However, this was followed by one of the largest single day gains in US stock market history, with the S&P 500 gaining +9.5% on 4/9/2025. Historically speaking, these large one-day gains have led to higher market returns over the next year, 3 years, and 5 years, averaging double digit gains each time. Once again, we believe the recent volatility and correction has led to great long-term opportunities for investors.

S&P 500: Biggest 1-Day % Gains and Forward Total Returns (1950 - 2025)

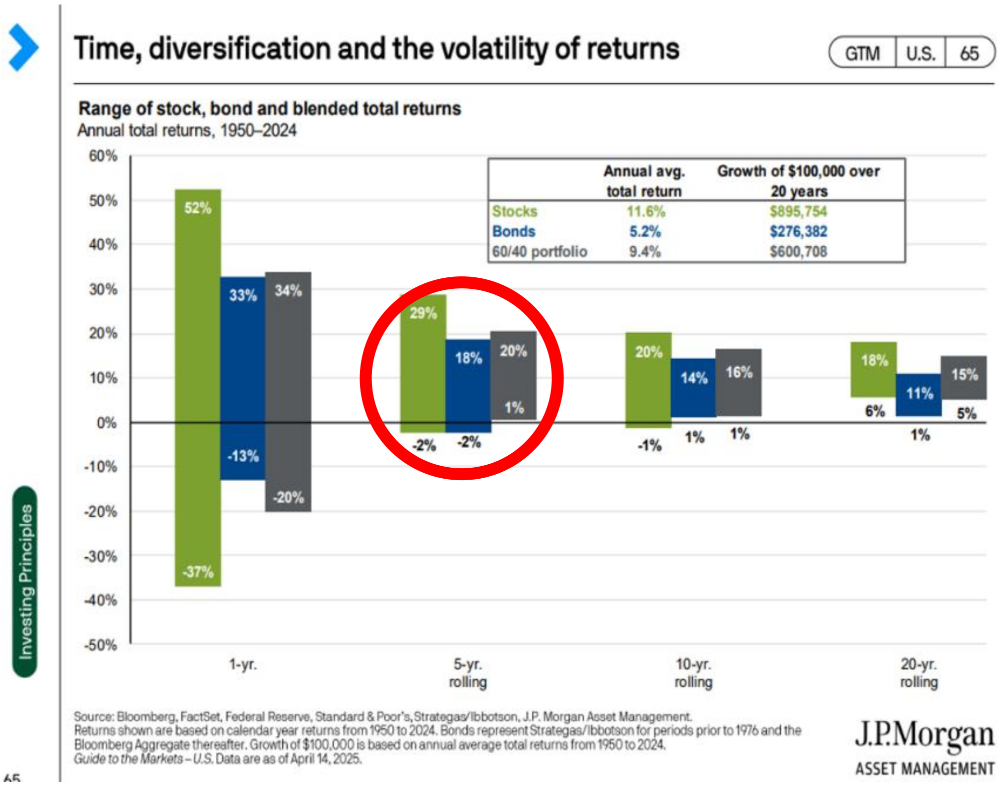
Biggest 1-Day % Gains					Forward S&P 500 Total Returns		
Rank	End Date	Start S&P	End S&P	1-Day	1-Year	3-Year	5-Year
1	10/13/2008	899	1003	11.6%	10%	28%	90%
2	10/28/2008	849	941	10.8%	14%	46%	109%
3	**4/9/2025**	**4983**	**5457**	**9.5%**			
4	3/24/2020	2237	2447	9.4%	62%	70%	155%
5	3/13/2020	2481	2711	9.3%	48%	49%	120%
6	10/21/1987	237	258	9.1%	14%	35%	91%
7	3/23/2009	769	823	7.1%	46%	64%	106%
8	4/6/2020	2489	2664	7.0%	56%	62%	106%
9	11/13/2008	852	911	6.9%	23%	48%	118%
10	11/24/2008	800	852	6.5%	33%	46%	136%
11	3/10/2009	677	720	6.4%	63%	103%	189%
12	11/21/2008	752	800	6.3%	40%	59%	151%
13	3/26/2020	2476	2630	6.2%	54%	58%	135%
14	3/17/2020	2386	2529	6.0%	60%	63%	142%
15	7/24/2002	798	843	5.7%	18%	54%	96%

CREATIVE PLANNING @CharlieBilello

From April 3rd on, the market dropped by over -12% within a few days.

Then the market rebound almost as quickly up +9.5%.

What does history tell us about these extremely volatile times in the market?



The recent pullback in the market also emphasizes the importance of staying invested throughout volatility at a risk level each investor is comfortable with. The chart above shows that in any given 1- year timeframe, stocks, bonds, and even blended portfolios can experience a wide range or returns and volatility. However, blended diversified portfolios have never experienced a negative 5-year, 10-year, or 20-year rolling period dating all the way back to 1950. This also emphasizes the importance of diversification, which has really helped Foresight client portfolios hold up strong so far in 2025.

GDP: 2.4% Gross Domestic Product | U.S. Bureau of Economic Analysis (BEA)

Unemployment: 4.2% Civilian unemployment rate

Job openings: 7.7 million Job Openings and Labor Turnover Summary - 2025 M02 Results

CPI: 2.4% Current US Inflation Rates: 2000-2025

Wage growth: 3.2% Are wages keeping up with inflation? | USAFacts

Investment Portfolio Update: from Matthew Lawrence, Manager of Portfolio and Investment Management

Foresight continues to see opportunities in staying broadly diversified while also finding opportunities to hedge against risk and volatility in these uncertain times. The U.S. economy is showing signs of moderating growth, with the IMF cutting its 2025 US GDP forecast to 1.8%, down from 2.7%. This reduction in forecast is largely driven by rising trade tensions and tariffs, which are weighing on the market and consumer sentiment. Despite the softening growth, the job market remains strong, indicating that the economy is not in a recession but is cooling gradually. Consumer spending remains solid, buoyed by wage growth and a stable job market. However, consumer confidence has been somewhat shaky due to concerns about inflation and economic uncertainty. The U.S. equity market experienced a downturn in Q1 2025. The S&P 500 declined by -4.6%, the Nasdaq 100 fell -8.3%, and the Russell 2000 dropped -9.8%. The market's decline was primarily due to escalating trade tensions, particularly the imposition of tariffs on Chinese imports. However, in late April President Trump signaled a willingness to ease trade tensions and clarified that he had no intention of dismissing Federal Reserve Chairman Jerome Powell. These statements led to a market rebound, with major indices gaining steam over the last few days. International equity market outperformed U.S. equities in the 1st quarter as well. The Hang Seng Index surged +15.3%, the DAX 40 rose +11.3%, and the CAC 40 increased by +5.6%. Positive economic indicators, such as strong corporate earnings and fiscal stimulus measures in Europe, particularly in defense spending, bolstered investor confidence. For the remaining year equity outlook, analysts expect corporate earnings to grow by about +8% in 2025 according to FactSet. This growth is anticipated to be broad-based. Sectors we view as potential outperformers include Consumer Staples, Utilities, and Infrastructure. The Federal Reserve is also expected to implement additional interest rate cuts in 2025, which could further stimulate economic activity and support equity valuations. In summary, while there are optimistic projections for the U.S. equity markets in the latter half of 2025, Foresight remains vigilant of the potential risks stemming from geopolitical tensions, trade policies, and political instability. A balanced and informed investment approach will be essential in navigating the evolving market landscape.

In early April, Foresight de-risked the portfolios to more neutral weightings as follows: 50:50 for Conservative, 60:40 for Moderate, and 75:25 for our Aggressive Retirement Plan participants while investors with personal portfolios at Foresight are at approximately 50:50 for Conservative, 60:40 for Moderate, and 73:27 for the Aggressive Models. We currently see opportunities in lower correlated assets such as Gold and Market Neutral. Foresight has increased weighting in both of these areas to hedge against the recent volatility in equity markets. For Individuals who have personal portfolios with Foresight, we continue to monitor the stock portfolios weekly and use stop-losses to protect the robust gains produced from a strong 2023 and 2024. We are currently exploring opportunities to deploy excess cash in the equity portfolios with an emphasis on finding quality companies at an attractive price point. Foresight has also continued to purchase discount bonds while yields are still attractive in order to keep overall portfolio allocations in line with the current weightings across our models and provide steady cash flow for our clients.

As always, we continue to monitor our portfolios on a daily basis and look for any opportunity to strengthen our positions depending on market trends and future outlook. Please call or email if you have any questions or would like to review your portfolios. Foresight was ranked in the 2024 Financial Advisors Magazine in the Top 400 advisors nationally and in the top 15 advisors in Michigan! Both Laurie and Patrick were chosen as Five Star Advisors for 2025. We wish everyone a very nice spring and be sure to enjoy the warm and fresh air!

Foresight Planning Ideas

Secure Act 2.0 How to Roll Over Excess Funds in a 529 Plan to a Roth IRA: Did you know that any excess funds left in a 529 plan can now be rolled over to a Roth IRA in $7k increments for 5 years as long as the child has earned wages of at least $7k per year. The 529 plan has to be in place for at least 15 years then by rolling $7k for the next 5 years you are able to get up to $35,000 into a Roth IRA for your child. This concept can be used to consider it as a gifting strategy for parents and grandparents to purposely over fund 529 plans so you will have a way to get your children/grandchildren a Roth IRA with up to $35k in it to help launch them for their futures. Please contact Foresight if you would like to discuss this further 877-429-4690.

Foresight Ranked in the Top RIA firms nationally: as 398 for 2024 year's Financial Advisor Magazine ranking out of approximately 32,600 RIA firms nationally! We are extremely pleased with this standing and have risen up another 80 rankings since a year ago. In Michigan we ranked 15th in our state. Our hard work on your behalf continues to show our investment philosophy is working. We thank you for being a part of our firm.

Healthcare Costs for a Retired Couple in 2024 has been released: Each year Fidelity does a thorough analysis of typical healthcare costs that a couple can expect to pay over their retirement years and for 2025 it is expected to cost $315,000 per couple and $176,000 for a single. This cost is substantial enough that it needs to be planned for prior to retirement. Please contact Foresight if you wish to discuss ideas of how to cover this risk and cost over your retirement years.

A New Idea for Long Term Care: There are now many low-priced annuities, that have been vetted by the NAPFA organization, where Foresight can help to create a replacement for traditional LTC insurance. If you do not have LTC insurance please contact us to discuss ideas for how best to cover this risk for you as you enter retirement. Especially if you have old life insurance policies that potentially could be converted to a use during your lifetime! Call 877-429-4690.

HSA-Health Savings Plans: Foresight now offers HSA investment plans with debit cards and investment growth for your health care savings accounts. Most employers are now offering HSA plans with your health benefit plans to keep costs reasonable, but the HSA plan attached to the benefit does not allow for you to invest your HSA account and the funds just set in a bank account. The Foresight HSA can be opened, in addition to your employer HSA, and allows you to invest your HSA in our Foresight Models just like we have for our 401(k) plans or mutual funds clients. Any unused HSA balance you have can be easily transferred to a Foresight HSA and made into an investment portfolio while keeping the minimum at your employer for use with your debit card! Then if you need funds put on your debit-card we can simply move funds to the debit card as needed. In the meantime, your HSA is growing and can be saved for healthcare in retirement too! Contact us for more information, 877-429-4690.

New 10 Year Rule Eased for Inherited IRA's: Recently a new ruling clarified how distributions for inherited IRA's can be implemented. It now states that beneficiaries have up until year 10 to take the balance out for taxation and it does not need to be ratably taken as 1/10th each year as previously was thought. This ruling will now allow for extra tax planning benefits especially for those retiring soon. Please let us know if you have any questions or would like to discuss this further.

Contribution Limits for 2025:
The IRS has officially released the new 401(k),403(b), and 457 savings limits for 2025. Note the extra savings that employees can save if the ages 60 to 63!

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Capital Management Advisors, Inc.

Contribution Limits

	2024	**2025**
401(k), 403(b), or 457 deferral limit	$23,000	$23,500
401(k), 403(b), or 457 catch-up deferral limit	$7,500	$7,500
401(k), 403(b), or 457 catch-up deferral limit if age 60-63		$11,250
401(k), 403(b), or 457 max. deferral if age 50+	$30,500	$31,000
401(k), 403(b), or 457 max. deferral if age 60-63		$34,750
Total Savings deferral, match, and profit sharing	$69,000	$70,000
Total Savings deferral, match, and profit sharing if age 50+	$76,500	$77,500
IRA deferral limit	$7,000	$7,000
IRA maximum deferral if age 50+	$8,000	$8,000
Simple IRA deferral limit	$16,000	$16,500
Simple IRA maximum deferral if age 50+	$19,500	$20,000
SEP IRA deferral limit *(maximum not to exceed 25% of earnings)*	$69,000	$70,000
Annual Comp limit & SEP IRA wage limit cap	$345,000	$350,000
Highly Compensated Employee wage limit	$155,000	$160,000
Roth IRA phase-out range (married)	$230,000-$240,000	$236,000-$246,000
Roth IRA phase-out range (single)	$146,000-$161,000	$150,000-$165,000
Traditional IRA phase-out range (married)		
*with workplace retirement plan	$123,000-$143,000	$126,000-$146,000
*without workplace retirement plan	$230,000-$240,000	$236,000-$246,000
Traditional IRA phase-out range (single)	$77,000-$87,000	$79,000-$89,000
Annual Gift Exclusion	$18,000	$19,000

Health Savings Accounts (HSA) and High Deductible Health Plans (HDHP)

	2024	**2025**
Individual HSA limit	$4,150	$4,300
Family HSA limit	$8,300	$8,550
Individual HSA limit age 55+	$5,150	$5,300
Family HSA limit age 55+	$9,300	$9,550
Individual HDHP minimum deductible	$1,600	$1,650
Family HDHP minimum deductible	$3,200	$3,300
Individual HDHP maximum out-of-pocket	$8,050	$8,300
Family HDHP maximum out-of-pocket	$16,100	$16,600

Sources:
https://www.whitecoatinvestor.com/retirement-plan-contribution-limits/
https://www.fidelity.com/learning-center/smart-money/hsa-contribution-limits
https://www.irs.gov/pub/irs-drop/rp-24-25.pdf
https://www.morganlewis.com/pubs/2024/10/irs-announces-increased-gift-and-estate-tax-exemption-amounts-for-2025

How to Apply for Medicare: Are you getting close to age 65? Medigap versus Medicare Advantage Plans, you need to know what the differences are and the benefits of each. If you have questions or are confused how to apply for Medicare insurance and its many options for supplemental coverages please contact us at 877-429-4690 and we would be happy to give you some guidance.

New 10 Year Rule Eased for Inherited IRA's: Recently a new ruling clarified how distributions for inherited IRA's can be implemented. It now states that beneficiaries have up until year 10 to take the balance out for taxation and it does not need to be ratably taken as 1/10th each year as previously was thought. This ruling will now allow for extra tax planning benefits especially for those retiring soon. Please let us know if you have any questions or would like to discuss this further.

New RX resource for low drug prices: Did you know there is a new website which Mark Cuban has rolled out where you can now search drug prices on many prescriptions to get transparent low prices! We have had many clients successfully find cost savings by utilizing this website for their needs. Go to Costplusdrugs.com

Patrick Carney's Article with NAPFA organization: Visit the site below to read Patrick's article! Learn what his journey has been as a young financial planner and the satisfaction he gets from helping clients reach their investment goals.

PRACTICE PROFILE

Print this Article

Focusing on what you can control

Patrick L. Carney of Foresight Capital Management Advisors

By Bridget McCrea

As a young fee-only professional, 28-year-old Patrick L. Carney knows that people are going to assess and interact with him differently than they would, say, an advisor with 10-plus years of experience in the profession. This reality doesn't bother the director of personal wealth management at Foresight Capital Management Advisors in Saline, MI, but it has pushed him to accelerate his education and learn as much as he can about financial planning.

"One thing that's very difficult for new advisors in general is getting started and gaining the respect of current and prospective clients. A lot of people come to us looking for an advisor who has a vast array of experience, education, and knowledge," says Carney. "When you're first starting out, you don't have that decade—or multiple decades—of experience that many clients are looking for."

Carney says he stopped worrying about things he couldn't control (e.g., his age, years of career experience, and similar measures) and instead has been working hard over the last six years to earn certifications that position him as a high-level fiduciary. So far, he's earned his CFP®, AIF®, and CIMA® credentials, the last of which he attained by completing the education requirements at the Yale School of Management.

Visit this site to read the whole article:
https://www.naylornetwork.com/napf-nwl/articles/index.asp?aid=734769&issueID=94950

CEPA- Certified Exit Planning Analysis Services: Foresight is now certified to provide exiting planning valuations for businesses and owners. Our firm is also prepared to assist with implementing business improvements to assist with increasing the value of your business prior to an exit or retirement. If you are interested, or know of someone who is interested, in pursuing services in this area please reach out to Foresight at 877-429-4690.

Foresight New White Paper-Financial Planning for the Young Professional!

Focused on the many financial planning areas a young professional should strategically work into their overall lifestyle. When this is organized and addressed at a young age the young professional can successfully launch their career, start a family, pay off student debts and plan for their future! We walk through the Foresight holistic approach to financial planning in this new whitepaper that will be a must read for most career minded professionals. The sooner you read this whitepaper the more settled you will be as you begin the journey in your career.

On-line Access: Each year we encourage everyone to test your on-line access to your account(s) at the custodian or third-party administrator for your plan. Please visit Journeyrps.com, Definiti.com, or Sentinelgroup.com retirement participant. For individual clients at Schwab Institutional Clients access Schwaballiance.com. To access your web portal for individual accounts, go to https://fp.morningstar.com. If you have any difficulty accessing your account, please email or contact us.

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Capital Management Advisors, Inc.

April 2025

Market Update
(all values as of 03.31.2025)

Stock Indices:	
Dow Jones	42,001
S&P 500	5,611
Nasdaq	17,299
Bond Sector Yields:	
2 Yr Treasury	3.89%
10 Yr Treasury	4.23%
10 Yr Municipal	3.20%
High Yield	7.53%
YTD Market Returns:	
Dow Jones	-1.28%
S&P 500	-4.59%
Nasdaq	-10.42%
MSCI-EAFE	7.00%
MSCI-Europe	10.10%
MSCI-Pacific	0.90%
MSCI-Emg Mkt	4.40%
US Agg Bond	2.78%
US Corp Bond	2.31%
US Gov't Bond	2.70%
Commodity Prices:	
Gold	3,169
Silver	34.79
Oil (WTI)	71.64
Currencies:	
Dollar / Euro	1.08
Dollar / Pound	1.29
Yen / Dollar	149.77
Canadian /Dollar	0.69

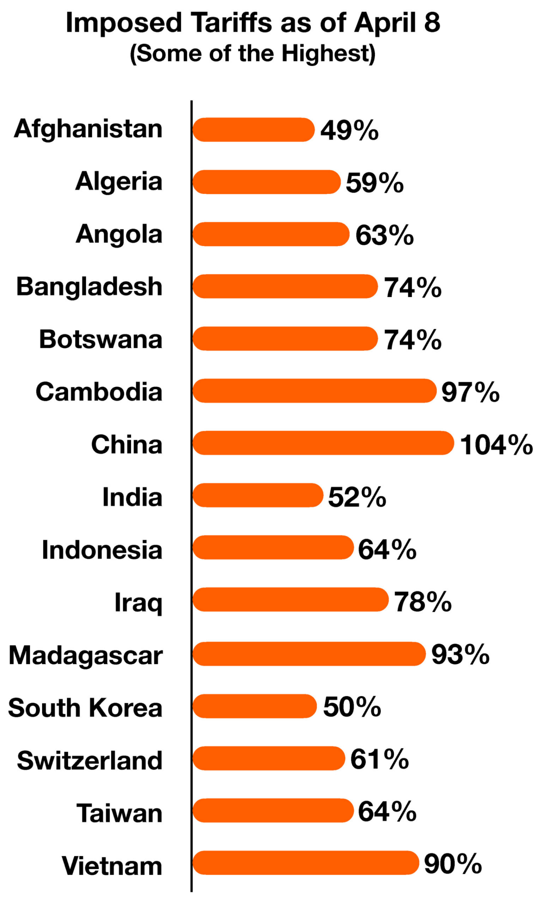
Macro Overview

Turmoil sweep throughout the global markets as the tariff announcements were broader and more significant than expected. Economic contraction worries have surpassed inflation fears as the toll of tariffs on global trade casts doubt on the rate of continued expansion.

Major equity indices globally shed trillions in valuations as the fear of disruption in global trade led to uncertainty and retaliation among international trading partners. Commodity prices as well as cryptocurrency values tumbled as uncertainty pummeled through the domestic and international financial markets. Cryptocurrencies plunged worldwide as bonds and cash became safe havens amid spontaneous selling pressures and uncertainty roiled global markets.

Consumers rushed to stores and auto lots nationwide in anticipation of increasing prices for imported products. A consumer-led contraction in economic expansion is expected to follow higher prices driven by the newly imposed tariffs. Economists and analysts believe that the wealth effect will start to influence consumers as the dramatic pullback in equity markets devalues stock portfolios for millions of Americans.

What was not expected was the inclusion of numerous smaller exporting countries which will also be imposed a minimum 10% tariff on all goods exported to the U.S. Most businesses end up passing on much of the cost through higher prices to suppliers and consumers. This is why tariffs are often described as "taxes on consumers." The tariffs will have a broader impact on consumers, who will likely bear the cost of the tariffs, leading to higher prices and a potential economic slowdown.



The White House communicated that the tariffs that became effective on April 5 & 9th will remain in effect until such a time that the President determines that the threat posed by the trade deficit and underlying nonreciprocal treatment is satisfied, resolved, or mitigated. Treasury Secretary Scott Bessent said on Sunday April 6th that more than 50 countries had called the administration seeking negotiations on tariffs.

Sources: Treasury Dept., WhiteHouse.gov., Federal Reserve

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THERE WAS OVER $107 BILLION SPENT ON MANUFACTURING CONSTRUCTION IN 2022

Volatility Soars As Tariffs Are Announced – Global Equity Overview

The announcement of the tariffs along with growing concerns of weakening consumer demand led equity indices lower in early April. Souring consumer sentiment in March and stubborn inflation worries were already pressing before the tariff turmoil, which only added to the turbulence.

Global equity indices shed gains that had accumulated earlier in the quarter. Broad pullbacks across Europe and Asia led global markets lower as the fear that tariffs would disrupt sensitive supply chains and curtail trade. The S&P 500 Index revealed that the energy sector and utilities saw the most stability of all sectors in the first quarter.

The Volatility Index, also known as the VIX, rose significantly as the tariff announcements were made. Extreme volatility and large volume trading sent equity indices broadly lower, affecting nearly every publicly traded company on the exchanges. Such volatility is perceived by traders and some investors as an opportunity to buy quality companies at discounted valuations. (Sources: S&P, Dow Jones, Bloomberg)

Bond Yields Fall With Rush To Bonds – Fixed Income Overview

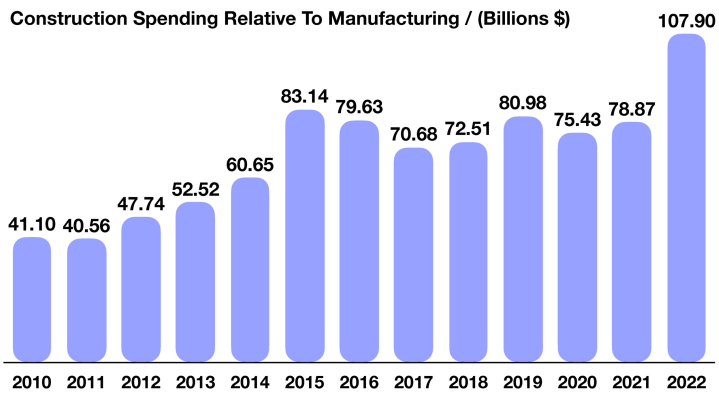
It was the first time since the onset of the pandemic in March 2020 that bonds rose and stocks fell in a three-month period. Investors tend to buy bonds when they believe growth is going to slow and eventually force the Federal Reserve to ease monetary policy

The growing fear of a looming recession is pushing yields lower as bond prices edge higher. Inflation has now become much less of a worry.

The 2-year Treasury bond yield reached its lowest level since 2022, as government and corporate bonds were sought after as safe havens as turmoil affected markets. The yield on the 10-year Treasury bond ended the 1st quarter at 4.23%, down from 4.79% in January. (Sources: Treasury Dept, Federal Reserve)

Infrastructure Build Out & Manufacturing Remain Intact – Domestic Economic Expansion

The most recent data released by the U.S. Department of Commerce revealed that construction spending, like most of the incoming data of late, is slowing. Areas of weakness included multi-family, home improvement, manufacturing, and commercial real estate. There were some encouraging signs of strength across sectors geared towards infrastructure improvements. Aging U.S. highways and an antiquated electrical grid, have prompted billions of dollars to be allocated for improvement and modernization.



The increasing demand for electricity brought about by the rapidly expanding A.I. industry, has revitalized the need for utility companies to expand and build new facilities nationwide. Deregulation in the energy and utility sectors is expected to expedite the improvement and building process substantially. In 2020, Covid upended global supply chains and increased costs for manufacturers in the U.S. and abroad. Many of the derailed supply chains have still not been completely resolved. (Sources: U.S. Department of Commerce)

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THE EU TRADED $976 BILLION OF GOODS WITH THE U.S. IN 2024

Change in Consumer Sentiment & Behavioral Spending Patterns Is Inevitable

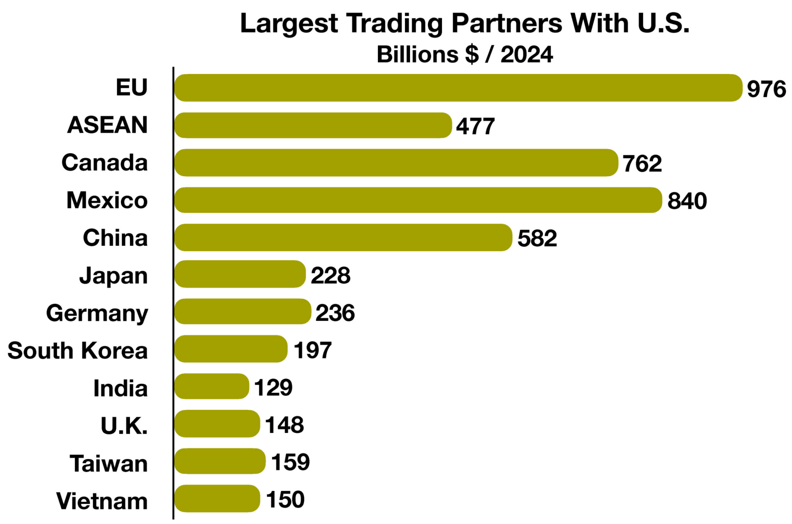
Since consumer expenditures represent nearly 70% of Gross Domestic Product (GDP), any behavioral change in consumer expenditures may result in a retraction of economic growth. For decades, the valuations of stock and home prices have directly affected how freely consumers spend. Historically, as stock and home values have risen, so has consumer sentiment and the propensity to spend. Since higher income consumers hold more stocks and have larger home valuations than lower income consumers, any changes in stock or home values determines changes in spending behaviors.

Analysts, economists and the Federal Reserve are closely following retail sales and spending patterns of the top 10% earners of consumers, which represent roughly 50% of all consumer expenditures. Historically, any sudden increase or decrease in stock valuations can alter the spending behavior of wealthy consumers. Data from prior market swings has shown that a 10% rise in stock prices equates to a 1% rise in consumer expenditures by the wealthy, while a drop in stock valuations poses the same dynamic but with a contraction in expenditures.

Sources: Federal Reserve, Bureau of Labor Statistics

Largest Trading Partners With U.S. – Global Trade Overview

The onslaught of tariffs has been widespread, affecting products from nearly every trading partner of the U.S. According to UN Trade & Development data, global trade hit a record high of nearly $33 trillion in 2024, up $1 trillion from 2023. In 2023, the United States' top trade partners, based on combined import and export values, were Mexico, Canada, and China, with nearly $798 billion, $773 billion, and $575 billion in goods and services, respectively.



The single largest trading partner with the U.S. is ASEAN, the aggregation of South Asian Nations including Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam. Other major trading partners also saw tremendous trading activity in 2024, including Japan, Germany and South Korea.

Source: UN Trade & Development

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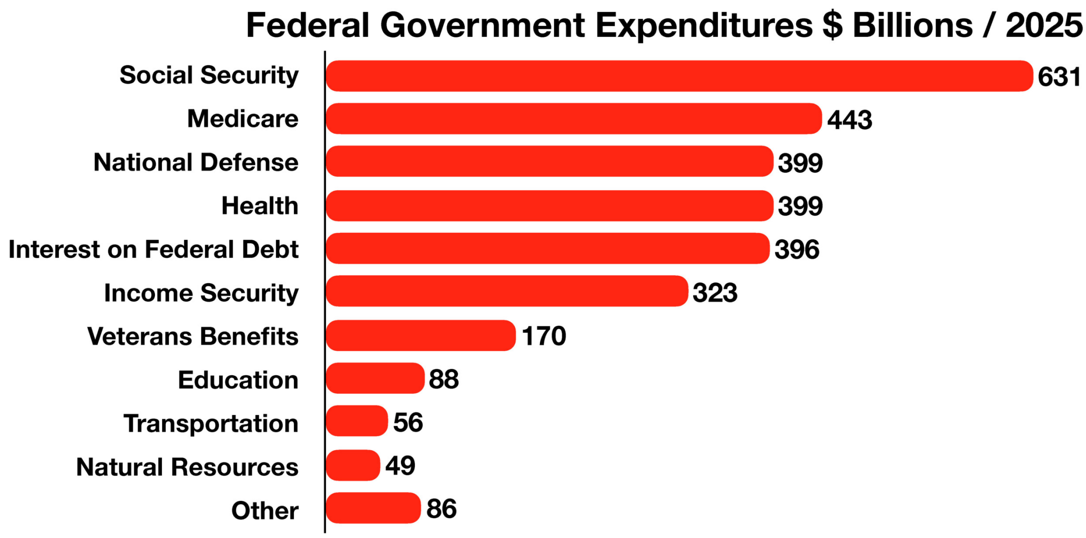
SOCIAL SECURITY & MEDICARE ACCOUNT FOR ABOUT 40% OF ALL FEDERAL SPENDING

The Financial State of Medicare – Healthcare in Retirement

Social Security and Medicare account for nearly 40% of all federal spending excluding interest on the national debt, and within a decade the Congressional Budget Office predicts that will rise to roughly half. Both programs face financial difficulty going forward, even with additional taxes, lower expenditures, or benefit cuts.

The Medicare Part A Trust Fund is expected to be depleted by 2031, according to the 2023 Medicare Boards of Trustees Report. Medicare spending on Part A, Part B, and Part D benefits totaled $829 billion in 2021, up from $541 billion in 2013. The Congressional Budget Office (CBO) projects that net Medicare spending will grow from 3.1% of GDP in 2021 to 4.3% in 2032, and further increase to 5.9% of GDP by 2052.This means that Medicare is gradually becoming a larger component of the U.S. economy, with rising medical costs and benefit payments.



Medicare's primary source of funding comes from payroll taxes, income from the taxation of Social Security benefits, and income from a 3.8 percent surtax on investment income of high-income individuals. An increase among these would help mitigate any depletion of funds for the program. (Source: Centers for Medicare & Medicaid Services)

Drop in Commodity & Oil Prices Could Spur Lower Prices For U.S. Consumers

As market turmoil spread to all sectors of the economy, commodity prices including oil, have fallen as the fear of a global slowdown has escalated. Falling commodity and oil prices can be beneficial for U.S. consumers, whereas the costs of U.S. sourced materials for building homes could reduce the price of home construction, and the cost of domestically drilled and refined oil could reduce gasoline prices at the pump.

Since tariffs affect imported goods and products, domestic goods and products won't be imposed with such tariffs and will fare better than their imported counterparts. (Sources: Federal Reserve Bank of St. Louis, U.S. Commerce Dept.)