CAPTRUST Market Update April 2025

Mike Vogelzang: We coast on the reliability of the stable — until it stalls, and the chaos hits like a freight train.

Some things we simply don't think much about. Until they break. For example, household plumbing, or air conditioning on a hot summer day. Or: Think of a dam with a lovely reservoir that powers the electric grid, and controls flooding. We don't think much about it until it starts to leak or show cracks… or worse.

The global trade system is similar. When it functions well, it's invisible. Companies and consumers rely on highly interwoven relationships to get their phones and groceries and cars.

But in late March, U.S. policymakers dropped a bomb into the reservoir – raising massive trade barriers, the largest in over a century. Broad tariffs – import taxes, really – hit economies and markets with the power of a wall of water from a broken dam.

If we go back to the start of this year, markets expected strong earnings, burgeoning innovation, and a stable economy. But the surprise tariff pivot shifted the narrative to trade wars, inflation, and policy uncertainty. The entire system of global growth and trade was thrown into turmoil, literally overnight.

And markets responded. Fast. Tariff talk pushed US stocks quickly toward bear market territory. Large-cap stocks tumbled, small caps were hit even harder, while international stocks showed some initial resilience. Bond investments added stability amid the chaos.

Targeted tariffs can support domestic industries – but used broadly, they raise barriers and lower economic efficiency. As a result, prices will go up.

But an even larger concern is the impact on overall economic growth. As we saw during the pandemic, global supply chains can be fragile, and with massive tariffs, they'll need to be retooled. This won't be quick – Think years, or even decades to build new American productive capacity.

In response to U.S. tariffs, some countries are negotiating for better terms. Others are hitting back, starting a tit-for-tat trade war, which adds fuel to the tariff fire.

As always, the Federal Reserve plays a key role. If growth slows, the Fed will likely cut interest rates later this year. But with inflation still above targets and fresh price pressures from tariffs, we can expect the Fed will be cautious and move slowly.

Put simply – this will all take time to settle out. And until then, markets will remain turbulent. Market volatility naturally triggers our fight or flight response. But investors should resist the temptation to retreat, and avoid the risk of selling growth investments at deeply discounted prices.

In stock markets, volatility isn't a flaw – it's a feature. It's the reason we expect higher returns from equity investments. Historically, after periods of high policy uncertainty, the average return from stocks over the following year was more than 20%. That doesn't mean the worst is over today – but it does show that staying invested has historically paid off.

Disruptive periods can also create new opportunities for investors. Companies innovate and adapt, and new market leaders emerge.

Each of us face a unique financial future, with different risks and goals. That's why your relationship with a trusted advisor remains critical. When headlines become hard to bear, your long-term financial plan can provide stability. Now is the time to trust it.

We'll be back next quarter with more updates and, hopefully, with a little less pressure on the levee.