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WEALTH MANAGEMENT
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RAYMOND JAMES®

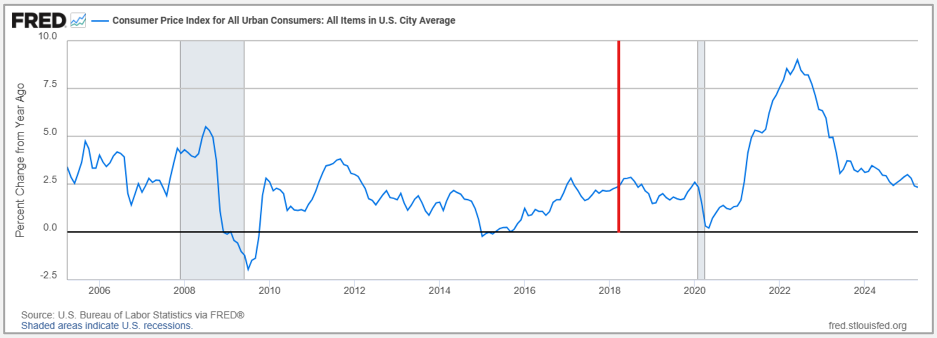
Allocation Atlas – July 2025

"Sometimes a goat is better than a Ferrari" – Ayrton Senna

This year had a rocky start. President Trump's announcement of reciprocal tariffs shocked markets, being much steeper than anticipated. Equities were sent into a tailspin, and Treasury yields rose over increased trade barriers. Then, the US had its credit rating downgraded by Moody's after ten years of a negative outlook. Erratic markets are difficult to withstand, but our strategic asset allocation process remains robust and undeterred by these events. Financial markets will forever be fraught with risk, but our sights remain fixed on your ultimate goals. Join us on the second edition of the Allocation Atlas as we offer some commonsense insight into recent headlines.

1. Tariffs and Inflation

Inflation is a tricky subject because it is felt so deeply. But inflation is distinct from "price increases." Prices change for all sorts of reasons, one of which may be inflation. The first round of Trump Tariffs in 2018 did not lead to an increase in inflation. The red line in the chart below indicates when the Trump 1.0 Tariffs went into effect plotted on a chart of the 1yr CPI, the most used inflation proxy. As you can see, no increase in inflation was observed, but disinflation was observed prior to 2020.



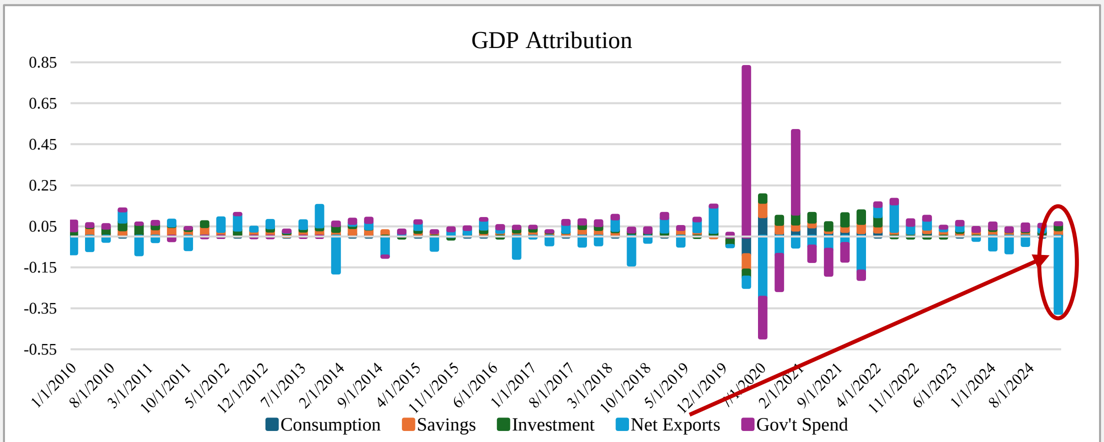
This relationship is important because, while prices might go up and that's not fun for anyone, inflation is not worsened by widespread tariffs. If anything, tariffs in the long-run are deflationary since, all else equal, they help the government reduce the deficit and reliance on debt issuance to fund operations.

2. Economic Growth

Data from Google Search Trends shows that fears over a recession have resurfaced. The Q1 negative GDP print confirmed these concerns in the minds of many, but a more positive alternative explanation is more likely.

GDP = Consumption + Savings & Investment + Government Expenditure + Net Exports

In the first quarter of 2025, the US economy saw a 9.6% spike in total imports. This spike was without question fueled by people placing orders in advance of the tariff effective date (4/2/2025). The post-COVID import surge was only 7.7%. Imports bring down GDP and this sudden very large spike heavily influenced the slightly negative GDP print exacerbated by reduced government spending. All the other economic indicators like employment, consumption, and investments are in line with historical averages and showing acceleration pointing to underlying strength.



Source: Federal Reserve of St. Louis Economic Data (FRED)

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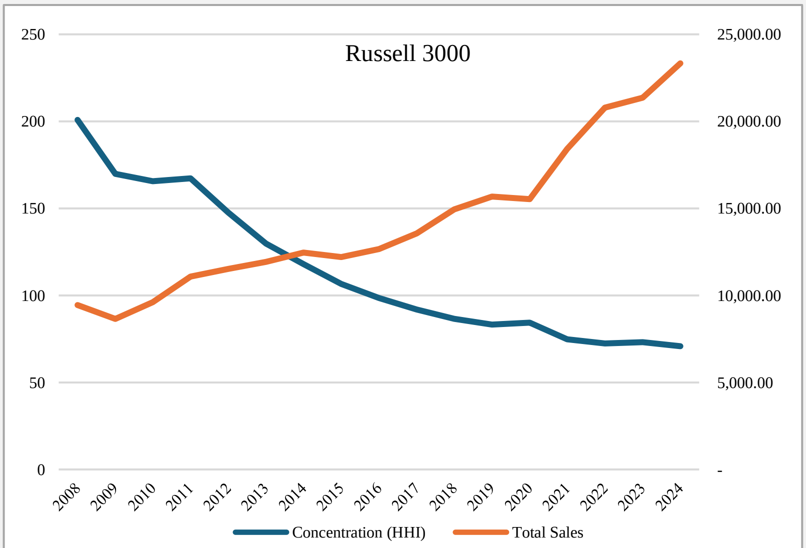
PBWM Favorability Matrix			
Equities	Unfavorable	Neutral	Favorable
U.S. Large			
U.S. Mid			
U.S. Small			
Int'l Developed			
Emerging Markets			
Fixed Income	Unfavorable	Neutral	Favorable
Duration			
Government			
Investment Grade			
High Yield			
Non-US			
Inflation Indexed			
Municipal			
Alternatives	Unfavorable	Neutral	Favorable
Long/Short			
Market Neutral			
Managed Futures			
Private Equity			
Real Estate			

As a result, we make one adjustment to our Favorability Matrix from January: changing our rating on equity long/short alternative strategies from Neutral to Favorable. While each fundamentals-driven portfolio manager identifies both winners and losers, only certain funds can profit on the losers. The ability to profit from both the ups and downs of financial markets presents a compelling solution for volatile markets and rapidly shifting expectations for investors seeking risk-reduction. Our initial analysis of dealflow in private equity was correct and we continue to see value in this space, though the range of manager returns is much wider than traditional markets, making manager evaluation critical. We remain favorable towards municipal bonds for the investor seeking after-tax yield. While we still anticipate long-term rate volatility and the accompanying price volatility, the nominal coupons currently on municipal bonds offer unusually high taxable equivalent yields that approach historical equity averages (for corresponding tax brackets). Even though the Trump 2.0 Tariffs threaten higher consumer prices, we still remain confident that inflation will continue its downward trend leading us to view inflation indexed bonds unfavorably. Lastly, we continue to view managed futures unfavorably as higher volatility in currency markets has broken away from historical correlations reducing its usefulness in diversified portfolios.

We also reaffirm our favorability towards small cap names. In January we highlighted that wide relative valuations prompted us to see value for aggressive investors, but the volatility this year has kept those asset classes depressed. However, we want to highlight an additional aspect that contributes to our favorability towards smaller companies: sales dissipation. Market concentration has become a hot topic in the last couple years, but it turns out that when you look at index components via sales, it shows the market is de-concentrating pointing to key opportunities in fundamental active stock selection, particularly among small- and mid-sized companies where dispersion is widest.



Source: FTSE Russell US Indexes (LSEG), FactSet

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Financial Advisors

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As a Private Wealth Advisor, and Senior Vice President of Wealth Management with Raymond James, I have been providing wealth management and retirement plan consulting to families and businesses since 1999. My most deeply held principle is that the client always comes first. I strive to develop long-term relationship with a select group of clients to fully understand your investment objectives and your tolerance for risk while providing viable strategies for every element of the wealth management equation. My team and I will work to customize a wealth management plan specifically designed with those goals in mind, adapting our recommendations to changes in your life circumstances. I joined Morgan Keegan, now Raymond James, in 2004 after working for nearly 6 years as a financial consultant with Morgan Stanley. Originally from Quincy, IL, I graduated from the University of Missouri – Columbia, where I earned a B.A. degree in political science. Later, I earned the professional designation of CERTIFIED FINANCIAL PLANNER® from the CFP® Board of Standards in 2006 and the ACCREDITED INVESTMENT FIDUCIARY® designation in 2009 from Fiduciary360. My wife, Amy, and I reside in Chesterfield, Missouri along with our two children who are current pursuing their degrees. Alexis (Lexi) is finishing her undergraduate degree at the University of Central Arkansas and will be attending Saint Lois University in pursuit of her MSW – Master of Social Work. William (Will) is attending Mississippi State University where he plans to earn a degree in professional meteorology. Away from the office, I enjoy being with family and friends around the pool, fire pit, or BBQ along with traveling to warm-weather oceanfront destinations.

Jerry Padawer, CEPA®

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Gerald N. (Jerry) Padawer is a managing director and section vice president of Investments at Raymond James. Jerry entered the financial services industry in 1968. He and his team now work exclusively with business owners, and with their families. Jerry believes that if we can help our clients grow their overall wealth that many business owners will invest even more in their communities, almae matres, and religious institutions – in short, to engage in “tikkun olam” or “repair of the world.” A graduate of Washington University in St. Louis, Jerry has also taken courses at St. Louis University School of Law, in financial planning at the University of Chicago and the American College; and at the graduate School of Business at the University of Wisconsin. Jerry now holds the Certified Exit Planning Advisor (CEPA®) designation from the Exit Planning Institute. Jerry and his wife, Patty, live in Ladue. They have five grown children and nine grandchildren. Jerry has been a volunteer with Jewish Federation for many years, including service as Chair of Federation’s Professional Society, and where he also has served as a member of the Board of Trustees.

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Quinn supports the team by delivering tailored investment and portfolio strategies. With a background in equity research, financial modeling, and risk analysis, Quinn plays a key role in managing proprietary allocation models and conducting in-depth security and asset-level research. He also provides portfolio analysis, manager research, and economic insights to support the advisors, helping clients navigate complex investment landscapes. As a CFA Level II and FMVA© candidate, he remains committed to continuous professional development. His analytical acumen and innovative approach have contributed to developing tools and methodologies aimed at improving portfolio efficiency and risk-adjusted returns. With a detail-oriented approach and a focus on practical strategies, he helps support the team's efforts to navigate an evolving investment landscape. Quinn and his wife Mary Larkin live in Glendale. While not in the office or gym, he enjoys fine bourbons and classical guitar. Whether it's the latest news on markets or a bourbon recommendation, you will find a willing conversationalist in Quinn.

investing involves risk and you may incur a profit or a loss regardless of strategy selected

Lydia Katherine Balistreri, WMS®, AAMS®

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Lydia Balistreri is a dedicated Wealth Management Associate, specializing in helping to craft comprehensive financial plans for business executives, entrepreneurs, retirees, and families. She is a staunch advocate of the philosophy "the client comes first" and is committed to understanding and addressing the clients' unique goals, needs, and aspirations to help develop tailored financial plans. She began her career at Northwester Mutual in 2022 as a Financial Representative where she provided exceptional service to insurance clients in Milwaukee, Wisconsin. In 2023, she transitioned to Raymond James in St. Louis where she excels in helping to create detailed financial plans and proposals and conducts in depth research to meet the clients' financial objectives. Lydia holds a Bachelor of Science in Finance with a minor in Marketing from the Chaifetz School of Business at Saint Louis University. During her academic tenure, she was actively involved in various leadership roles, including service as President and Treasurer of Phi Mu - Zeta Zeta, and as Senior Vice President and Vice President of Finance for Delta Sigma Pi, Beta Sigma chapter. She is also licensed with Series 7, Life, Health, and Accident Insurance licenses and holds her Bloomberg Market Concepts Certificate. Beyond her professional endeavors, Lydia is a passionate avid support of Children's Miracle Network Hospitals, contributing through both volunteer work and philanthropic efforts on local and national levels. In personal time, she enjoys engaging in the performing arts, exploring new travel destinations, participating in outdoor activities, and discovering new dining experiences around St. Louis.

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