# *Thoughts from the Holy City – April 2024*

*"Success in investing isn't about making a lot of money in a short period of time. It's about earning reasonable returns over very long periods."*

*~ Brue Flatt (Brookfield Asset Management)*

Dear Valued Clients and Friends,

Normally, for me, April signifies the beginning of spring and is kicked off by the Master's Tournament in Augusta, warmer temperatures, and my children's spring break. While those things still hold true this April, it was overshadowed by tariffs, a roiling stock market, and uncertainty. It is during times like these that we are reminded of the finicky nature of the stock market—unpredictable and relentless. I am also reminded of the importance of taking a long-term perspective and managing risk and emotions. We are still in the early stages of the tariff announcement and the implications, but I feel confident that we will have more clarity in the coming weeks as negotiations, repeals, and reversals are made. The first quarter of 2025 showed that the U.S. economy is still strong, though it is starting to slow down in some areas.

Leading up to the tariff announcement on April 2nd the equity markets remained turbulent through March. The S&P 500 was down 10% from its peak, dipping into correction territory and finishing down 4.59% year to date. The NASDAQ ended March down 10.42% as the Magnificent 7 have fallen from grace as the darlings of 2024, and the DJIA ended down 1.28% for the year. Meanwhile, international markets, as measured by the MSCI EAFE, were positive by 8.49% and bonds have had a good year thus far ending March up 2.54%. So, while the first quarter had its challenges, it is mostly attributed to tariffs and the constant changes to those proposals.

The U.S. Gross Domestic Product (GDP), which measures the size of the economy, grew at a slower pace in Q1 2025 compared to last year. This means the economy is still expanding, but not as quickly. A slower economy can help reduce inflation, which has been a major concern for the past two years. The Fed left rates unchanged at its March meeting, raising inflation expectations for 2025 and lowering growth forecasts through 2027. During turbulent times I like to put things into perspective by looking back at the history of the markets and the fundamentals of investing. We have all heard the adage that "history doesn't repeat itself, but it rhymes."

There are several things I like to revisit when we go through volatile periods in the markets, be they corrections or recessions. Investors have faced challenging periods throughout history, and today's environment is another example. What distinguishes successful investors from the rest is not their ability to predict market movements. Rather their discipline in maintaining appropriate portfolio allocations through various market environments and managing their emotions by taking a long-term view. So, here we go.

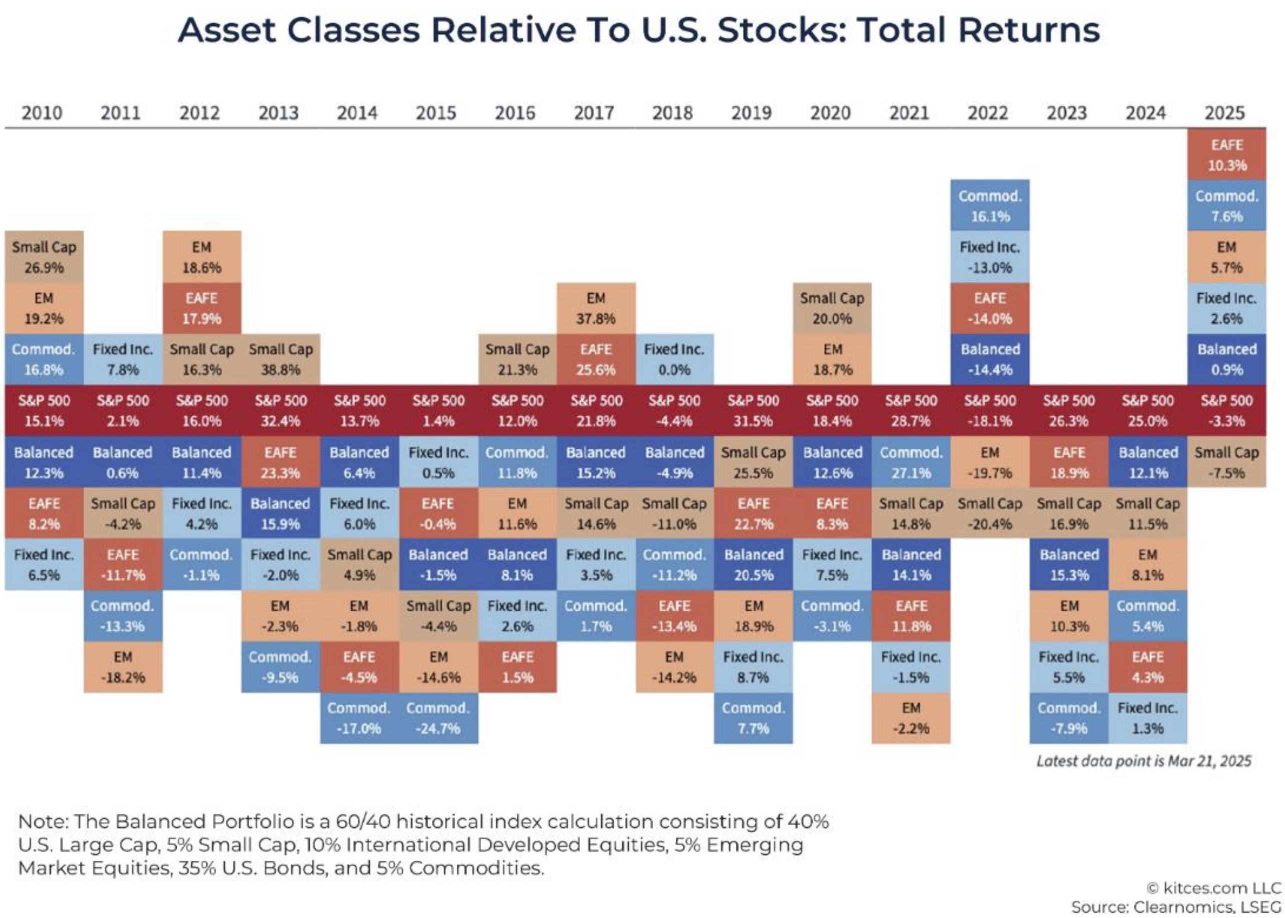
1) A recent study from Bob Carey of First Trust found that there have been twelve recessions since World War II, or one every 6.25 years on average. A year after the end of these 12 episodes, they find the S&P 500's total return averaged 21.25%. After three and five years, the average total returns are 49% and 94% respectively. Lastly, after ten years, the average gain is approximately 258%.

**Recessions and the S&P 500 Index**

| | | Before | | After | | | |
|---|---|---|---|---|---|---|---|
| Recession Start | Recession End | 6 Months | During Recession | 1 Yr | 3 Yrs | 5 Yrs | 10 Yrs |
| 11/30/1948 | 10/31/1949 | -8.99% | 19.01% | 35.06% | 92.80% | 177.83% | 510.36% |
| 7/31/1953 | 5/31/1954 | -3.53% | 22.94% | 36.07% | 83.74% | 145.16% | 295.53% |
| 8/31/1957 | 4/30/1958 | 6.52% | -0.94% | 37.23% | 66.38% | 89.85% | 211.22% |
| 4/30/1960 | 2/28/1961 | -3.83% | 19.74% | 13.64% | 35.15% | 68.41% | 112.23% |
| 12/31/1969 | 11/30/1970 | -4.14% | -1.92% | 11.25% | 20.58% | 25.10% | 146.56% |
| 11/30/1973 | 3/31/1975 | -7.63% | -7.80% | 28.33% | 22.08% | 55.64% | 253.47% |
| 1/31/1980 | 7/31/1980 | 12.99% | 9.58% | 13.00% | 56.07% | 100.53% | 344.64% |
| 7/31/1981 | 11/30/1982 | 3.59% | 14.23% | 25.57% | 66.79% | 102.96% | 350.21% |
| 7/31/1990 | 3/31/1991 | 10.12% | 7.94% | 11.00% | 29.79% | 98.08% | 284.21% |
| 3/31/2001 | 11/30/2001 | -18.75% | -0.91% | -16.51% | 8.42% | 34.29% | 33.17% |
| 12/31/2007 | 6/30/2009 | -1.29% | -35.01% | 14.42% | 57.66% | 136.88% | 293.76% |
| 2/29/2020 | 4/30/2020 | 1.91% | -1.12% | 45.96% | 50.11% | N/A | N/A |
| **Average** | | -1.08% | 3.81% | 21.25% | 49.13% | 94.06% | 257.76% |
| **Median** | | -2.41% | 3.52% | 20.00% | 53.09% | 98.08% | 284.21% |

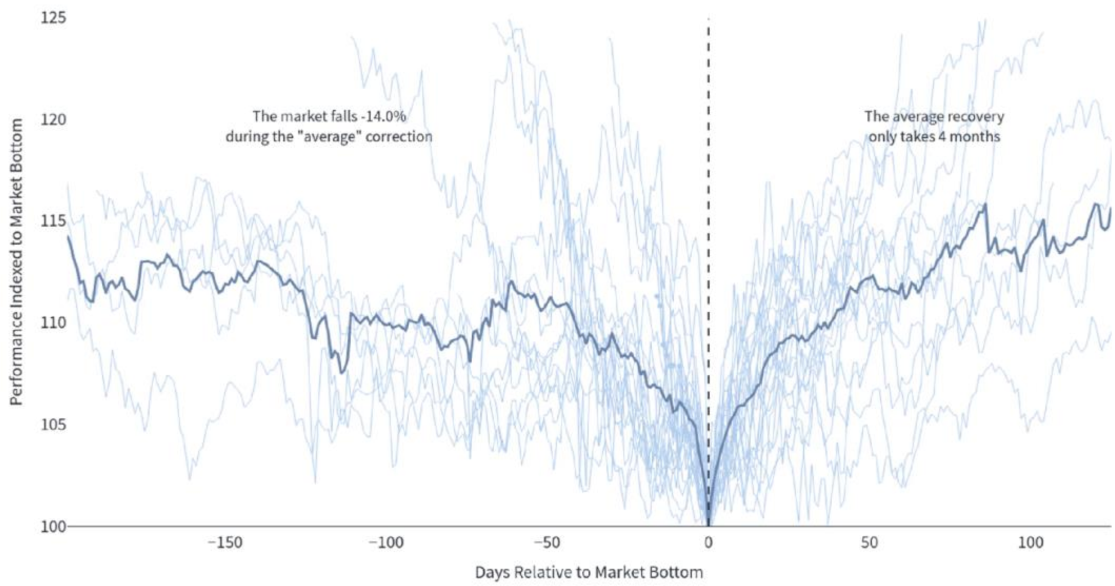
Source: First Trust, Bloomberg. As of 12/31/2024. **Past performance is no guarantee of future results.**

2) Diversification and risk management are vital components of long-term wealth creation. Asset classes rotate in and out of favor.



3) Market corrections are a normal part of the cycle. While they are uncomfortable amid them, sticking to the plan, rebalancing, and investing during these times can be the most prudent courses of action.

## Market Corrections And Recoveries



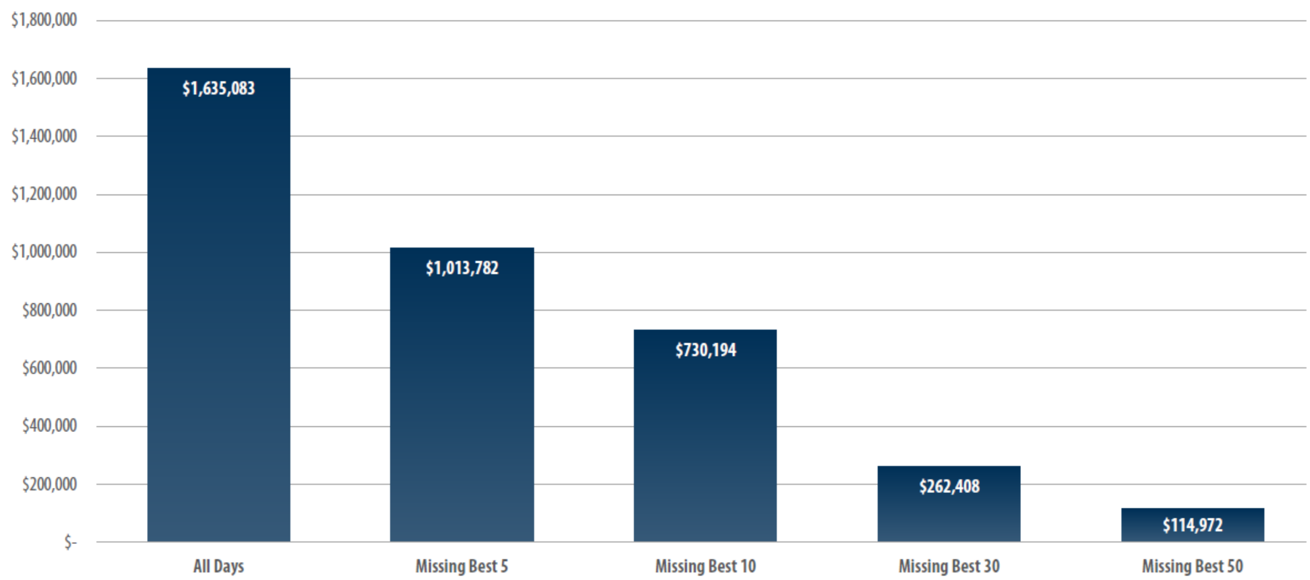

Note:
S&P 500 total returns since World War II. Market corrections are peak-to-trough declines of 10% to 20%. The bold line is an average across all corrections.


Source: Clearnomics, Standard & Poor's

4) Lastly, pulling out of the market during volatile times can be very tempting, but history shows that by staying invested, you tend to have the best outcomes as no one knows when the good and bad days will come.

Investing in the stock market can be volatile, which may tempt some investors to pull out of the market to avoid the bad days. However, it is impossible to predict when good and bad days will happen. This chart shows the potential effect that pulling out of the stock market could have on a portfolio. An investor does not have to miss many good days to feel the financial impact over time. We believe investors will be rewarded for sticking with their investment plan.

**Growth of $10K Invested in the S&P 500 Index: 12/31/79 – 3/31/25**




Source: First Trust, Bloomberg. **Past performance is no guarantee of future results.** Returns are total returns. The illustration is not indicative of any actual investment and excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. These returns were the result of certain market factors and events which may not be repeated in the future. The S&P 500 Index is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. An index cannot be purchased directly by investors.

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While much of the data and commentary is important, the biggest question is where we go from here, and the truth is I don't know, nor does anyone else. The tariffs have been the catalyst behind the recent drop in stock prices, and stocks could go lower from here. Stocks were overvalued before the tariffs. Even if the tariffs were not the culprit for the drop in stocks, something else would have been. I do know that trying to time the market, whether on the exit or the reentry, is a fool's errand. No serious investor can base their investment philosophy on the back and forth of tariff threats or the media's outlandish responses to them. No one likes this type of volatility in the markets even though it is these periods that often make money for those that are patient, disciplined investors. The biggest takeaway is that sticking to your plan and portfolio that we created for you, not someone else's or the media's, is the best course of action. ***This too shall pass and although history doesn't repeat itself, it does rhyme.***

Be Well,

Grier

**L. Grier Williford, CFP®, CPWA®**

Financial Advisor