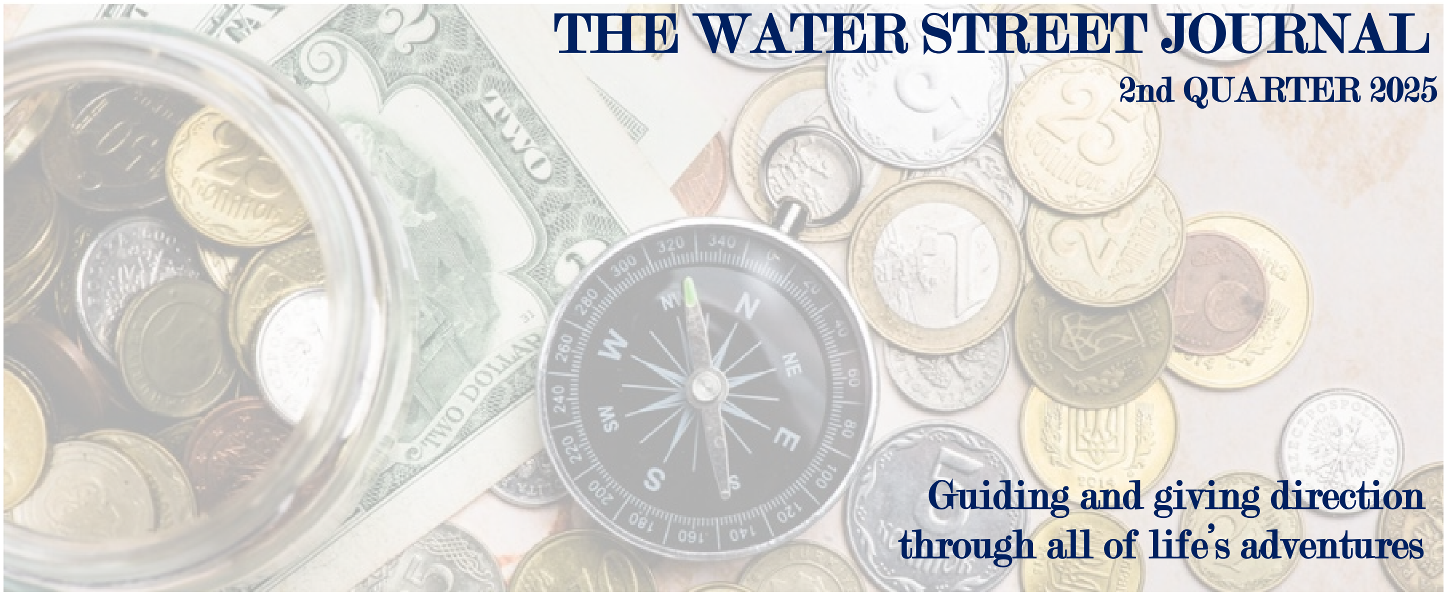

THE WATER STREET JOURNAL

2nd QUARTER 2025

Guiding and giving direction through all of life's adventures

DANIELLE VALLEAU

Financial Advisor

Securities offered through Raymond James Financial Services, Inc. Member FINRA/SPIC

Inside This Issue

Did You Know?

Spring, a season of renewal, marks the transition from winter to summer, featuring blooming flowers, warmer temperatures, and longer days.

Here are some interesting facts and trivia about spring:

- **Your sense of smell improves in Spring**
  With new flowers blooming, spring is a feast for the sense of smell. In fact, studies show that people's ability to detect smells improves in spring!
  Source: Chemical Senses Journal; "Seasonal Variation in Human Olfactory Performance"
- **The Eiffel Tower Grows in Spring**
  Incredibly, the Eiffel Tower can expand by up to 6 inches in the warmer temperatures of spring. This is because iron expands when it heats up. Don't worry, it'll shrink back when the weather cools down.
  Source: Live Science; "Why Does the Eiffel Tower Expand in the Heat?"
- **Monarch Butterflies Travel Thousands of Miles**
  Monarch butterflies undertake one of the longest insect migration routes. They travel thousands of miles from Mexico to the United States and Canada, arriving with the warmer weather in spring.
  Source: National Geographic; "Monarch Butterfly Migration

Staying In Touch

The office and the markets will be closed on:

- Good Friday 4/18/2025
- Memorial Day 5/26/2025
- Juneteenth 6/19/2025

We will be out of the office (but reachable) at the Raymond James Elevate Conference in Orlando:

- 05/05/25-05/08/25

When out of the office:
Please be aware there may be delayed responses.

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From Danielle's Desk

March market review

Dear valued clients,

The equity market remained turbulent through March, with the S&P 500 dipping into correction territory – 10% off its February peak – largely spurred by tariff policy uncertainty and related fears of potentially rising inflation and dwindling growth.

"The extreme optimism that was embedded in US equity valuations at the start of the year has reversed, with sentiment turning decidedly more negative following the recent correction," said Raymond James Chief Investment Officer Larry Adam. "However, with more attractive valuations and more reasonable expectations, equities are now better positioned to rise moving forward. The key catalyst is likely to be greater policy clarity, especially concerning tariffs, which remains elusive so far."

At its March meeting, the Federal Open Market Committee (FOMC) left target interest rates unchanged, raising inflation expectations for 2025 and lowering growth forecasts through 2027. Chairman Jerome Powell indicated that if growth falters, rate cuts would not be delayed.

Before we dive into the details of last month's news, here's where the major indices stand.

	12/31/24 Close	3/31/25 Close*	Change Year to Date	% Gain/Loss Year to Date
DJIA	42,544.22	42,001.76	-542.46	-1.28%
NASDAQ	19,310.79	17,299.29	-2,011.50	-10.42%
S&P 500	5,881.63	5,611.85	-269.78	-4.59%
MSCI EAFE	2,259.60	2,451.36	+191.76	+8.49%
Russell 2000	2,230.16	2,011.91	-218.25	-9.79%
Bloomberg Aggregate Bond	2,189.03	2,244.71	+55.68	+2.54%

*Performance reflects index values as of market close on March 31, 2025. Figures for the MSCI EAFE and Bloomberg Aggregate Bond reflect the market close on March 28, 2025.

Tariff concerns steered the ship

One common thread was observed across the major indices through March: Tariffs were a main driver of contraction. The combination of unknowns surrounding the tariffs themselves as well as their imminent impact could be similarly seen across industry data, such as the ISM Manufacturing Index and construction spending. Tariffs also contributed to the largest US trade deficit in traded goods since at least 1992, as producers pre-stocked inventories.

Positive signs beneath the surface

Despite the fog of policy uncertainty, there are still positive factors at play. With clarity, those factors may bubble to the surface. The economy is poised to remain resilient with a healthy earnings outlook, an expected easing of Fed policy, and evidence that inflation will not likely get out of control despite remaining sticky today.

Bond rates flat as treasury nears debt limit deadline

Treasury yields were largely unmoved in March, with municipal yields edging closer to long-term averages. The larger story is the federal government's impending inability to pay back its bills as soon as August should the current debt limit remain intact. The Treasury has resorted to creative accounting maneuvers in order to avoid breaching the $36 trillion debt ceiling. Treasury Secretary Scott Bessent assured lawmakers that the US will not default on its debt under his watch.

Have we mentioned tariffs yet?

While individual tariffs typically wouldn't have the widespread effects we're seeing, President Donald Trump's trade agenda comprises multiple types of tariffs across various sectors that combine to produce the levels of volatility we observed last month. Global reciprocal tariffs, sector-specific tariffs and the rollback of exemptions on USMCA-compliant goods from Mexico and Canada are all looming threats to economic growth in the short term. Timing continues to be a source of anxious uncertainty, but the Mexico and Canada tariffs could be resolved with a claimed "victory" over border issues surrounding immigration and fentanyl.

Oil prices touch six-month lows

Some of the more encouraging economic news for consumers to come out of the month of March has been the price of oil, which touched six-month lows before slightly bouncing. Cheaper oil is making its way to the fuel pump, with energy prices posting their sixth decline in the last seven months. US market weakness related to tariffs and record EV sales in China are likely contributors. Despite the drop in the oil market, energy stocks are doing well. Of the 11 economic sectors tracked by separate S&P 500 indices, only Energy finished March in positive territory.

A historic shift for German debt policy

The big news last month among international markets was Germany's sudden pivot away from a longstanding conservative approach to fiscal policy. The decision to reform the "debt brake," which capped the national deficit at .35% of gross domestic product, passed with a two-thirds supermajority, sending waves across European financial markets already in flux over the gradual and uncertain peace process in Ukraine.

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The bottom line

Turbulence is expected to continue until the markets have a chance to adjust to policy changes, which will require clarity from the administration. Time will tell if tariffs will stand as indicated, or if they will be lessened or removed amid ongoing negotiations with the countries and industries affected. Equities may continue moving sideways as the market reacts to headlines and eventually settles at a historically normal bottom for pullbacks of this nature.

I hope this update finds you well and if you have any questions, that you will not hesitate to reach out at your earliest convenience.

Sincerely,

Financial Advisor / Branch Manager

Travel securely: Keep your information protected on the go

TECHNOLOGY & INNOVATION

Learn about a few simple things you can do to protect your personal information while you travel.

Travel can be one of life's great pleasures, especially when you're enjoying retirement. Exploring new-to-you countries or revisiting favorite spots is fulfilling, whether traveling by yourself or with family or friends. Regardless of who you travel with, there can be the risk of an unwanted guest – in the form of threats to your personal information.

In the age of smartphones and abundant Wi-Fi hotspots, it's important to remember that your information travels with you. That's why ensuring your devices, as well as your credit and debit cards, are secure when you travel abroad is vital. Fortunately, there are precautions you can take to help minimize the threat of your sensitive data being compromised.

Be mindful of your device settings

When traveling, consider disabling certain settings on your devices, like Bluetooth and your laptop's webcam. Use Wi-Fi only through a trusted source rather than a public or unknown source, and make sure your device doesn't try to automatically connect to networks when you aren't using it.

Think about using a virtual private network (VPN) while traveling. A VPN helps to keep your personal information, browsing history and location private so you can use your devices more securely on the road.

There are numerous providers available for purchasing VPN services, so you can explore the features that will work best for your circumstances.

Limit your account access while traveling

It's also important to be mindful of the websites you're accessing while traveling. Even when using a VPN, try to avoid accessing web accounts that contain any sensitive information, such as your financial, personal or health information. If you do need to access any such accounts, consider changing your passwords when you arrive home as an added security measure.

Keep in mind that any devices you might use that are not your own are especially unlikely to be secure. Public computers, such as those in a hotel common workspace or an internet café, pose an additional risk to your information. Looking up museum hours or directions to your dinner reservations is one thing, but it's best not to use any sort of public computer for anything you need to supply a password to access.

Think about what you're taking with you

Consider which of your electronic devices you're taking with you while you travel, and which you may be able to leave at home. For example, leave your laptop at home if you can, especially if you're traveling for pleasure rather than business. Likewise with your credit cards and any important documents – take only what you need, and make sure you're carrying them securely.

Be prepared to verify purchases if needed

It's always a good idea to make sure your financial institution knows that you'll be traveling so your purchases aren't flagged as fraudulent. You may still be notified about suspicious charges, however, as stolen or counterfeit cards are always a risk.

Check with your credit card company before you travel to learn the process for approving any charges the company may flag as fraudulent, so you know what to expect. Debit cards also often have daily limits on ATM withdrawals and point of sale purchases. Certain transactions at high-risk merchants or some transactions identified as potentially fraudulent may also require additional verification from the merchant. It's good to be aware of all of this before your trip.

Next steps

Here are a few more tips for traveling securely:

- Use ATMs inside banks whenever possible and avoid standalone ATMs.
- Pay attention to the card reader. If it is loose or appears to be tampered with, do not use that ATM.
- If you lose a card, report the loss to your financial institution immediately.

7 ways to boost your savings

RETIREMENT & LONGEVITY

Simple steps to help build your financial foundation.

Although saving more takes some effort, it may be easier than you think – there may even be “free” money available that can help. Here are some tips:

1. Take advantage of an employer match.

If they’ll match 3%, you’ve just covered 6% of your retirement savings goal when you add in your contribution, too. While the specifics vary, many companies will match whatever you contribute to the retirement plan (up to a certain percentage of your income).

2. Increase your savings rate by 1% a year.

Whether in an IRA, a 401(k) or some other dedicated account, this small change means you’ll be at 15% within 10 years without even feeling it.

3. Investigate additional savings opportunities at work.

See if your employer offers a corporate profit-sharing plan, employee stock purchase plan, which enable you to purchase your employer’s stock at a discount, or employee stock ownership plans, which provides company stock at no cost as part of overall compensation.

4. Put money aside in tax-deferred accounts.

Consider saving in a tax-deferred account such as a 401(k) or a traditional IRA. Doing so can cut your tax bill. Contributions to a Roth IRA, by contrast, are not tax deductible, but they can grow tax-free. Earnings may be taxed if withdrawn before you’ve held the account for five years.

5. Consolidate your financial accounts.

This may help you take advantage of potentially lower fees. Don’t assume a bank is your only choice for check writing, and consider applying whatever savings you achieve to your retirement fund.

6. Pay yourself first.

Schedule automatic monthly transfers from your checking or savings account into your retirement account. This keeps you on track and also ensures that you’re investing consistently, regardless of market fluctuations.*

7. Find a credit card that deposits cash back into your retirement account.

Careful here – this only works if you diligently pay off the card balance every month.

**This strategy does not assure a profit and does not protect against loss. It involves continuous investment regardless of fluctuating price levels of such securities. Investors should consider their financial ability to continue purchases through periods of low price levels.*

Investing involves risk, including the possible loss of capital. There is no assurance that any investment strategy will be successful. Withdrawals from tax-deferred accounts may be subject to income taxes, and prior to age 59 1/2 a 10% federal penalty tax may also apply.

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Stay Connected, Stay Informed

Follow our Facebook page and get current, up-to-date information from Raymond James and our office! Simply login to Facebook and search for “Danielle Valleau, Financial Advisor with Raymond James Financial Services”

Check out our website raymondjames.com/daniellevalleau, where Client Access, The Water Street Journal, market and investment updates are all some of the resources at your fingertips.

Just more ways we can stay in touch!

Office news

MILESTONES & CELEBRATIONS

- Join us in celebrating Annette Sprague, our amazing client service manager, as she hits the fabulous milestone of 50 this April!

  Feel free to shower her with your warmest wishes and make her feel extra special all month long. Here's to 50 years of awesomeness and many more to come!

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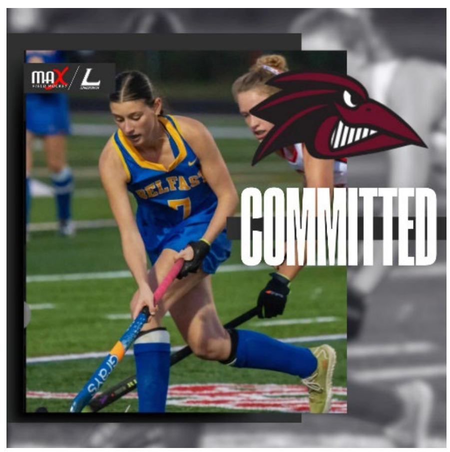
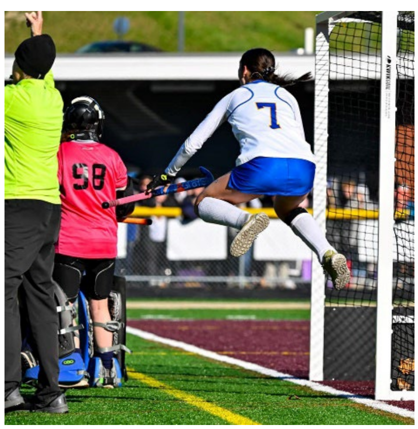
- Danielle and her husband Bill are bursting with pride as they celebrate their daughter Jocelyn's incredible achievements! In the Fall, she and her teammates secured the 2024 Class B State Title in Field Hockey. During the 2025 Indoor track season, Jocelyn secured the **8th place in the state, Class B, for the 400m and 1st Place for the 4x200 team and 3rd in the 400m in KVACs**. Since she was little, Jocelyn has shown remarkable traits of strength, dedication, and drive, just like her mom, Danielle.

  Over the years, Jocelyn has been decorated with numerous awards in swimming, field hockey, and track & field. This season, she even took on the challenge of joining the wrestling team! ***Quite possibly the most exciting news*** is her verbal commitment to the admissions process and to play Division II Field Hockey at Franklin Pierce University in the Fall of 2026. Your hard work, talent, and team spirit have truly paid off, Jocelyn!

  Let's all join in to cheer for Jocelyn and wish her continued success in all her future endeavors. Keep shining and running towards your dreams!





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Trade policy shifts put the Fed in a challenging position

MARKETING & INVESTING

April 04, 2025

Review the latest Weekly Headings by CIO Larry Adam.

Key Takeaways

- Tariff rollout significantly more aggressive than we expected
- Downside risks to growth raise the odds of a recession
- Trade policy shifts put the Fed in a challenging position

Tariff Turbulence. The President's long-anticipated tariff announcement on April 2 has come and gone. Our hopes for some clarity, so the uncertainty weighing on confidence and the equity market could subside, were dashed after we heard the breadth and magnitude of the administration's tariff plan. In essence, the new tariffs will push the effective tariff rate to the highest level in over 100 years – nearly 3x our original estimate. The news reverberated across the financial markets, sending risk assets and the US dollar lower, with bond yields benefiting from flight to safety flows. While it appears that uncertainty is going to stick around a little longer than we may like, below we outline our latest thinking on the economy and financials markets. For more information on our updated forecasts and asset class targets, please join our webinar on Monday, April 7 at 4PM.

- **Tariff rollout more aggressive than expected** | The on-again, off-again tariff announcements over the last two months had captured the markets' attention, with investors anxiously awaiting the president's widely telegraphed tariff rollout on April 2. While we had already penciled in a sharp increase in the effective tariff rate, from 2.5% up to ~10% based on earlier announcements, Wednesday's update went beyond our worst-case expectation. In fact, our updated calculations suggest that the effective tariff rate (assuming they are long-lasting) will rise to ~22.5%—that's well above the Smoot-Hawley tariffs enacted in the 1930s, to levels unprecedented in modern history. While we are hopeful that the effective tariff rate will eventually settle at a lower level and that the administration is using tariffs as a bargaining chip, the greater than expected increase will have a significant impact on both the economy and the financial markets.
- **Downside risks to growth raise the odds of a recession** | As our past work suggests, every 1% increase in the effective tariff rate should lead to a 0.1% drag on growth and a +0.1% increase in inflation. Given what we have learned, the president's more aggressive tariff actions will create significant headwinds for the US economy. We are now expecting to see a sharper slowdown, and the odds of a recession have clearly increased. While our economist still expects the economy to narrowly avoid a recession this year, the longer

these punitive levels of tariffs remain in place, the greater the risk that it tips the economy into contraction. Although the economy entered this trade shock in relatively good shape—the labor market remains healthy, the consumer is on solid ground and capex spending remains robust—the risks are clearly skewed to the downside from here and that's before we know the full extent of retaliatory measures.

- **Trade policy shifts put Fed in a challenging position** | The Fed's job just got a whole lot more challenging. Given their dual mandate, Fed officials will need to decide whether to lower interest rates to support the economy as businesses and consumers navigate the uncertainty or keep rates elevated (or dare I say raise them) to tamp down inflation. While Chair Powell indicated that policymakers could look through any inflationary boost caused by tariffs during last month's press conference, it does not appear that all Fed officials are on board with this view. However, we suspect that growth concerns will dominate, particularly if the labor market starts to crack in a meaningful way. And with the Fed's monetary policy stance still restrictive, policymakers have ample room to cut rates to respond to any weakness. For now, we are still sticking with two rate cuts this year. However, Powell's speech today may provide some more insights into the Fed's latest thinking.

- **The equity outlook has been dimmed** | Coming into the year, we had a below consensus forecast for S&P 500 2025 earnings ($270 EPS). While earlier tariff announcements led the team to reduce GDP and lower corporate earnings to $265-$267, Wednesday's Rose Garden update suggests there is further downside from here. Two things we are laser-focused on right now: margin compression (i.e., companies can't fully pass on higher costs) and the extent of the economic slowdown (which hinges on how long the tariffs remain in place). Our work suggests that the tariffs alone (assuming the higher 22.5% effective rate) could result in a ~4% hit to corporate earnings—reducing 2025 EPS to ~$260/share. Accounting for slower growth (sub 1%) should shave off another 1-2% from corporate earnings, with EPS falling to the $250-$255 range. The bottom line: our 6,375 year-end target is likely to be revised lower to around 5,800 if the tariffs remain elevated longer-term. Keep in mind, this adjustment doesn't account for a recession (still not our base case). If a recession occurs, earnings may be even lower.

- **Yields modestly biased to the downside** | We see scope for yields to fall modestly from current levels as the growth scare persists. While the 10-year Treasury yield has shifted lower as the market anticipates a deeper Fed easing cycle, a sustained move below 3.75% - 4.0% is unlikely absent a recession (which we do not foresee at this time). While inflation may temporarily increase from the steeper than expected tariffs, the anticipated hit to economic growth from the escalating trade war will be a bigger driver for bond yields, likely putting some modest downward pressure on our current 4.5% year-end 10-year Treasury yield target. We reiterate our preference for the high-quality sectors of the fixed income markets, which are more insulated from a slowing economy.

CHART OF THE WEEK

The US Effective Tariff Rate Will Climb To Its Highest Level In Over 100 Years!

After President Trump's April 2 tariff announcement, the effective US tariff rate will jump to its highest level in over 100 years. This will likely lead to slower growth, higher inflation and raise the risk of a recession this year.

Source: FactSet

Click here to enlarge

View as PDF

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The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete. Diversification and asset allocation do not ensure a profit or protect against a loss.

Spring clean your finances

FAMILY & LIFESTYLE

Streamline planning for the future by getting organized.

Spring is the perfect time to get your finances in order. Being on top of your finances can help you feel more in control, while reevaluating your bills and purchases more often can help you stay within budget. Also, you're more likely to think ahead and plan for the future if you get and stay financially organized.

Start by organizing your paperwork

Life events like selling or buying a home, preparing for retirement or a medical event can leave you with an accompanying mountain of documents. Most people aren't certain what papers are important to hold onto. In a pinch, they either can't find exactly what they need or realize they never saved it in the first place.

Creating a physical and digital filing system is often the simplest way to organize your documents, making it easier to locate important papers when you need them. Sort your documents by major category like investing, medical expenses, loan documents, estate planning, and home repairs by designating a folder for each. You can then break down each category by year. Be careful to shred or delete any documents you decide you no longer need.

Run your credit report

Check your credit report every three months for derogatory changes and look for any signs of identity theft. You can check with the three credit bureaus – Transunion, Experian and Equifax – individually, or get a consolidated report from Credit Karma or Credit Sesame.

If you find derogatory changes like missed payments or foreclosures made in error, you can dispute them with the credit bureaus. This is crucial, as derogatory marks will remain on your credit report for seven years.

Take an annual look at the big picture

Use spring as an opportunity to review your spending habits , as well as income changes, to identify ways to optimize your finances for the rest of the year. Decide what your highest priorities are and consider ways to boost your financial health. A little creativity could help you get closer to your goals more quickly.

Some practical tips include refinancing debt to lower your monthly payments, cutting unnecessary costs and canceling subscriptions you no longer need. You can even earn quick cash by selling those gently used designer shoes hiding in the back of your closet.

Creating and following a budget gives you the freedom to spend your money the way that best supports your goals. One easy way to do this is by automating as many payments as possible and being diligent with your discretionary spending.

As you take control of your finances and prioritize your goals, don't forget to consider retirement. Most people want to work less in the future or retire altogether, and as costs rise over time due to inflation, it's important to make sure you save enough to support the lifestyle you want to maintain. It's always a good idea to increase contributions to retirement accounts, but it becomes more essential the closer you get to retirement age as there is less time to accumulate interest or retirement gains.

While organizing your finances takes some time and effort, the payoff in the long run is well worth it. It gives you the freedom to save for the goals that matter most to you, and enables you to have funds in place when you need them for an emergency or major purchase.

Source: New York Life

If you are already a client and your financial situation, risk tolerance, or goals and objectives have changed, please give us a call.

Wishing you a season full of fresh starts and financial growth! As the days get brighter, may your goals bloom and plans flourish.

Happy Spring!

Danielle, Annette & Michelle

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