



As we expected, the first few months of the Trump administration have been interesting. No one on either side of the political divide expected such wide-ranging actions. And naturally there's a return to diplomacy-via-Twitter in Trump's "Art of the Deal" style. As attention has turned to economic and geopolitical matters such as the Ukraine War, tariffs, and DOGE, markets have whipsawed back and forth. Though we remain in spitting distance of all-time highs, investor sentiment has turned sharply negative – to levels normally seen during pronounced market downturns.

Economic indicators have also given investors new cause for concern. The Atlanta Federal Reserve's GDPNow model is something we diligently track, and which has accurately modeled the post-pandemic economy. It has recently fallen sharply into negative territory as a result of some startling economic data points. There's also concern about elevated inflation being exacerbated by tariffs or deportations. It's possible that elevated uncertainty will impact consumer and business spending patterns, along with the reduction in government spending. We will have to wait to see more hard data points to know how impactful the change in sentiment has been.

There's a lot of uncertainty which has manifested in elevated daily volatility for stocks and bonds. But despite that, the stock market is basically unchanged since the election and bond markets are slightly higher. It's easy to find reasons to be bearish, but keep in mind that the news is changing every few days – or hours! – and the administration is often unclear or contradictory with their communication. The economy has been growing for years and recent corporate earnings were quite strong. It's possible that growth will slow marginally, but it's also possible that Trump will get concessions from other countries and the tariff threat will go away. In the short-term the markets are experiencing some indigestion, as we assess the impact of spending cuts, federal layoffs, and uncomfortable negotiations between friends and foes.

After two years of double-digit returns, and with corporate valuations stretched by many measures, we were cautious coming into the year. Our PEG (Preserve, Earn, Grow) approach to investment planning anticipates periods of volatility and shouldn't be impacted by mild market gyrations.

Wells Fargo Investment Institute also hosted a special conference call regarding recent market volatility. The replay can be accessed at 980-900-1046 – passcode 78241.



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