March 2, 2025	Dow Jones	S&P 500	NASDAQ	Russell 2000	10 yr Treas	Bitcoin	Gold	Crude Oil
	43,841	5,955	18,847	2,163	4.23%	85,339	$2,867	$69.95

Investment Strategy Report

High Flyers Get Knocked Down As Stocks Hit A Weak Patch

Stocks got off to a good start in 2025, making nice gains in January and extending those gains through mid February. They topped out on Feb. 19th before getting smacked down during the past week or so. From the 2/19 peak through this past Thursday's low, the Nasdaq dropped 7.5%, the S&P lost 4.6%, and the Dow was down 3.1%. Friday's strong rebound, which saw the indexes rise about 1.5%, helped to stop the bleeding.

Market uptrends are always tested and this one is no different. This recent corrective phase comes amid a high level of nervousness among investors. Whether it's the turmoil in Washington or around the world, investor skittishness has reached a high point, something that I can corroborate with what I have heard from my clients. Investors don't like uncertainty, and the uncertainty surrounding government policies like tariffs, taxes, immigration, foreign policy and conflicts, etc. is having its effect on investor psyches. And this has spread to the market's current pullback. However, the market's strong rebound on Friday might indicate that while short term uncertainty can lead to short term losses, over the long term, the market can ignore the "noise" and instead concentrate on the fundamentals.

Tom Lee (Fundstrats) was on CNBC on 2/21 to give his take on the stock sell-off. He sees the high level of investor bearishness, even at recent record highs, as a contrarian bullish signal. This "wall of worry" is a positive setup for stocks. He noted that investors are worried about tariffs and deportations, but doesn't feel that these should have deleterious long term implications. He noted that the odds are now for 2 Fed rate cuts this year, and they may begin cutting sooner than expected. This will be good for stocks. He also doesn't buy the current thinking that the markets will undergo a rotation this year, out of growth stocks and into value stocks. He feels that growth stocks will continue to outperform. Investors are looking for stocks with revenue growth, earnings growth, margin expansion, and reasonable pricing. During uncertain times, these stocks will have better visibility and predicts that investors will buy the dip.

Also on Feb. 21st, Brett Eversole of Stansberry Research, wrote his True Wealth newsletter and addressed the huge tech sell-off of January 27th, which saw the Nasdaq drop 3% and Nvidia crash 17%. The drops were in response to Deepseek's release of their AI model. Brett's response was "Every now and then, investors are just looking for a reason to sell. And when that happens, the market gives them that reason … always. As we like to say, "Bull markets climb a Wall of Worry". Folks fight the move higher every step of the way … even as prices keep on rising. The concern and skepticism keeps the boom from overheating – and keeps plenty of investors on the sidelines". And he continues with "While we don't know exactly how the DeepSeek breakthrough will play out, I do feel confident enough to say that "DeepSeek is simply the latest brick to go up in the Wall of Worry".

He added that during bull markets, investors are always looking for reasons to sell. He then went on to list events during the last 10 years that caused the biggest fears: 2015 China slowdown, 2016 Brexit, 2017 Trump's policies, 2018 US-China trade war, etc. "They were all scary at the time, but today we can see they were false alarms. If you sold based on any of those ideas, you probably ended up kicking yourself". "In a bull market, you've got to stay disciplined and stay the course. That's exactly where we are right now".

Good News on Bonds and Interest Rates – While stocks pulled back last month, the good news was that bonds helped cushion the blow, fulfilling their role of providing income and support for our portfolios. In the past month, the yield on the 10 year Treasury has fallen from 4.51% to 4.23% which means that bonds, and our bond funds, saw price increases. On average, our bond funds were up 1.7% last month, a large and very nice increase. The additional good news is that lower interest rates, which didn't help stocks in the short term, will have a positive effect on stocks longer term as this indicates lower inflation and more rate cuts from the Fed. *Jeff Feldman*