May 4, 2025	Dow Jones	S&P 500	NASDAQ	Russell 2000	10 yr Treas	Bitcoin	Gold	Crude Oil
	41,317	5,687	17,978	2,021	4.32%	95,509	$3,247	$58.38

Investment Strategy Report

Investors Suffer Whiplash As Tariff Talk Leads to Plunge and Then Recovery

To begin with, I hope that you are reading this, i.e., that you were not afraid to open up my monthly letter and view your performance for last month. I know that many of you have been nervous about the spike in market volatility since the announcement of tariffs on April 2nd. And with good reason. Following that announcement, the S&P 500 dropped 4.8% on Thursday, 4/3, and 6.0% the following day. From the market short term peak on April 2nd until the low registered on Tuesday 4/8, the S&P 500 sustained a loss of 13.4%. At the market close that Tuesday, the S&P was down 11.2% for the month. Yet by month end, the S&P had erased most of those losses, finishing the month down only 0.7%. And better yet, with our growth funds and balanced funds ending the month in positive territory, many of our portfolios finished the month with gains. I can imagine your surprise when you did look at your monthly performance report and saw that you in fact made money last month!

This stock market "miracle" occurred because of President Trump's declaration on April 9th that he would waive the implementation of many of the tariffs for 90 days. This bombshell rocketed the markets higher, with the S&P reversing 10.3% higher for the day and the Nasdaq reversing higher 12.2% for the day, This is why those who try to time the market wind up with inferior returns. If you were out of the market for that one day, you would have definitely missed out.

But it turns out, those who missed that massive one day rally, did have another chance. Following that one incredible day, most of those gains were given up by April 21st. But the markets did stabilize at that point and began moving higher again, ending this past Friday (5/2) 10.3% higher than the 4/21 close.

While I can't say that I forecast the stock market mini-crash (I don't know of anyone who did), I will say that I have been touting the strength of this market for quite a while. And even though the market had experienced significant weakness even before the tariff announcement, the market uptrend had remained intact and my market analysts were still predicting higher stock prices ahead. And trying to side step market corrections while the market is in an uptrend is never an easy thing to do.

Now that we have experienced a month of historic volatility, where do we go from here. Again, according to my analysts, we go higher. On CNBC this past Friday (5/2) Ryan Dietrich, the chief market strategist of the Carson Group, cited that the S&P 500 has been up 9 straight days, from 4/21 to 5/2, its longest winning streak in 20 years, a definite positive. He added that the market has already recovered 50% of its 2025 losses and 90% of the time when this happens, the market continues higher. He went on to say that market breadth is strong and the advance/decline line is at an all time high. He feels that the lows for the year are in and the market has room to run. And for those who subscribe to the "Sell in May" theory, he stated that the market has been higher in May nine of the past 10 years and it was also higher 6 months later in 8 of those years.

The analysts at Stansberry Research are also feeling bullish. Brett Eversole pointed out (4/30) that the market's relative strength was under 50% for 43 straight days, a rare feat that hasn't been seen 2002. He then stated that "these rare setups are good for stocks, though. The negative momentum can't last forever … So stocks tend to outperform going forward". He stated that going forward the market was higher a year later 8 out of 9 times and its performance was almost double the average return. Brett also commented (4/23) on the extreme negative sentiment among professional money managers, the National Association of Active Investment Managers (NAAIM). "This shows that active investors are the most bearish they've been in nearly 2 years. And according to history, this contrarian setup points to 15% upside over the next year". There was confirmation of this negative sentiment in today's Barron's (5/5), with the cover story "Where Did the Bulls Go? – The percentage of bears in our latest Big Money poll is the largest in almost 30 years". Again, from a contrarian view, this much negativity is more positive news for stocks.

Carl Quintinilla of CNBC summed things up this past Friday (5/2) when he said that "The pain trade is higher. Investors are now fearful that some good news will send markets higher". *Jeff Feldman*