

Week in Review

Markets waiting for clarity

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Disclaimer: I am not a certified financial analyst.
Any trading decisions you make are your responsibility

Summary of Major Events

- S&P500 hits all-time record
- Reciprocal tariffs authorized. On hold until April 1.
- Trump “going small” on tariffs – does not want to be branded with inflation
- Voters are generally positive about Trump’s DOGE efforts to cut government but also concerned about rising inflation. 5.5% expected.
- Musk / DOGE continues tearing through the Executive Department looking for inefficiencies.
- US / Russia talks are working to reset US-Russia relations
- Trump executive order asserts control over independent agencies, including the Fed, except for interest rate policy
- Illegal immigration is down 85% since August 2024, record.
- RFK Jr, takes the helm at HHS – what will this mean for health policies?

Economic Commentary

Should we be worried?

- Trump easing off on tariffs. Reciprocal tariffs on hold until April 1.
- This will be damaging to the economy, interest rates and inflation.

Q: how long will tariffs last?

- Mortgage delinquencies rising (FHA and VA loans)
- Consumer credit card debt and delinquencies rising rapidly.
- January retail sales fell 0.9%
- US labor market in balance - Jan payroll up 143,000
- China headed into deflation
- EU continues stagnating.

Market Commentary

Stock market (S&P500) is at record high

- **Stock market upside potential is far outweighed by downside risk.**
- Stock market seems to be ignoring danger signals:
 - Option trading volume at all-time high (WSJ)
 - Margin debt at all-time record high and approaching \$1T. (FINRA)
 - Investor pessimism at 2-year high (WSJ)
 - Consumer staples (XLP) rising; consumer discretionary (XLY) dropping
 - Fund managers' cash holdings at lowest since 2010 (Bloomberg)
 - However, ETFs recorded \$107B inflows during January (ETF.com)
- Euro stocks rising rapidly: PE = 14 as compared to US PE= 22
- Gold rising rapidly: Up 10% YTD
- Major companies reporting earnings this week:
 - Occidental, Alibaba, Newmont, Booking, Walmart
- VIX sitting at 15– below average.
- CNN fear gauge sitting at 47 – neutral

Now what?

- What do we do with all this information?
- Short term?
- Long term?
- Stock market: Sell everything? Stay put? Buy selectively?
- Bonds: Wade in?

"Diligence is the mother of good luck."

Benjamin Franklin