

Derek's Market Update: Lessons After a Historic Month



Derek A. Bergfeld | Wealth Manager
2025

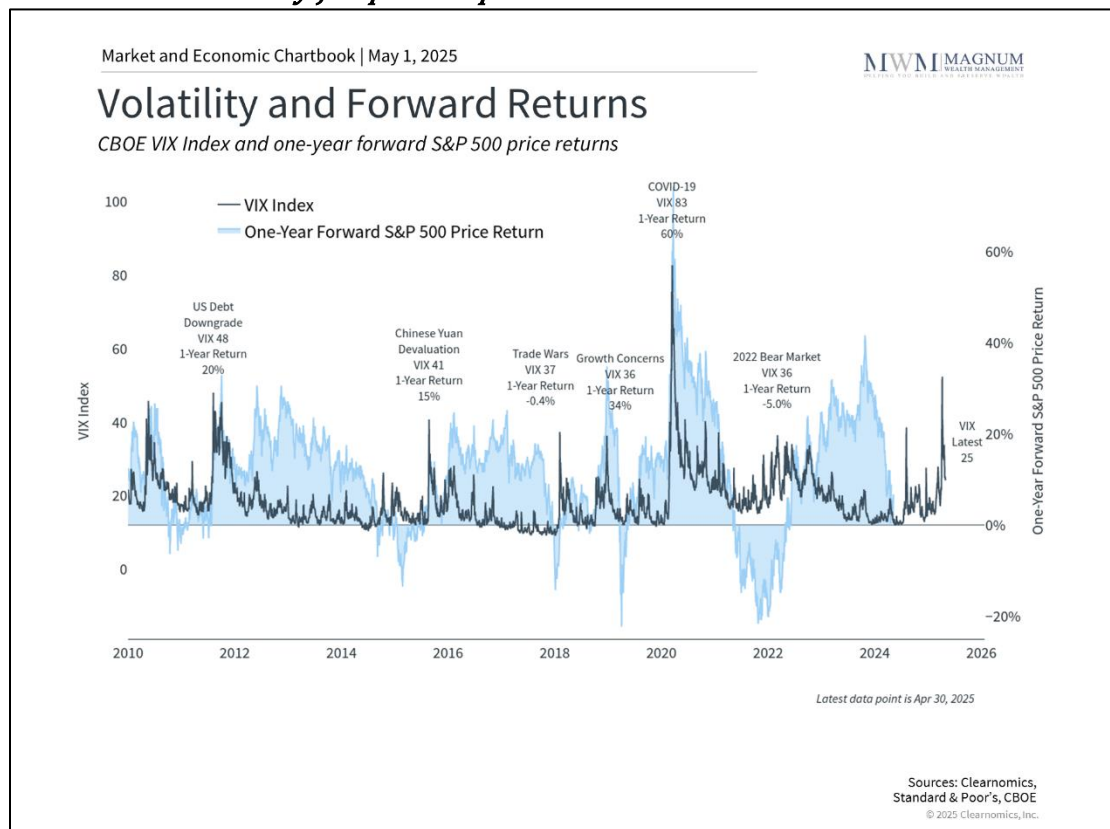
May 5,

April was one of the most volatile months in history as markets reacted to new tariff announcements. However, even though the S&P 500 fell as much as 12% during the month, the index rebounded and closed within one percent of where it started. ⁱ Recent data also showed that the economy shrank slightly in the first quarter as companies stockpiled imported goods ahead of new tariffs. While bonds and international stocks were also volatile, they both contributed positively to diversified portfolios. ^{ii iii} This is yet another reminder of the importance of staying invested and diversified in times of uncertainty.

Lessons on staying invested after a volatile month

Once again, April demonstrated the importance of being prepared for market uncertainty. The month began with the White House's April 2 tariff announcement on nearly all trading partners. These tariffs were far higher than investors had expected, leading to fears of rising inflation, a global economic slowdown, and a trade war. Stock markets reacted with the sharpest declines since the pandemic.

Stock market volatility jumped in April



The administration's decision just days later to implement a 90-day pause for most countries helped fuel a market recovery. Additional exemptions on tariffs with China, including on technology products, further calmed investors' nerves.

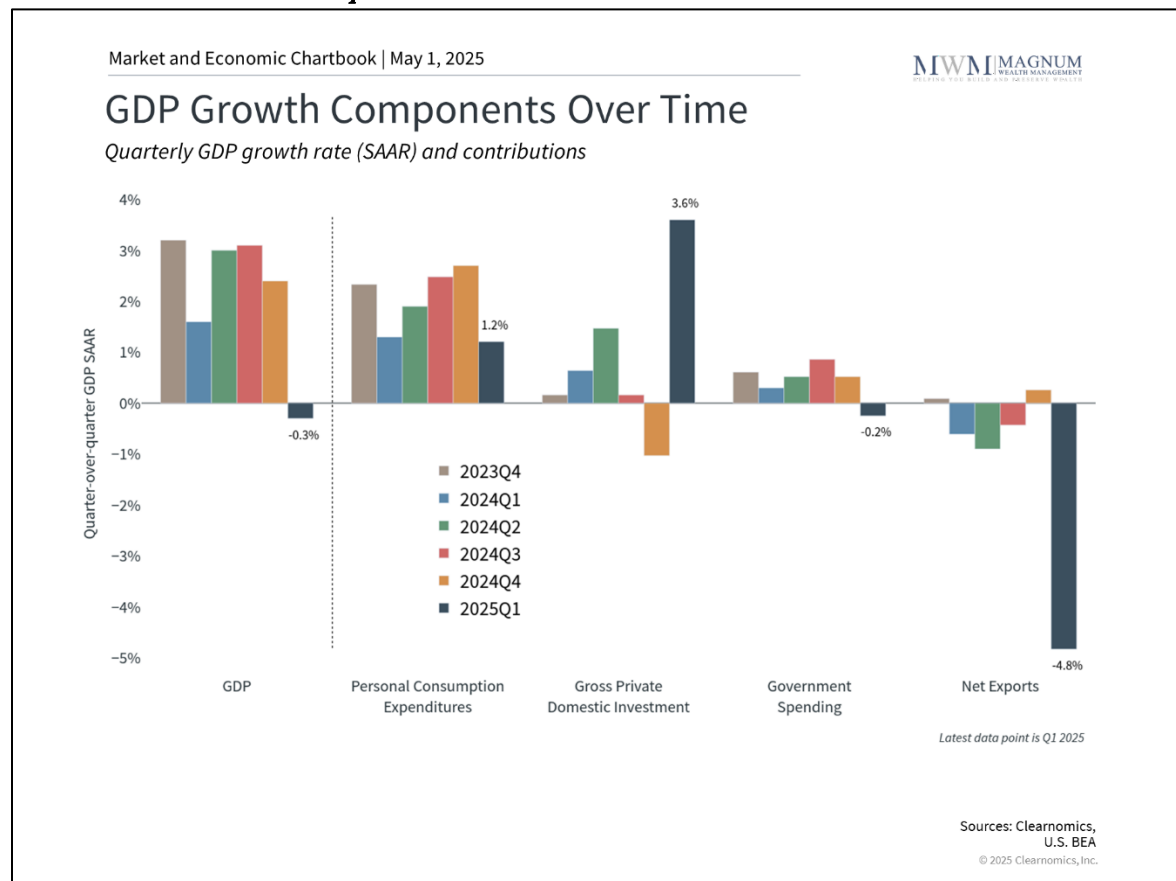
Despite significant swings throughout the month, major indices closed with only modest changes. Diversified portfolios also benefited from bond

returns and a rally in international stocks. So, while the S&P 500 is down about 4.9% for the year with dividends, many balanced portfolios are closer to flat.

The accompanying chart shows that the VIX index, a key measure of market volatility, briefly crossed 50 for the first time since the pandemic. However, many of the largest declines during the month were followed by significant rebounds. This is a reminder that market swings can move in both directions, and trying to time these moves can often be counterproductive.

While markets have stabilized somewhat more recently, uncertainty remains and many of the drivers of April's volatility will continue to be in focus. The situation around trade policy is still evolving, although the 90-day pause suggests that the worst-case scenarios may be less likely. Investors should expect that tariff headlines could continue to drive volatility in the near-term, even as markets adapt to the new trade landscape.

GDP declined in the first quarter



One of the key concerns among investors is whether tariffs will drive inflation higher and growth lower. The latest economic reports show that the economy shrank slightly in the first quarter, with GDP declining by 0.3% over the period, the first contraction since early 2022. This is due almost entirely to trade as businesses

accelerated their imports to stockpile inventory. Consumer spending slowed but remained positive. It's important to note that these figures are only the first estimate of GDP and are subject to change.

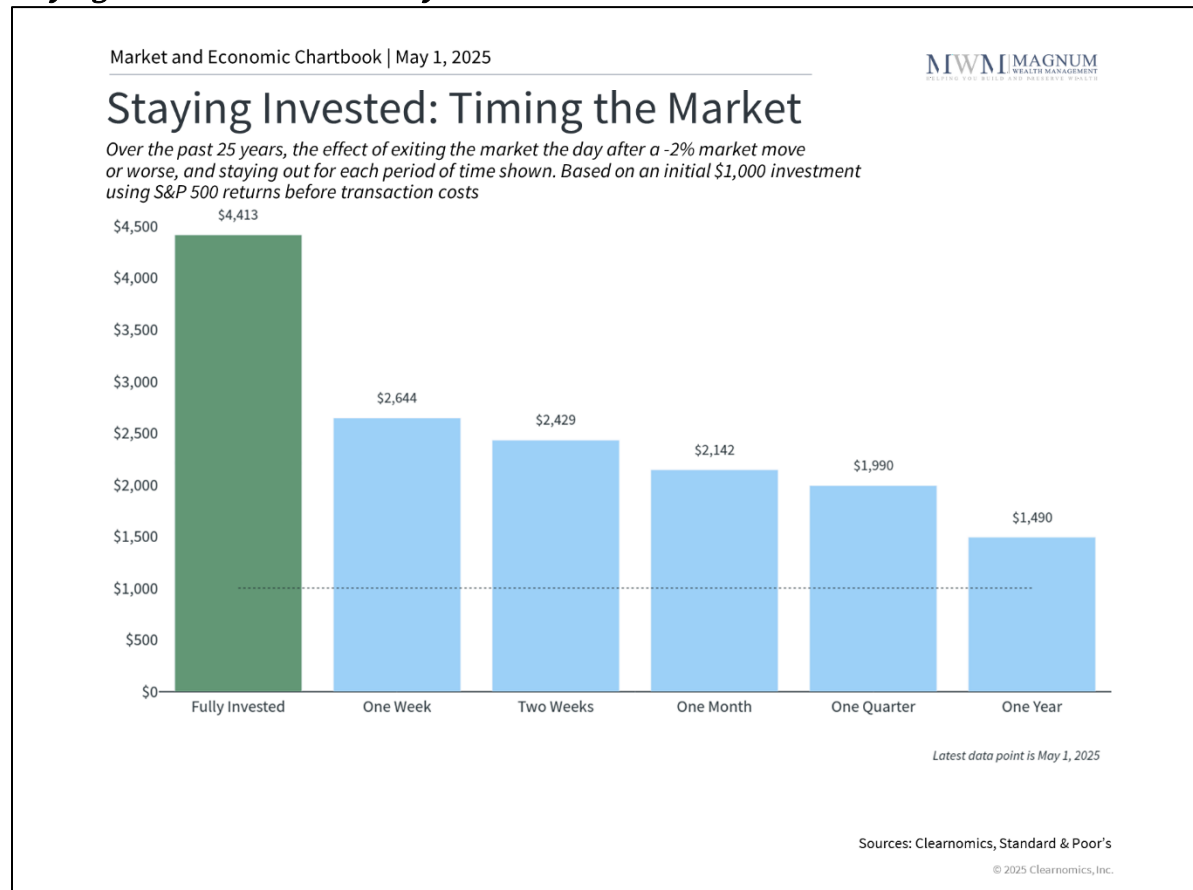
As the accompanying chart shows, consumer spending has been a key driver of economic growth in recent years. The latest surveys suggest that consumers expect a rapid acceleration in prices over both the coming year and in the longer run, resulting in historically low consumer confidence. While this has not yet impacted consumer spending or inflation in a significant way, it could be an important factor in the coming months.

The mixed picture on economic growth and inflation also makes the Fed's job more difficult. Not only does the central bank face challenging interest rate decisions in the coming months, but its independence

was briefly called into question by the White House, driving further market uncertainty. At the moment, markets expect the Fed to cut rates about four times this year, possibly beginning in July.

These events also resulted in unusual bond market swings, although they ended up near where they started. The 10-year Treasury yield ended the month at 4.16%, while corporate bonds saw yields edge higher. Some investors worried about a flight from U.S. assets, especially with the U.S. dollar falling to multi-year lows.

Staying invested has historically been rewarded



In the face of recent challenges, one investment principle remains clear: staying invested through periods of volatility has historically been an important path to long-term financial success. The accompanying chart demonstrates the potential cost of attempting to time the

market every time a 2% decline (or worse) occurs. Since positive and negative days often occur at unpredictable times, exiting the market after negative days, even for a short period, can backfire. The temptation to time the market may be even greater in today's market and economic environment.

While increased volatility can be unsettling, it's in times like these that focusing on your financial plan, portfolio construction, and areas of opportunity is most important. Market volatility often results in attractive valuations across many asset classes, offering potential opportunities for those in search of greater diversification and balance in their portfolios. The S&P 500, for instance, has seen a significant improvement in its price-to-earnings ratio this year.

The bottom line? Market volatility in April is a reminder that short-term market swings can occur without notice. History repeatedly demonstrates that disciplined investors who focus on their long-term financial plans will be better positioned to achieve their goals.

Derek Bergfeld is a Registered Representative with and Securities and Advisory services offered through LPL Financial. A Registered Investment Advisor. Member FINRA/SIPC.

Copyright (c) 2025 Clearnomics, Inc. All rights reserved. The information contained herein has been obtained from sources believed to be reliable, but is not necessarily complete and its accuracy cannot be guaranteed. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness, or correctness of the information and opinions contained herein. The views and the other information provided are subject to change without notice. All reports posted on or via www.clearnomics.com or any affiliated websites, applications, or services are issued without regard to the specific investment objectives, financial situation, or particular needs of any specific recipient and are not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. Past performance is not necessarily a guide to future results. Company fundamentals and earnings may be mentioned occasionally, but should not be construed as a recommendation to buy, sell, or hold the company's stock. Predictions, forecasts, and estimates for any and all markets should not be construed as recommendations to buy, sell, or hold any security--including mutual funds, futures contracts, and exchange traded funds, or any similar instruments. The text, images, and other materials contained or displayed in this report are proprietary to Clearnomics, Inc. and constitute valuable intellectual property. All unauthorized reproduction or other use of material from Clearnomics, Inc. shall be deemed willful infringement(s) of this copyright and other proprietary and intellectual property rights, including but not limited to, rights of privacy. Clearnomics, Inc. expressly reserves all rights in connection with its intellectual property, including without limitation the right to block the transfer of its products and services and/or to track usage thereof, through electronic tracking technology, and all other lawful means, now known or hereafter devised. Clearnomics, Inc. reserves the right, without further notice, to pursue to the fullest extent allowed by the law any and all criminal and civil remedies for the violation of its rights.



ⁱ The S&P 500 is a stock market index tracking the stock performance of 500 of the largest companies listed on stock exchanges in the United States. Indexes are unmanaged and cannot be invested in directly. (102-LPL)

ⁱⁱ Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise. Bonds are subject to availability, change in price, call features and credit risk. (116-LPL)

ⁱⁱⁱ There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk. (26-LPL)