

March 28, 2025

Weekly Viewpoint

Will “Liberation Day” Mark a Peak in Uncertainty?

Performance for Week Ending 3.28.2025

The Dow Jones Industrial Average (Dow) fell 1.0 percent, the Standard & Poor’s 500 Index (S&P 500) lost 1.5 percent and the Nasdaq Composite Index (NASDAQ) finished off 2.6 percent. Sector breadth was negative with 7 of the 11 S&P sector groups closing lower. The Technology sector (-3.7 percent) was the weakest performer while Consumer Staples (+1.7 percent) was the strongest.

Index*	Closing Price 3.28.2025	Percentage Change for Week Ending 3.28.2025	Year-to-Date Percentage Change Through 3.28.2025
Dow	41,583.90	-1.0%	-2.3%
S&P 500	5,580.94	-1.5%	-5.1%
Nasdaq	17,322.99	-2.6%	-10.3%

Market Observations: 3.24.2025–3.28.2025

The S&P 500 finished the week lower, its fifth weekly loss in the past six weeks, leaving March on track to be the stock market’s worst month since September 2022. Driving the weakness has been uncertainty around the impact of President Trump’s tariff plans on both inflation and economic growth. Last week, Trump added fuel to the fire by signing a proclamation to implement 25 percent tariffs on auto imports, expanding a trade war designed to bring more manufacturing jobs to the US. It specified automobile tariffs would be collected starting on Thursday April 3. The president also suggested additional tariffs would be imposed on the European Union and Canada if they worked together “to do economic harm” to the U.S. On April 2, the administration is scheduled to release details of its plan for reciprocal tariffs—a day Trump has repeatedly touted as “liberation day” for the U.S. Investors are hoping the announcement will bring clarity to the tariff situation and mark a peak in uncertainty.

Fed Speak—Inflation Worries on the Rise: Boston Fed President Susan Collins said it looks “inevitable” that tariffs will boost inflation, at least in the near term, adding it’s likely appropriate to keep interest rates steady for longer. While tariff-driven inflation could prove short-lived, Collins said it’s possible price pressures could prove more persistent. Atlanta Fed President Raphael Bostic said he now sees just one interest-rate

cut as likely this year, rather than two, with tariff hikes impeding progress on disinflation. “I moved to one mainly because I think we’re going to see inflation be very bumpy and not move dramatically and in a clear way to the 2 percent target,” Bostic said. Minneapolis Fed President Neel Kashkari says the central bank has more work to do on lowering inflation, but officials should be able to reduce interest rates in the next year or two as price pressures ease. Kashkari also noted that the recent decline in confidence, a lot of which reflects uncertainty around tariffs, “could be a bigger effect than the tariffs themselves.” St. Louis Fed President Alberto Musalem said it's not clear any inflationary impact from tariffs will prove temporary, and he cautioned that secondary effects could prompt officials to hold interest rates steady for longer. Musalem said there is a greater risk inflation could stall above the Fed's 2 percent goal or move higher because of changes to tariffs and other factors, reiterating it's vital for inflation expectations to remain stable.

Economic Roundup: The US economy expanded at a faster pace in the fourth quarter than previously estimated amid a robust increase in corporate profits. GDP advanced at a 2.4 percent annualized rate in the October-to-December period, the final release of the figures showed. U.S. consumer confidence fell in March to the lowest level in four years on concerns about higher prices and the economic outlook amid the Trump administration’s escalating tariffs. The Conference Board’s gauge of confidence decreased 7.2 points to 92.9, while a measure of expectations for the next six months dropped nearly 10 points to 65.2, the lowest in 12 years. On the labor front, weekly jobless claims fell by 1,000 to 224,000 in the week ending March 22. The four-week moving average—which helps smooth week to week volatility—average dropped to 224,000 from 228,750. Lastly, durable goods orders during February increased 0.9 percent month over month, well ahead of the 1.0 percent drop that economists were forecasting. Nevertheless, the details weren't as strong as the topline figure would suggest as nondefense capital goods orders excluding aircraft, a proxy for business spending, fell 0.3 percent in February, the biggest month-over-month decline since July 2024.

Market Viewpoint: Despite recent market turbulence, driven more by fear than fundamentals, our favorable outlook on the equity market is unchanged, and we believe there is still money to be made this year. While near-term headline uncertainty may pose some downside risk, over the intermediate- to longer-term, fundamental drivers, like the economy, earnings, and interest rates, drive stock prices. The macro environment is expected to remain supportive, with the U.S. economy on firm footing, albeit with slowing growth. The Fed is expected to continue easing policy and, while the path could prove uneven, rates are likely to drift lower over the next year. Importantly, the earnings growth outlook remains strong. Bloomberg consensus projects S&P 500 earnings growth of around 9.5 percent in 2025 and 14.1 percent in 2026. The combination of an accommodative Fed and brisk earnings growth creates a favorable backdrop for risk assets that should support the bull market. Still, with valuations elevated, earnings growth will likely be the main driver of performance, suggesting more modest gains compared to the past two years.

The Week Ahead: Following weeks of elevated market volatility and growing expectations of cooling economic growth, the long-awaited details of President Trump’s reciprocal tariffs will be released on Wednesday. On Thursday, 25 percent tariffs on imported cars are also due to take effect. On the data front, all eyes will be on the March payroll report on Friday. According to Bloomberg, economists are expecting nonfarm payrolls to expand by 135,000 (down from 151,000 in February) and for the unemployment rate to hold steady at 4.1 percent. Ahead of the jobs report, the Job Openings and Labor Turnover Survey (JOLTS) and ADP Employment Change reports will be released on Tuesday and Wednesday, respectively. Other data reports of interest include the Institute for Supply Management (ISM) indices with the manufacturing data due out Tuesday and services data on Thursday. It will be a quiet week on the earnings front with just two

members of the S&P 500 scheduled to release results. Turning to politics, on Tuesday, there will be two special congressional elections in Florida to fill the seats of Matt Gaetz and Michael Waltz in the US House of Representatives. About a half dozen Fed speeches are on the docket, including Fed Chair Powell, who will give his updated views on the economy on Friday.

Definitions

The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally defined as the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

Standard and Poor's 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Nasdaq Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

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