Financial markets continue to be on edge as the Trump administration's pending tariff announcements create uncertainty. It is estimated based on current projections that the tariffs will amount to a $6 trillion tax increase over 10 years (avg. $600 billion a year). Some portion of the proposed tariffs will be of course paid by the consumer of goods and services that originate outside the United States. While some forms of tariffs may be appropriate and beneficial, others are excessive and will do nothing more than create havoc on a slowing economy. Some economists speculate that Trump's end game is to send interest rates lower through a slowing economy while simultaneously weakening the dollar - the end result being a preferred environment to export (making our goods relatively inexpensive for foreign consumers and businesses/ foreign goods more expensive to US consumers/ businesses. Time will tell how all plays out with the consumers/ exporters and importers). Many voters who backed the new GOP are losing patience as they try to make it from paycheck to paycheck with increasing prices and declining consumer sentiment. One of the bigger issues linked to tariffs is a general increase from all products whether produced domestically or foreign. In the past when a US tariff has been imposed on a particular item, domestic producers tend to increase prices as they have more leeway while maintaining a price advantage. I have always favored free trade to foster open and competitive markets. Unfortunately there are plenty of tariffs, quotas and other trade barriers (a complex arrangement) that exist currently and *some* of these imbalances should be addressed or reciprocated by the US.

On the technology front, Nvidia's annual conference in late February was sold out. Every industry was represented from healthcare to defense, indicating that artificial intelligence is expanding at breakneck speed to new sectors of the economy. As presented by Jensen Huang, Nvidia's CEO - the next revolution beyond generative AI is "agentic AI" - where AI not only retrieves data as it does with chat GPT, but perceives, reasons and acts on one's behalf. Despite the short term market fluctuations, the current dip in Nvidia *may* present a buy opportunity, with fundamentals incredibly strong.

According to one research firm, the global AI market share in Aerospace and defense is expected to surge from $23 billion currently to $65 Billion by 2034. That translates into a 9.91% annual compound growth rate. AI agents will be able to manage hospital logistics, diagnose diseases and assist in surgeries with limited human supervision. There are seemingly endless possibilities for all sectors of the economy. Under the Trump administration, there has been a focused effort to extend American leadership in AI. In light of Tariff uncertainties, Nvidia has unveiled plans to invest hundreds of billions of dollars in US Manufacturing over the next four years. The Stargate Project - a venture by Open AI, Oracle, Softbank and MGX aim to invest $500 billion in AI infrastructure by 2029.

The overall 2025 forecast for the economy, according to Goldman Sachs: a 35% chance of recession over the next 12 months, a weaker GDP growth of 1%, and a core PCE (excludes food and energy) inflation forecast of 3.5%. The prospect of a global trade war provides the fuel for a weakening scenario. Goldman is predicting 3 rate cuts in 2025. The fed has downplayed the rise in inflation expectations. Any rate cuts will be justified by an increase in the unemployment rate, and not necessarily tied to inflation rates.

It is critical to maintain perspective during uncertain times. The current move lower (correction in the S&P 500 and Nasdaq) has created relatively low valuations for equities. Keeping any liquidity requirements in the forefront, funds that are invested for longer periods of 6 to 9 months and beyond will generally not be significantly impacted by a market adjustment. The current move lower has been abrupt and severe, and of course has an impact on returns. Taken as a whole, it is best to not time the market, as recoveries can be swift and unexpected.

Please call or email anytime to review objectives, goals and anticipated liquidity requirements. Thank you.

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