Stirling Bridge
Wealth Partners, LLC

MARKET COMMENTARY – May 1, 2025

Ignorance never settles a question.
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The secret of success is constancy to purpose. ~Benjamin Disraeli

April 2025, it seems, shall be another one of those months where investors accumulated years of experience (and age) in mere days. The drama, confusion, pivots, and volatility we all experienced was enough to excuse those of us longing for a simpler time that perhaps never truly existed. Nonetheless, here we are, and what will we do?

The human desire to act in the face of strain seems fairly universal. Of course, we all know of that fellow or gal who locks up tighter than a tortoise inside his shell when stress comes. But our experience informs us that most folks just want to do something – anything – in order to believe they have control over a given stressful situation.

In times like these, we often recall one maxim of the first investor sage we ever met. He was a fabulously wealthy gentleman complete with estates and jets. Wheelchair bound due to a debilitating and progressive disease; he was remarkably optimistic. And when the world and stock prices suddenly went haywire, he often warned, "Don't confuse motion with progress."

Stated another way, we ought to know why we were doing what we were doing in the first place, long before we decide to do something else. Knowing the whys can help us with the whats. Ignorance cannot help.

Why do we own stocks? We own stocks because they are a cost-effective way to own small portions of the world's largest and most dynamic companies. These companies employ millions of men and women who are compensated to design and produce goods and services at a profit. When political sands shift, so do these companies. They are remarkably resilient. Their goals are to grow revenues, profits, and cash flow in all environments. Investors share in that bounty.

Why do we own bonds? We hate to break it to you, dear reader, but human beings have finite lives. As such, the vagaries of the business cycle can cause short-term harm to even the best laid plans. Stock prices can plummet when least expected. Dividends can be cut, hampering investor cash flows. Raising cash from stock sales can become difficult and downright painful. As such, high quality bonds, with their more assured interest payments to investors, can provide a welcome port in economic storms.

Putting these two broad asset classes together in the appropriate mix is the art and science of building customized portfolios for clients. A slew of factors ranging from temperament to taxes and life expectancy to liquidity inform the allocation process. Setting the stock percentage at, say, 60% is not etched in tablets of stone. It is malleable. But it should be altered based on true long-term changes to the investor's goals and constraints as well as return expectations in the market. It must not be changed merely due to short-term hiccups in the market.

And yet, our informed investors may protest, "Things have suddenly changed!"

They have changed. President Trump appears to have diagnosed a real problem. His solution may or may not be sufficient. It may be beneficial. It may be harmful. What we know is that his presidency has changed things – at the margin. Stocks and bonds still make sense for clients. But now, for the first time in years, we find value in owning international stocks and gold – at the margin. We've seen the benefits of layering in these new holdings to diversify existing stock and bond holdings. We are adapting client portfolios with an eye toward the future in a rational, stepwise fashion. As Mr. Disraeli stated above, the secret of success is constancy to purpose. We aim to remain constant to our purpose – aligning client portfolios with the best long-term growth engines at the best prices available.

Finally, allow us a brief moment to shift gears. Last month we suggested that the March selling pressure was primarily due to hedge funds unwinding leveraged positions. A recent deep-dive study from JP Morgan looked at the selling in March and April. In spite of headlines stating that foreign investors could no longer trust US policy and were therefore selling US stocks, the study found that to be untrue. Foreign investors held. US-based retail investors, for better or worse, continued to buy in March and April. The study confirmed our assertion that the sell-off was primarily the result of the unwinding hedge fund momentum trades and the layering of short sales. The small rally we've seen in the past couple weeks is due to the fact that the hedge funds have exhausted their liquidity and were forced to cover shorts. We're not calling a bottom. We're simply stating that stocks ought to be able to trade more on fundamentals such as earnings or growth rates for several weeks rather than rampant speculation.

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Until next time, that is.

Stirling Bridge Wealth Partners, LLC is fortunate to count many of you as clients. In the good times and bad, we remain committed to providing customized investment solutions and robust financial planning wrapped in a package of exceptional service. We thank each of you for your dedication to us and for your trust.

Sincerely
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