

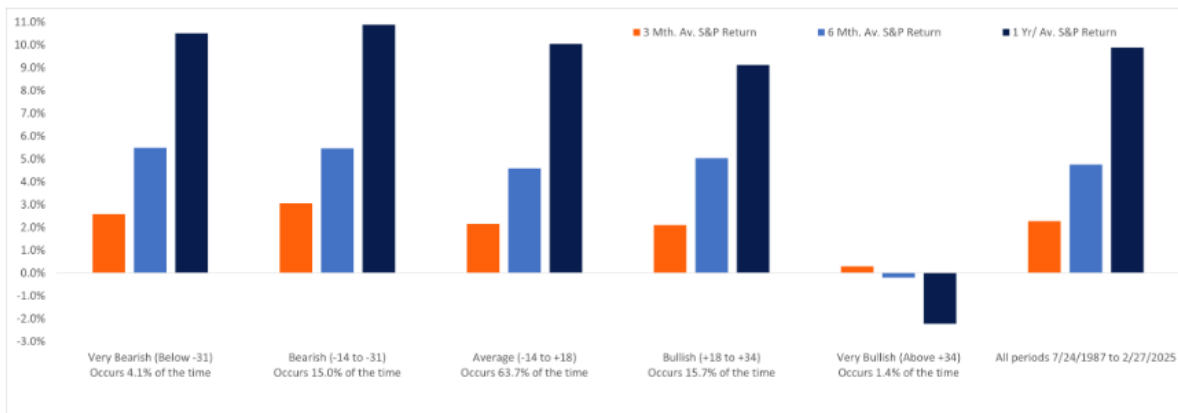
February 2025



When Bad News is Good News. It was a choppy February for investors punctuated by soft economic data and retreats from record highs across the momentum that had defined market action this year. Whether fears over economic growth are shaking the market or we are just observing a rotation from recent winners to sectors representing better value remains to be seen.

The impact of potential tariffs, stickier inflation, and the direction of interest rates dominate current headlines. One development of this: the percentage of individual investors who are “bullish” about short-term market expectations is just under 20% and the percentage who are “bearish” is just over 60%. The spread between bulls and bears is thus 40%, meaningfully worse than the historical average of 1%.

This sounds like bad news. However, investor sentiment is historically a contrarian indicator, meaning that when investors are at bullish extremes, it tends to be a signal of market tops; conversely, bearish investor extremes are more supportive for stocks. The study below (Source: AAI, Bloomberg 2/27/2025) shows historically, when the bull-bear spread has been as extreme as it is now, subsequent 3-month, 6-month and one-year returns have been above average



Fundamentals and Technicals: Fundamentally, we continue to see a steadily growing economy, solid corporate profits and the potential for interest rate cuts by the Federal Reserve. At the same time, we recognize high valuations and a volatile investment environment. Technically, longer maturity bonds are in an uptrend, while broad equities are in a neutral stance. As a result, during the month, we made modest adjustments to your portfolio to reduce overall risk by trimming broad market exposure, increasing buffered ETF guardrails and adding long-duration bond exposure.

We reiterate our shared goals of growing wealth and guarding the future. We do this by looking at risk and return both strategically and protectively. Thank you for your loyalty to Zuma Wealth.



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