

# Market Turbulence: Tariffs, Economic Concerns and Sentiment

APRIL 2025



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March inflicted significant damage to investors, as all three major U.S. indexes fell into negative territory for the year. The Nasdaq was hit hardest, extending its downward trend to finish over 10% lower for the year, with roughly 80% of these losses occurring in March alone. The S&P 500 similarly declined by almost 6% in March, ending more than 4.5% down for the

year. Even the Dow Jones, which had maintained positive performance earlier, dropped by nearly 5% in March, finishing over 1% down for the year.

As April 2nd approaches—dubbed "Liberation Day" by President Trump—investors brace for his implementation of higher tariffs. While recent reports

While many attribute the S&P 500's correction and recession concerns to Trump's trade policies, economic challenges were clearly evident before Trump took office. Corporate earnings forecasts were declining across all sectors before the election. Consumer-discretionary firms began showing declining earnings growth before the election, while industrial economy struggles predate current concerns. Technology, this year's second-worst performing sector, saw its profit growth peak in 2024. Looking ahead to first quarter results, all 11 S&P 500 sectors appear to be doing worse than previously believed, and earnings growth is decelerating in nine.

With the significant change in market sentiment, it shouldn't be surprising that the market is contracting. Since mid-February, the Nasdaq Composite has plunged nearly 14%, with technology, banks and smaller companies experiencing particularly acute losses. Meanwhile, safe-haven assets like gold and U.S.

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suggest a potentially narrower application than initially feared, with some nations and sectors receiving reprieves, significant impacts are still expected for key trading partners. Despite generating goodwill through various pro-business initiatives, Trump appears determined to reverse his early bump in approval from voters by proceeding with tariffs which historically have been disastrous for the economy and equity markets.

Treasuries have rallied. Goldman Sachs has twice cut their S&P 500 year-end target in March, now projecting just 5,700 points—a mere 1.6% growth from recent levels—citing heightened recession risk and tariff-related uncertainty.

Still, worsening market sentiment could be a positive sign for future market returns. Bears now outnumber bulls in multiple surveys, and market sentiment has

historically proven to be a reliable contrarian indicator. Research shows the S&P 500's returns following the 10 worst years for investor sentiment averaged an impressive 18.9%, while years of high sentiment (like last year, which ranked third-highest) typically precede anemic returns averaging just 0.4%. This pattern continues to prove accurate with this year's poor performance to date.

As 2025 unfolds, investors are recalibrating their growth projections after starting the year with lofty expectations despite inflated valuations following two consecutive years of nearly 25% annual gains. Investors are also struggling to account for a highly unusual and unpredictable president and are reassessing their high hopes for a business-friendly administration. Though we could be nearing a market trough, especially if Trump adjusts or reverses his tariff position, increased market turbulence appears inevitable in the coming months.

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