Sleeping Better at Night
The Value of Dividends

AAII San Diego

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John Buckingham
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- *John joined Al Frank Asset Management (AFAM) in 1987*
- *Worked with Al Frank, founder of AFAM*
- *Chief Portfolio Manager since 1990*
- *Manager of Al Frank proprietary mutual fund*
- *AFAM Merged with Kovitz in 2018*

"Successful speculating is more a matter of character than mathematics, analysis or luck."

– Al Frank

Sleeping Better at Night

- Keeping the Faith - Perspective
- Market Myths
- The Value of Dividends

Sleeping Better at Night

- **Keeping the Faith - Perspective**

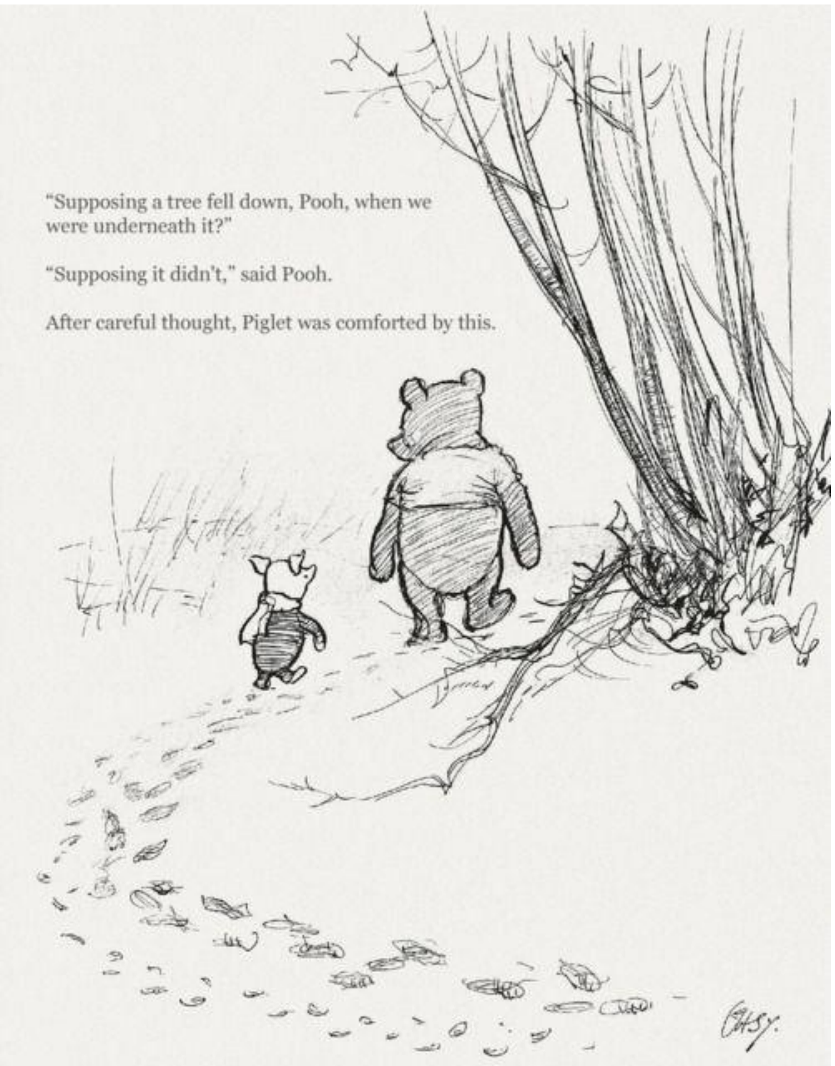
"In the 20th century, the United States endured two world wars and other traumatic and expensive military conflicts; the Depression; a dozen or so recessions and financial panics; oil shocks; a flu epidemic; and the resignation of a disgraced president. Yet the Dow rose from 66 to 11,497."

—Warren Buffett

There have been plenty of frightening events since the turn of the Millennium, some of which led to sizable downturns, but stocks have appreciated five-fold since the end of 1999.

From 12.31.1999 through 04.10.2025. SOURCE: Kovitz using data from Bloomberg Finance L.P.

There is usually something about which to worry, yet equities have proved very rewarding through the years for those who remember that the secret to success in stocks is not to get scared out of them.



Event	Reaction Dates		S&P Start Value	S&P End Value	Event Gain/Loss	12 Months Later	36 Months Later	60 Months Later	Event End thru Present
Pearl Harbor	12/6/1941	12/10/1941	9.32	8.68	-7%	8%	51%	76%	60592%
Truman Upset Victory	11/2/1948	11/10/1948	16.70	15.00	-10%	8%	52%	62%	35020%
Korean War	6/23/1950	7/13/1950	19.14	16.69	-13%	32%	45%	153%	31464%
Eisenhower Heart Attack	9/23/1955	9/26/1955	45.63	42.61	-7%	8%	17%	25%	12263%
Suez Canal Crisis	10/30/1956	10/31/1956	46.37	45.58	-2%	-10%	26%	51%	11458%
Sputnik	10/3/1957	10/22/1957	43.14	38.98	-10%	31%	37%	41%	13415%
Cuban Missile Crisis	8/23/1962	10/23/1962	59.70	53.49	-10%	36%	72%	78%	9749%
JFK Assassination	11/21/1963	11/22/1963	71.62	69.61	-3%	24%	14%	53%	7468%
MLK Assassination	4/3/1968	4/5/1968	93.47	93.29	0%	8%	8%	16%	5547%
Kent State Shootings	5/4/1970	5/14/1970	79.00	75.44	-5%	35%	40%	22%	6883%
Arab Oil Embargo	10/18/1973	12/5/1973	110.01	92.16	-16%	-28%	12%	6%	5616%
Nixon Resigns	8/9/1974	8/29/1974	80.86	69.99	-13%	24%	38%	56%	7427%
U.S.S.R. in Afghanistan	12/24/1979	1/3/1980	107.66	105.22	-2%	30%	31%	56%	4907%
Hunt Silver Crisis	2/13/1980	3/27/1980	118.44	98.22	-17%	37%	55%	83%	5264%
Falkland Islands War	4/1/1982	5/7/1982	113.79	119.47	5%	39%	51%	147%	4310%
U.S. Invades Grenada	10/24/1983	11/7/1983	165.99	161.91	-2%	4%	52%	69%	3154%
U.S. Bombs Libya	4/15/1986	4/21/1986	237.73	244.74	3%	20%	27%	57%	2053%
Crash of '87	10/2/1987	10/19/1987	328.07	224.84	-31%	23%	39%	85%	2243%
Gulf War Ultimatum	12/24/1990	1/16/1991	329.90	316.17	-4%	32%	50%	92%	1566%
Gorbachev Coup	8/16/1991	8/19/1991	385.58	376.47	-2%	11%	23%	77%	1299%
ERM U.K. Currency Crisis	9/14/1992	10/16/1992	425.27	411.73	-3%	14%	42%	132%	1179%
World Trade Center Bombing	2/26/1993	2/27/1993	443.38	443.38	0%	5%	46%	137%	1088%
Russia Mexico Orange County	10/11/1994	12/20/1994	465.79	457.10	-2%	33%	107%	210%	1052%
Oklahoma City Bombing	4/19/1995	4/20/1995	504.92	505.29	0%	28%	122%	184%	943%
Asian Stock Market Crisis	10/7/1997	10/27/1997	983.12	876.99	-11%	21%	57%	2%	501%
Russian LTCM Crisis	8/18/1998	10/8/1998	1,101.20	959.44	-13%	39%	11%	8%	449%
Clinton Impeachment	12/19/1998	2/12/1999	1,188.03	1,230.13	4%	13%	-10%	-6%	328%
USS Cole Yemen Bombings	10/11/2000	10/18/2000	1,364.59	1,342.13	-2%	-20%	-23%	-12%	293%
September 11 Attacks	9/10/2001	9/21/2001	1,092.54	965.80	-12%	-12%	17%	36%	445%
Iraq War	3/19/2003	5/1/2003	874.02	916.30	5%	21%	42%	54%	475%
Madrid Terrorist Attacks	3/10/2004	3/24/2004	1,123.89	1,091.33	-3%	7%	32%	-26%	383%
London Train Bombing	7/6/2005	7/7/2005	1,194.94	1,197.87	0%	6%	5%	-11%	340%
2008 Market Crash	9/15/2008	3/9/2009	1,192.70	676.53	-43%	69%	103%	178%	679%
Price Changes Only - Does Not Include Dividends				**Averages:**	**-7%**	**18%**	**39%**	**66%**	**7268%**

As of 04.10.2025. Source: Kovitz using Bloomberg and Ned Davis Research Events & Reaction Dates

Selloffs, downturns, pullbacks, corrections and even Bear Markets are events that equity investors always have had to endure on their way to the best long-term performance of any of the financial asset classes.

S&P 500

Advancing Markets

20.0%	111.9%	990	28	3.3	10/12/2022	2/19/2025
17.5%	68.3%	589	40	2.3	10/12/2022	2/19/2025
15.0%	65.8%	561	47	2.0	10/12/2022	2/19/2025
12.5%	45.0%	343	74	1.3	10/12/2022	2/19/2025
10.0%	35.1%	247	102	0.9	10/27/2023	2/19/2025
7.5%	23.6%	149	164	0.6	4/8/2025	4/9/2025
5.0%	14.7%	73	320	0.3	4/8/2025	4/9/2025

Declining Markets

Minimum Decline %	Average Loss	Average # Days	Count	Frequency (in Years)	Last Start	Last End
-20.0%	-35.1%	286	27	3.4	1/3/2022	10/12/2022
-17.5%	-30.0%	214	40	2.4	2/19/2025	4/8/2025
-15.0%	-27.8%	183	47	2.0	2/19/2025	4/8/2025
-12.5%	-22.7%	136	74	1.3	2/19/2025	4/8/2025
-10.0%	-19.5%	100	102	0.9	2/19/2025	4/8/2025
-7.5%	-15.4%	65	163	0.6	2/19/2025	4/8/2025
-5.0%	-10.9%	36	319	0.3	2/19/2025	4/8/2025

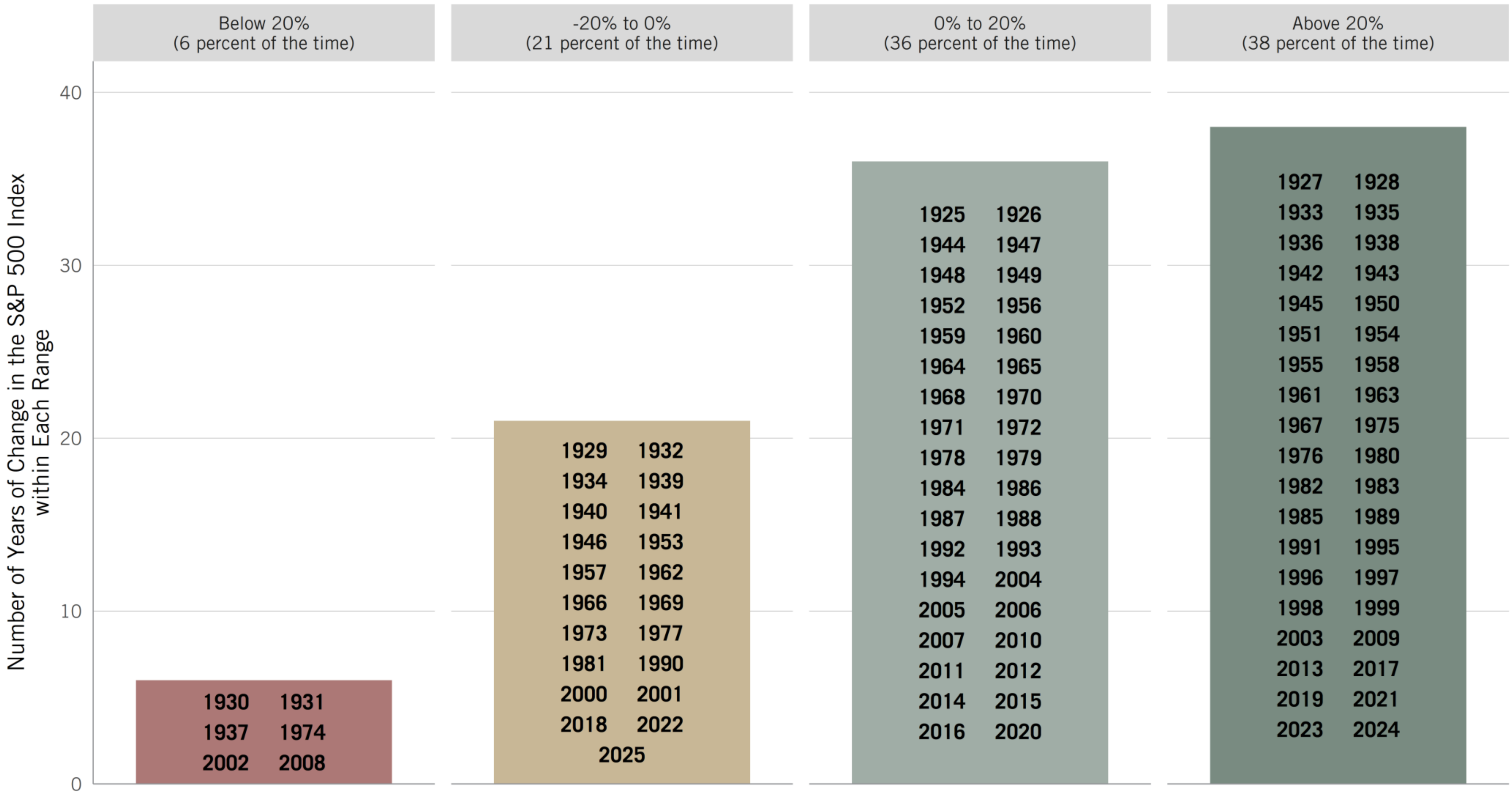
From 02.20.1928 through 04.09.2025. S&P 500 Price return series. We defined a Declining Market as an instance when stocks dropped the specified percentage or more without a recovery of equal magnitude, and an Advancing Market as in instance when stocks appreciated the specified percentage or more without a decline of equal magnitude. SOURCE: Kovitz using data from Bloomberg, Morningstar and Ibbotson Associates

LONG-TERM RETURNS

	Annualized Return	Standard Deviation
Value Stocks	13.1%	25.9%
Growth Stocks	9.7%	21.3%
Dividend Paying Stocks	10.8%	18.0%
Non-Dividend Paying Stocks	9.2%	29.1%
Low 30% Dividend Payers	9.9%	19.5%
Middle 40% Dividend Payers	10.6%	17.7%
High 30% Dividend Payers	11.2%	19.6%
Long-Term Gov't Bonds	5.0%	9.0%
Intermediate Gov't Bonds	4.9%	4.4%
Treasury Bills	3.3%	0.9%
Inflation	3.0%	1.8%

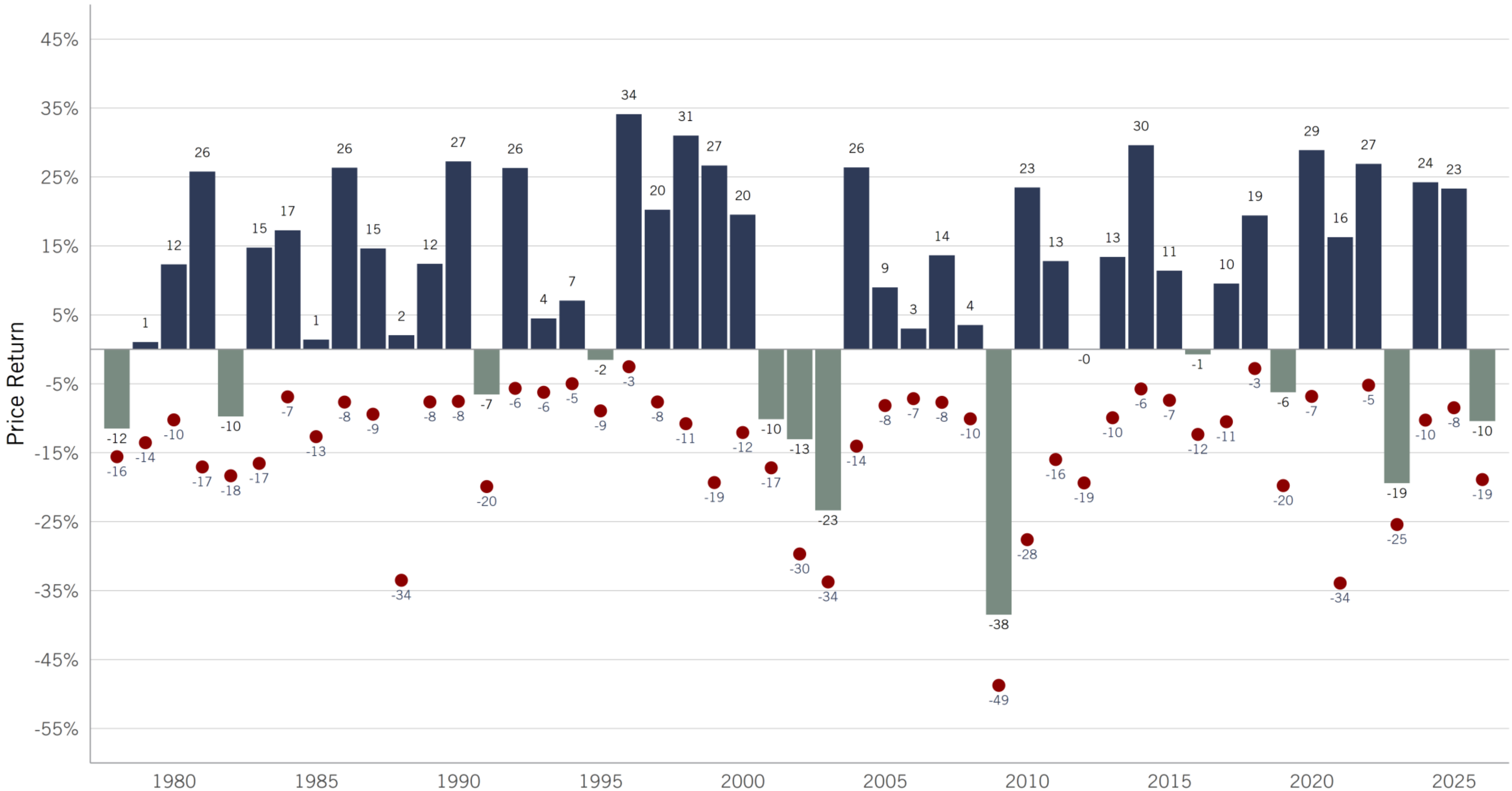
From 06.30.1927 through 12.31.2024. Growth stocks = 50% Fama-French small growth and 50% Fama-French large gr returns rebalanced monthly. Value stocks = 50% Fama-French small value and 50% Fama-French large value returns rebalanced monthly. The portfolios are formed on Book Equity/Market Equity at the end of each June using NYSE breakpoints via Eugene F. Fama and Kenneth R. French. Dividend payers = 30% top of Fama-French dividend payers, 40% of middle Fama-French dividend payers, and 30% bottom of Fama-French dividend payers rebalanced monthly. Non-dividend payers = Fama-French stocks that do not pay a dividend. Long term corporate bonds represented by the Ibbotson Associates SBBI US LT Corp Total Return index. Long term government bonds represented by the Ibbotson Associates SBBI US LT Govt Total Return index. Intermediate term government bonds represented by the Ibbotson Associates SBBI US IT Govt Total Return index. Treasury bills represented by the Ibbotson Associates SBBI US 30 Day TBill Total Return index. Inflation represented by the Ibbotson Associates SBBI US Inflation index. SOURCE: Kovitz using data from Professors Eugene F. Fama and Kenneth R. French and Ibbotson Associates

Past performance is no guarantee of future returns, but the historical odds have been in favor of the equity investor. Indeed, even as 6 of the years since 1925 suffered losses of more than 20% and 21 years endured declines between 0% and 20%, an impressive 38 saw rallies of better than 20% and 36 saw gains between 0% and 20%.



From 12.31.1925 through 03.31.2025. Total return for the S&P 500 index. SOURCE: Kovitz using data from Morningstar and Bloomberg Finance L.P.

While the S&P 500 has enjoyed excellent long-term returns and endured a relatively small number of negative full years since the founding of *The Prudent Speculator* in 1977, there have been corrections of 10% or more in 29 of the 49 years, including 2025.



From 12.31.1976 through 04.10.2025. Price returns do not include dividends. Intra-year drops refer to the largest drops for the S&P 500 index between high and low close prices during a calendar year. This year's return is year to date. SOURCE: Kovitz using data from Bloomberg Finance L.P.

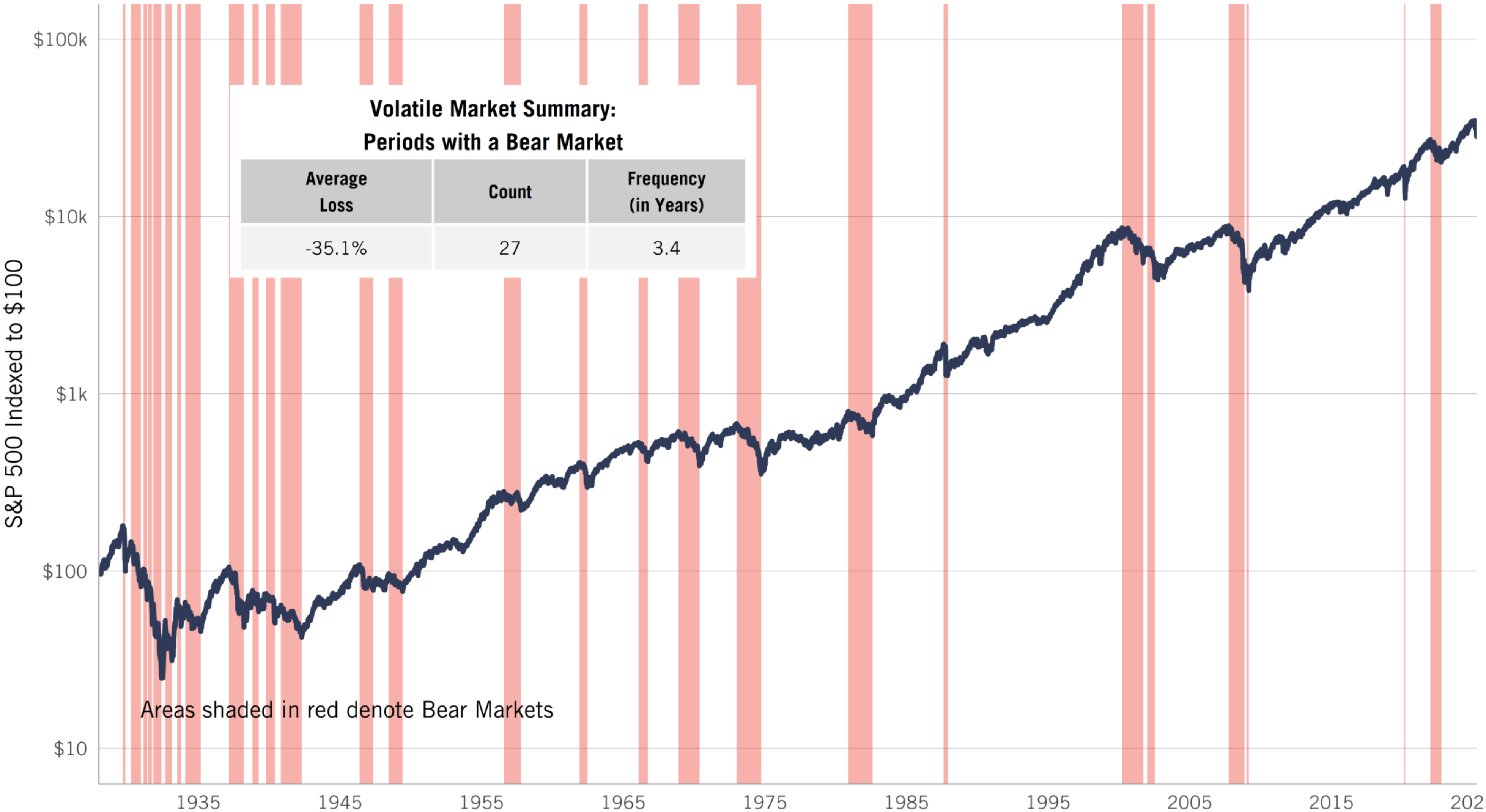
Nobody likes to see their equity portfolios head south, but volatility in stocks is part of the investing process. Believe it or not, since the launch of *The Prudent Speculator* 48 years ago, the S&P 500 has endued 39 corrections of 10% or more, including the one in which we presently reside, with those setbacks seeing an average loss of 18.05%. The popular index has also enjoyed 39 rallies of 10% or greater since 1977, with the average gain during the periods in the green working out to a whopping 40.69%. Alas, they don't ring a bell to mark the start and end of Bear and Bull Markets, which is why we always say that time in the market trumps market timing.

S&P 500 Moves (on a Closing Basis) of 10% Without a Comparable Move in the Other Direction

9/12/1978	11/14/1978	-13.55%	BEAR	8/22/2002	10/9/2002	-19.31%	BEAR	3/6/1978	9/12/1978	23.12%	BULL	7/23/2002	8/22/2002	20.68%	BULL
10/5/1979	11/7/1979	-10.25%	BEAR	11/27/2002	3/11/2003	-14.71%	BEAR	11/14/1978	10/5/1979	20.30%	BULL	10/9/2002	11/27/2002	20.87%	BULL
2/13/1980	3/27/1980	-17.07%	BEAR	10/9/2007	3/10/2008	-18.64%	BEAR	11/7/1979	2/13/1980	18.59%	BULL	3/11/2003	10/9/2007	95.47%	BULL
11/28/1980	9/25/1981	-19.75%	BEAR	5/19/2008	10/10/2008	-36.97%	BEAR	3/27/1980	11/28/1980	43.07%	BULL	3/10/2008	5/19/2008	12.04%	BULL
11/30/1981	3/8/1982	-15.05%	BEAR	10/13/2008	10/27/2008	-15.39%	BEAR	9/25/1981	11/30/1981	12.04%	BULL	10/10/2008	10/13/2008	11.58%	BULL
5/7/1982	8/12/1982	-14.27%	BEAR	11/4/2008	11/20/2008	-25.19%	BEAR	3/8/1982	5/7/1982	11.30%	BULL	10/27/2008	11/4/2008	18.47%	BULL
10/10/1983	7/24/1984	-14.38%	BEAR	1/6/2009	3/9/2009	-27.62%	BEAR	8/12/1982	10/10/1983	68.57%	BULL	11/20/2008	1/6/2009	24.22%	BULL
8/25/1987	10/19/1987	-33.24%	BEAR	4/23/2010	7/2/2010	-15.99%	BEAR	7/24/1984	8/25/1987	127.82%	BULL	3/9/2009	4/23/2010	79.93%	BULL
10/21/1987	10/26/1987	-11.89%	BEAR	4/29/2011	10/3/2011	-19.39%	BEAR	10/19/1987	10/21/1987	14.92%	BULL	7/2/2010	4/29/2011	33.35%	BULL
11/2/1987	12/4/1987	-12.45%	BEAR	5/21/2015	8/25/2015	-12.35%	BEAR	10/26/1987	11/2/1987	12.33%	BULL	10/3/2011	5/21/2015	93.85%	BULL
10/9/1989	1/30/1990	-10.23%	BEAR	11/3/2015	2/11/2016	-13.31%	BEAR	12/4/1987	10/9/1989	60.68%	BULL	8/25/2015	11/3/2015	12.97%	BULL
7/16/1990	10/11/1990	-19.92%	BEAR	1/26/2018	2/8/2018	-10.16%	BEAR	1/30/1990	7/16/1990	14.23%	BULL	2/11/2016	1/26/2018	57.07%	BULL
10/7/1997	10/27/1997	-10.80%	BEAR	9/20/2018	12/24/2018	-19.78%	BEAR	10/11/1990	10/7/1997	232.74%	BULL	2/8/2018	9/20/2018	13.55%	BULL
7/17/1998	8/31/1998	-19.34%	BEAR	2/19/2020	3/23/2020	-33.92%	BEAR	10/27/1997	7/17/1998	35.32%	BULL	12/24/2018	2/19/2020	44.02%	BULL
9/23/1998	10/8/1998	-10.00%	BEAR	1/3/2022	3/8/2022	-13.05%	BEAR	8/31/1998	9/23/1998	11.37%	BULL	3/23/2020	1/3/2022	114.38%	BULL
7/16/1999	10/15/1999	-12.08%	BEAR	3/29/2022	6/16/2022	-20.83%	BEAR	10/8/1998	7/16/1999	47.88%	BULL	3/8/2022	3/29/2022	11.05%	BULL
3/24/2000	4/14/2000	-11.19%	BEAR	8/16/2022	10/12/2022	-16.91%	BEAR	10/15/1999	3/24/2000	22.45%	BULL	6/16/2022	8/16/2022	17.41%	BULL
9/1/2000	4/4/2001	-27.45%	BEAR	7/31/2023	10/27/2023	-10.28%	BEAR	4/14/2000	9/1/2000	12.10%	BULL	10/12/2022	7/19/2023	27.64%	BULL
5/21/2001	9/21/2001	-26.43%	BEAR	2/19/2025	4/8/2025	-18.90%	BEAR	4/4/2001	5/21/2001	19.00%	BULL	10/27/2023	2/19/2025	49.23%	BULL
1/4/2002	7/23/2002	-31.97%	BEAR					9/21/2001	1/4/2002	21.40%	BULL				
				Average Drop		-18.05%						Average Gain		40.69%	

SOURCE: Kovitz using data from Bloomberg

There have been 27 “official” Bear Markets since 1927, yet the long-term trend in stocks is up and to the right.

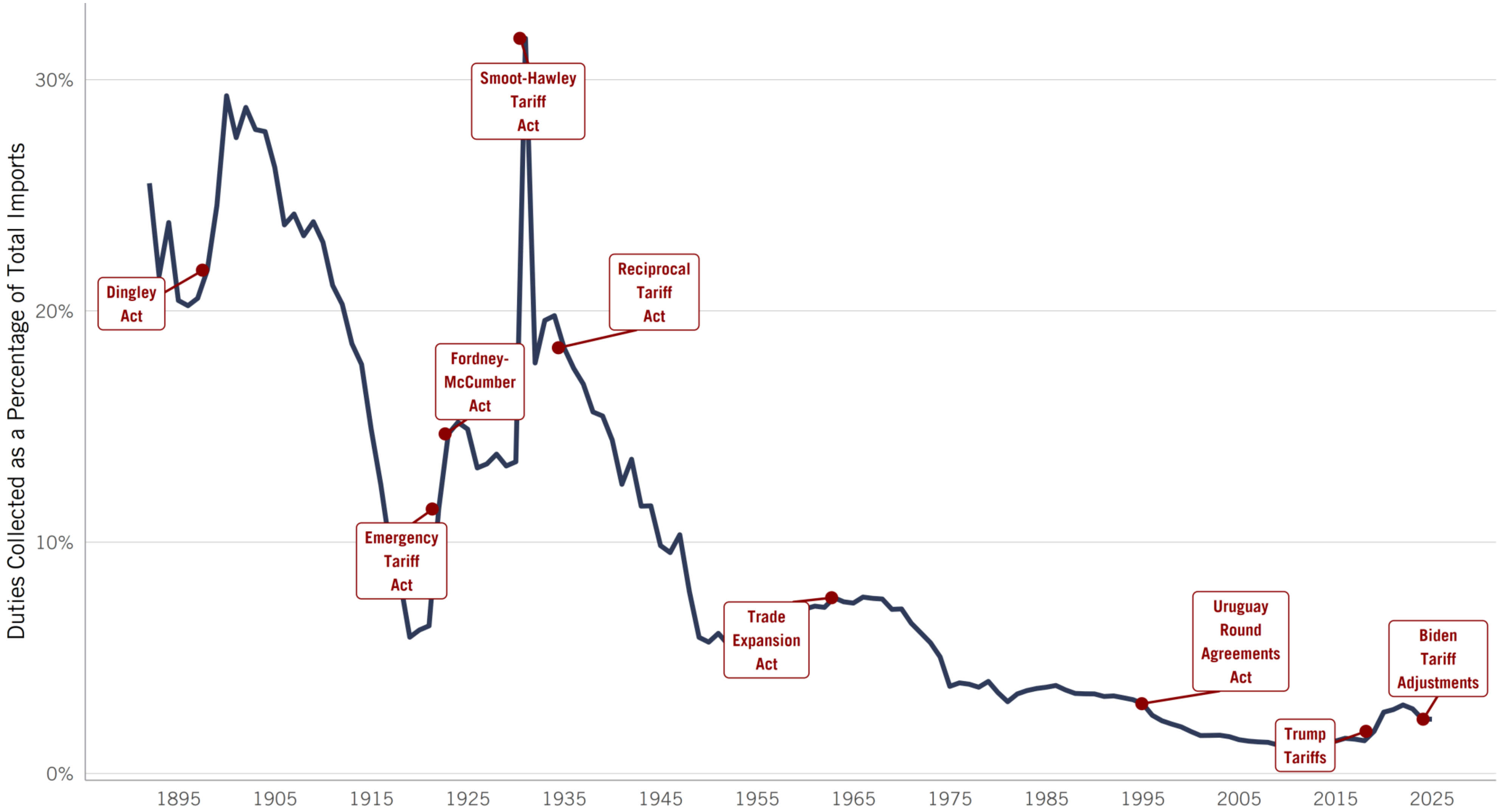


Volatile Market Summary: Periods with a Bear Market

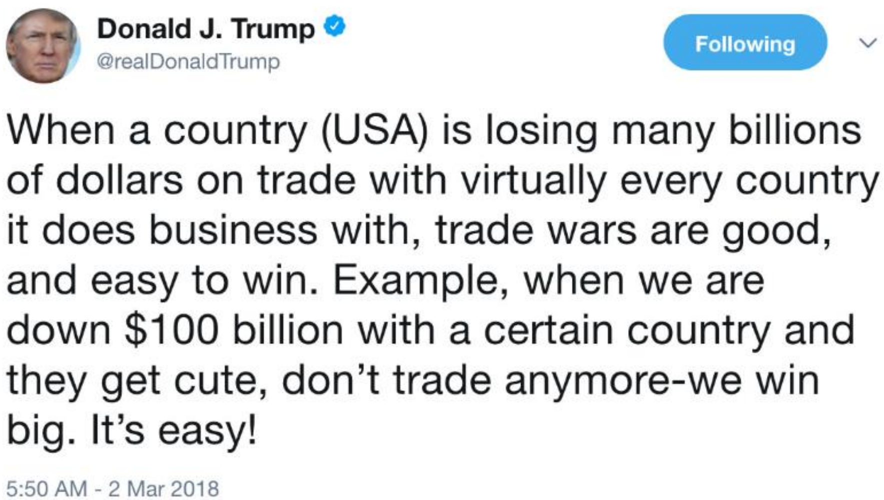
Average Loss	Count	Frequency (in Years)
-35.1%	27	3.4

From 12.30.1927 through 04.10.2025. Logarithmic scale. Price return. We defined a Bear Market (i.e. "Volatile Market") as an instance when stocks dropped 20% or more without a recovery of equal magnitude. SOURCE: Kovitz using data from Bloomberg Finance L.P.

Tariffs have long been part of the global landscape, though the effective rates in the past generally were far lower than the levies on the table in the current Trade War.



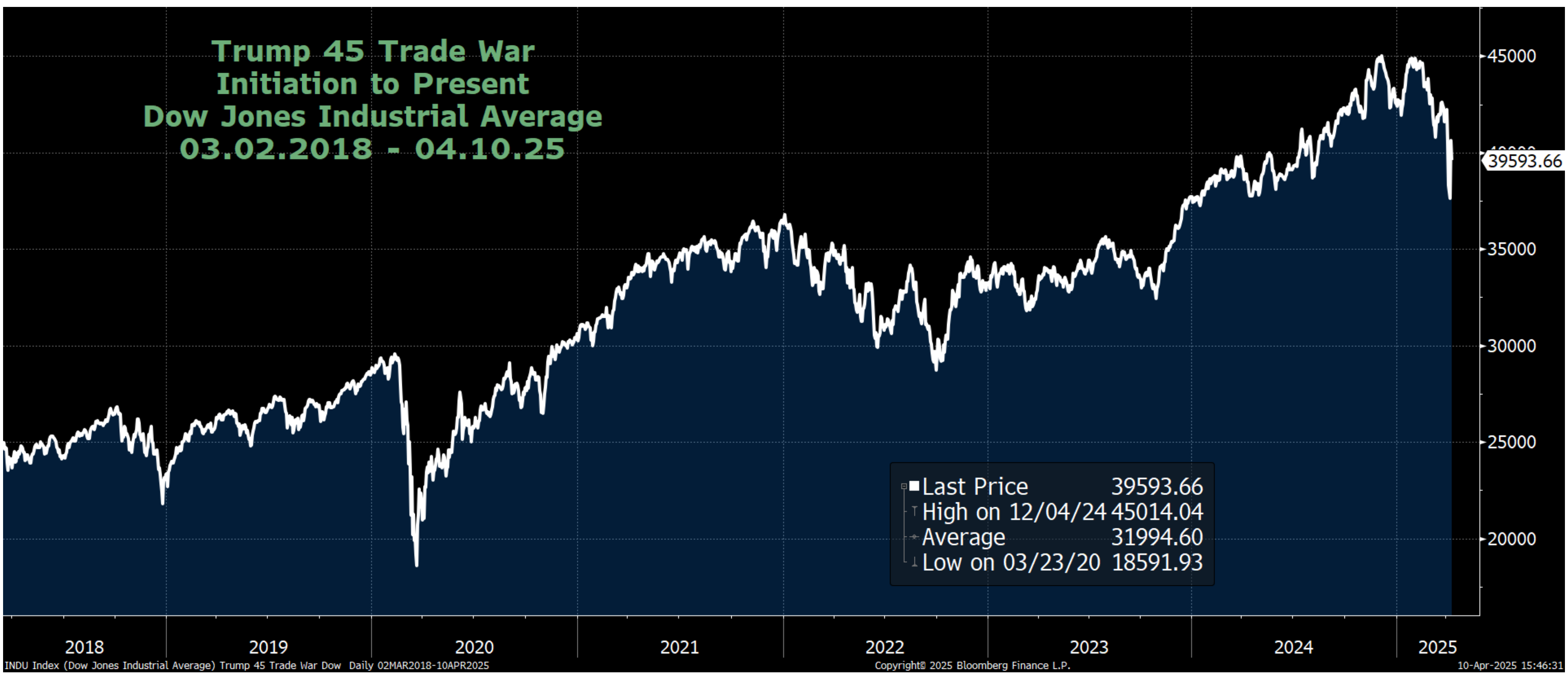
From 1891 through 2024. SOURCE: Kovitz using data from USITC DataWeb


Donald J. Trump
@realDonaldTrump
Following

When a country (USA) is losing many billions of dollars on trade with virtually every country it does business with, trade wars are good, and easy to win. Example, when we are down $100 billion with a certain country and they get cute, don't trade anymore-we win big. It's easy!

5:50 AM - 2 Mar 2018

There is plenty of uncertainty about how Trump 47's tariffs will impact the equity markets, but stocks persevered and went on to significantly higher levels in the ensuing years despite Trump 45 initiating a Trade War in March 2018.



Although we have long believed that uncertainty is the friend of the buyer of long-term value, it often is the enemy of short-term-oriented traders. And, given the draconian tariffs announced on 04.02.25 by President Trump, we have uncertainty in spades. To be sure, Corporate America in the fullness of time has long proved adept at navigating tariffs, supply-chain issues, regulations, inflation and recessions, but the S&P 500, Nasdaq Composite and Russell 3000 indexes all pierced the Bear Market level intraday on April 7 and April 8, while the average stock in the Russell 3000 and Russell 3000 Growth indexes entered a Bear Market on a closing basis.

2024/2025 Bear Market

52-Wk High	Current	Perf	Instrument	52-Wk High	Current	Perf	Instrument
2/19/2025	4/8/2025	-22.40%	Russell 3000 Average Stock	12/26/2024	4/8/2025	-24.22%	Russell 3000 Growth Average Stock
12/4/2024	4/8/2025	-16.48%	Dow Jones Industrial Average	2/19/2025	4/8/2025	-15.99%	S&P 500 Pure Growth Index
12/16/2024	4/8/2025	-24.43%	NASDAQ Composite Index	11/25/2024	4/8/2025	-10.50%	S&P 500 Pure Value Index
2/19/2025	4/8/2025	-19.36%	Russell 1000 Index	2/4/2025	4/8/2025	-22.96%	S&P 500 Communication Services
11/25/2024	4/8/2025	-28.61%	Russell 2000 Index	12/18/2024	4/8/2025	-28.33%	S&P 500 Consumer Discretionary
2/19/2025	4/8/2025	-19.53%	Russell 3000 Index	3/4/2025	4/8/2025	-9.91%	S&P 500 Consumer Staples Secto
2/19/2025	4/8/2025	-18.95%	S&P 500 INDEX	4/12/2024	4/8/2025	-22.32%	S&P 500 Energy Sector GICS Lev
12/16/2024	4/8/2025	-23.57%	Russell 1000 Growth Index	3/3/2025	4/8/2025	-16.32%	S&P 500 Financials Sector GICS
11/29/2024	4/8/2025	-16.51%	Russell 1000 Value Index	9/3/2024	4/8/2025	-15.49%	S&P 500 Health Care Sector GIC
11/25/2024	4/8/2025	-29.16%	Russell 2000 Growth Index	11/27/2024	4/8/2025	-19.12%	S&P 500 Industrials Sector GIC
11/25/2024	4/8/2025	-28.06%	Russell 2000 Value Index	12/26/2024	4/8/2025	-27.15%	S&P 500 Information Technology
12/16/2024	4/8/2025	-23.64%	Russell 3000 Growth Index	10/18/2024	4/8/2025	-24.05%	S&P 500 Materials Sector GICS
11/27/2024	4/8/2025	-17.06%	Russell 3000 Value Index	11/27/2024	4/8/2025	-18.20%	S&P 500 Real Estate Sector GIC
1/24/2025	4/8/2025	-13.77%	S&P 500 Growth Index	11/27/2024	4/8/2025	-11.90%	S&P 500 Utilities Sector GICS
11/29/2024	4/8/2025	-12.21%	S&P 500 Value Index				

Price Returns for Indexes and Total Returns for Average Stock. Source Kovitz using data from Bloomberg

Certainly, we won't mind if we must save the graphic below to prove that there was a Bear Market this year, but the official record of declines of 20% or more is based solely on closing index levels. Of course, given that one trades when the markets are open, a drop on an intraday basis of 20%+ qualifies as a Bear Market by our way of thinking.

"What the mass media offers is not popular art, but entertainment which is intended to be consumed like food, forgotten and replaced by a new dish."

—W.H. Auden

Tonight, fear and uncertainty grip the world markets, and everything is spiraling out of control. What can you do to keep your money safe?

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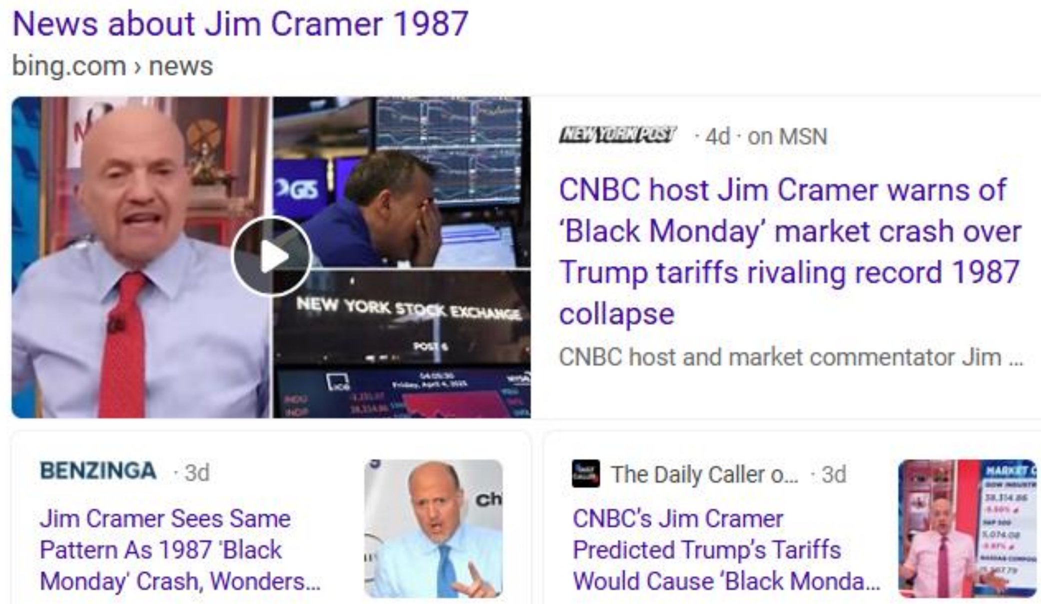
March Hiring Topped Forecasts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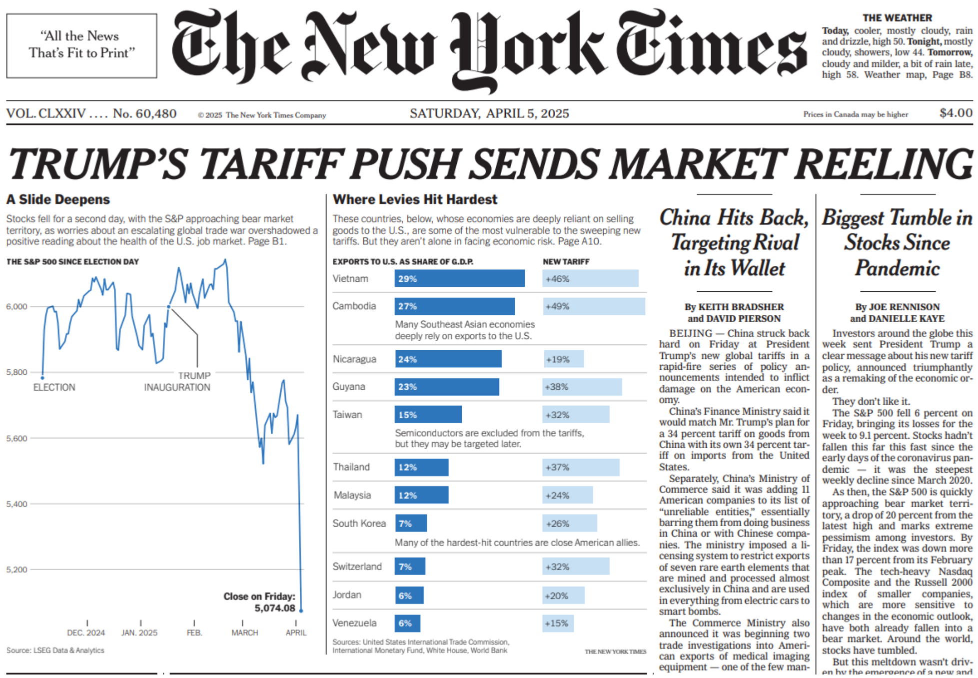
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TRUMP'S TARIFF PUSH SENDS MARKET REELING
A Slide Deepens
Stocks fell for a second day, with the S&P approaching bear market territory, as worries about an escalating global trade war overshadowed a positive reading about the health of the U.S. job market. Page B1.
THE S&P 500 SINCE ELECTION DAY
ELECTION
TRUMP INAUGURATION
Close on Friday: 5,074.08
Where Levies Hit Hardest
These countries, below, whose economies are deeply reliant on selling goods to the U.S., are some of the most vulnerable to the sweeping new tariffs. But they aren't alone in facing economic risk. Page A10.
EXPORTS TO U.S. AS SHARE OF G.D.P.
NEW TARIFF
China Hits Back, Targeting Rival in Its Wallet
By KEITH BRADSHER and DAVID PIERSON
Biggest Tumble in Stocks Since Pandemic
By JOE RENNISON and DANIELLE KAYE


Jim Cramer
@jimcramer
Follow
Look i don't want a repeat of '87 of course. But i traded during that period and remember each day well.. We knew to sell.. and we are proud we did. But we felt like idiots because the week BEFORE the crash was so bad and we were late to sell
1:46 PM · 4/4/25 · 179K Views

THE WALL STREET JOURNAL.

DOW JONES | News Corp ★★★★★★ THURSDAY, APRIL 10, 2025 - VOL. CCLXXXV NO. 83 WSJ.com ★★★★ $5.00

DJIA 40608.45 ▲ 2962.86 7.87% NASDAQ 17124.97 ▲ 12.2% STOXX 600 469.89 ▼ 3.5% 10-YR. TREAS. ▼ 1 7/32, yield 4.410% OIL $62.35 ▲ $2.77 GOLD $3,056.50 ▲ $88.10 EURO $1.0950 YEN 147.79

What's News

Business & Finance

◆ **U.S. stocks soared** after Trump announced a 90-day pause on some tariffs and signaled a willingness to negotiate on trade. The S&P 500, Nasdaq and Dow rallied 9.5%, 12.2% and 7.9%, respectively. A1

◆ **The volatility in** financial markets threatened to derail Prada's talks to acquire Versace from fashion conglomerate Capri Holdings. B1

◆ **Fed officials highlighted** the risks of longer-lasting inflationary pressures from tariffs when they agreed to hold interest rates steady at their meeting last month. A7

◆ **Delta Air Lines** abandoned its full-year financial outlook, a move that could serve as a harbinger for reports from other carriers this month. B1

◆ **Formula One**, which Liberty Media bought in 2017, has been shopping a rights package at around $150 million to $180 million a year beginning with the 2026 season. B1

◆ **China's auto sales** rose sharply in March, assisted by government subsidies and relatively muted competition in pricing. B3

◆ **Volkswagen vehicle** deliveries rose in the first quarter after gains in North and South America as well as in Europe compensated for a steep decline in China. B3

◆ **7-Eleven's owner** projected a rise in annual profit as it continues efforts to stave off a takeover attempt by Couche-Tard, the Canadian owner of Circle K. B3

◆ **The European Commission** said it wanted to develop a network of AI gigafactories to help companies train the most-complex models. B4

World-Wide

◆ **Trump walked back** his steep levies on nearly 100 nations that had taken effect just hours earlier, a reversal that sent stocks soar-

Trump Backtracks, Pauses Many Tariffs

China levy boosted to 125% as duties on dozens of countries get a 90-day delay

By Gavin Bade And Annie Linskey

WASHINGTON—President Trump on Wednesday walked back his steep levies on nearly 100 nations that had taken effect just hours earlier, a shocking reversal that sent stocks soaring despite his announcing simultaneously that he would raise tariffs on Chinese imports to 125%.

Trump said his 10%, baseline tariff on virtually all imports would stay in effect. But he paused for 90 days the higher, so-called reciprocal rates he had announced a week earlier on nations the administration views as bad actors on trade—except for China. In an early afternoon social-media post, Trump wrote that he had raised the tariff imposed on China to 125%, "effective immediately."

An administration official said that Canada and Mexico would remain exempt, for now, from the 10% baseline global tariff. While the U.S.'s neighbors are still subject to plans to impose 25% tariffs on most imports to the U.S., an exemption is still in place for these levies on autos and many other goods compliant with the U.S.-Mexico-Canada free-trade agreement.

Stock-market indexes rose sharply to claw back some of their losses of the past four trading days. The Dow Jones Industrial Average gained nearly 3,000 points Wednesday, or 7.9%; it had fallen by more than 4,500 points in the four days since Trump announced the wide "reciprocal" tariffs.

The S&P 500 rose 9.5% on Wednesday, while the Nasdaq Composite gained 12%.

The president said that he decided to pause the bulk of his reciprocal tariff program because of growing concern about the economy. "They were getting yippy," Trump said when asked why he enacted a temporary rollback. "They were getting a little bit yippy, a little bit afraid."

The tariff pause now opens up a 90-day sprint for trading partners to offer Trump deals to reduce their tariffs.

"Nothing is over yet," Trump said, adding that somebody needed to take steps to rebalance global trade in the U.S.'s favor. He said countries have come forward to make deals with the U.S.—including China.

On Wednesday, Beijing said it would raise levies on U.S. imports to 84%, from 34%.

The reversal on tariffs shocked even some allies close to Trump, who for days

Please turn to page A4

◆ **Fed officials flag risk of longer inflation**............ A7

◆ **Tariffs aren't the only obstacles to trade**............ A7

Index performance since April 2

After a week of daily declines following 'Liberation Day,' stocks rallied in the U.S. Wednesday when President Trump announced that he was putting a 90-day hold on most countries' reciprocal tariffs.

Stocks Roar Back With S&P 500 Climbing 9.5%

By Alexander Osipovich

U.S. stocks staged a historic rally on Wednesday after President Trump paused steep tariffs on most countries for 90 days and signaled a willingness to negotiate on trade, with the market adding a record $5.1 trillion in value.

The afternoon gains brought welcome relief from the turmoil triggered by Trump's own shocking announcement of sweeping tariffs a week ago. Still, in the same Truth Social post, he further escalated an economic conflict with China, the world's second-largest economy.

The stock market is still down from where it stood before the April 2 announcement. And the president's trade war, which has consumed Wall Street's attention for weeks, appeared far from over.

"I just don't believe this is an all-clear signal for markets," said Christopher Smart, managing partner of Arbroath Group, a geopolitical risk consulting firm. "There will still be a bumpy road ahead with a lot of uncertainty around tariffs."

All three major stock indexes ended the day with moves unseen since some of the most volatile stretches in recent decades.

The S&P 500 jumped 9.5%, its largest one-day percentage gain since the financial crisis of 2008. The Dow Jones Industrial Average surged more than 2,900 points, or 7.9%—its biggest daily increase ever in point terms and the biggest percentage gain since the coronavirus swept the globe in March 2020. The technology-heavy Nasdaq Composite soared 12%, its highest one-day jump since the dot-com era.

Stocks in Asia extended the gains early Thursday. In particular, Japan's Nikkei 225 Stock Average was up about 8% in the morning.

Some of the day's biggest U.S. winners were the Magnificent Seven tech stocks that were battered during the tariff selloff. Shares of Nvidia rallied 19%, increasing the chip maker's value by $439.9 billion,

Please turn to page A4

◆ **Heard on the Street: Fallout remains despite U-turn**... B11

History shows that when Wall Street woes become mainstream-media and front-page headlines, it often has been a great time to be buying stocks rather than selling. No guarantee that this go round will yield terrific returns over the next two years, but periods of extreme pessimism like those detailed below often have led to superb future returns.

"...Already racked by devastating double digit inflation, the nation is now also plunging deeper in to a recession that seems sure to be the longest and could be the most severe since WW II."

December '74 *Time Magazine*

S&P 500, Two Years Later: +69.9%

"... The Dow Jones Industrial Average, battered by a protracted recession, a deepening erosion of corporate profits and anxieties that brokerage firms as well as banks are becoming increasingly vulnerable."

Aug '82 *The New York Times*

S&P 500, Two Years Later: +52.7%

"There has been no shortage of crisis, with great attention being paid to the Iraqi invasion of Kuwait, the budget dead locked, the plight of banks and the plunging stock market."

Oct '90 *The New York Times*

S&P 500, Two Years Later: +43.5%

"The World Bank warned that the global economy and global trade volumes would shrink for the first year since World War II. And Warren E. Buffett declared that the economy had 'fallen off a cliff.'"

Mar 10 '09 *New York Times*

S&P 500, Six Months Later: +52.7%

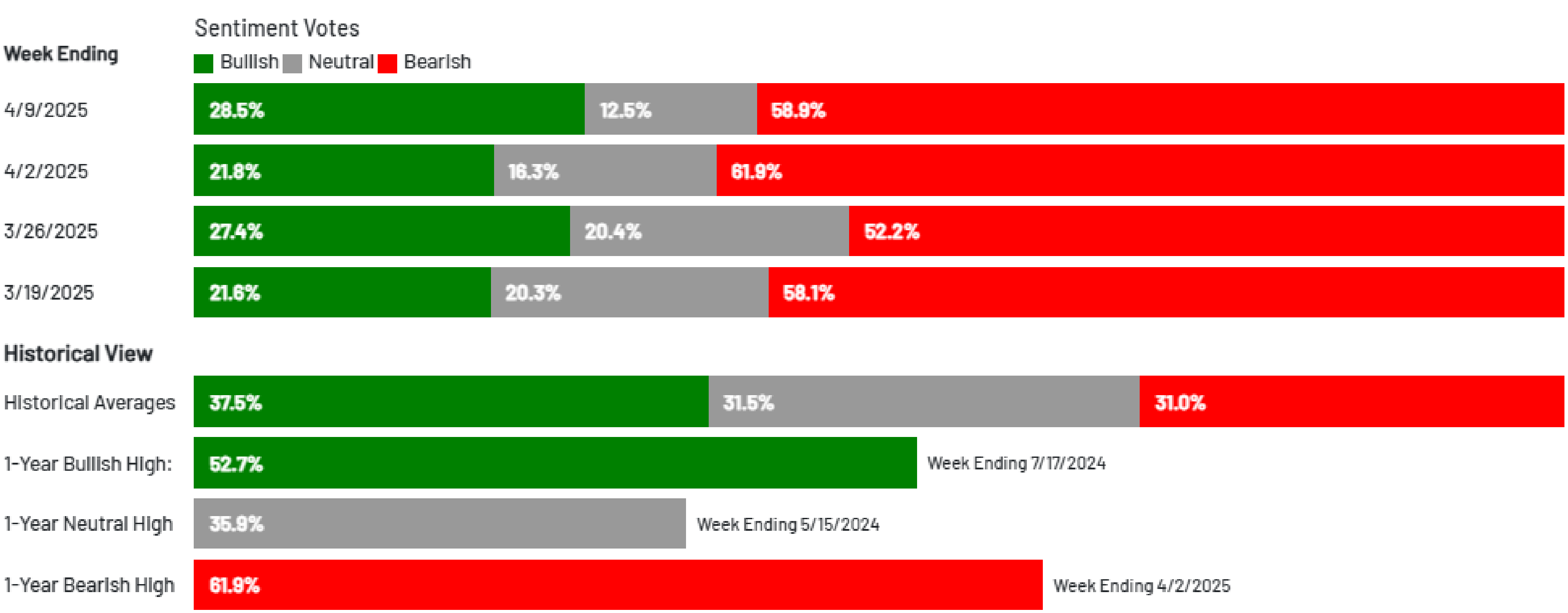
The AAII Investor Sentiment Survey

The AAII Sentiment Survey offers insight into the opinions of individual investors by asking them their thoughts on where the market is heading in the next six months and has been doing so since 1987. This market sentiment data is compiled and depicted below for individual use.

Investor sentiment is measured with a weekly survey conducted from Thursday at 12:01 a.m. until Wednesday at 11:59 p.m. Tracking sentiment gives investors a forward-looking perspective of the market instead of relying on historical data, which tends to result in hindsight bias.

AAII Members can login to vote in the AAII Investor Sentiment Survey today!

What Direction Do AAII Members Feel The Stock Market Will Be In The Next 6 Months?



AAII Sentiment Extreme Pessimism

Given that the average number of AAII Bulls has been 37.5%, with 31.0% the average number of Bears, the reading for the week ended 02.26.2025 of 19.4% of the former and 60.6% of the latter was near record levels of pessimism for the 37-year-old-plus sentiment gauge. Happily, AAII has proved over time to be a terrific contrarian indicator in the long run, meaning we should want to be greedy when others are fearful!

AAII Bull-Bear Spread & Russell 3000 Forward TR

Date	Spread	1W RET	1M RET	3M RET	6M RET
10/18/1990	-54.0	1.5%	4.5%	10.1%	32.1%
3/5/2009	-51.4	10.3%	24.5%	40.3%	52.7%
10/4/1990	-44.0	-5.5%	-0.5%	4.3%	26.2%
9/22/2022	-43.2	-3.0%	0.1%	2.0%	8.5%
11/15/1990	-43.0	-0.4%	3.6%	18.4%	20.1%
9/20/1990	-43.0	-3.7%	-0.5%	6.9%	21.5%
4/28/2022	-43.0	-3.3%	-3.0%	-4.8%	-5.0%
2/27/2025	-41.2	-2.3%	-2.9%		
8-Period Average		-0.8%	3.2%	11.0%	22.3%
All Periods Average		0.2%	0.9%	2.8%	5.9%

Source: American Association of Indivdual Investors and Bloomberg

AAII Bears & Russell 3000 Forward TR

Date	Bears	1W RET	1M RET	3M RET	6M RET
3/5/2009	70.3	10.3%	24.5%	40.3%	52.7%
10/18/1990	67.0	1.5%	4.5%	10.1%	32.1%
8/30/1990	61.0	0.5%	-4.4%	1.4%	19.1%
9/22/2022	60.9	-3.0%	0.1%	2.0%	8.5%
10/9/2008	60.8	4.0%	2.0%	-1.4%	-3.9%
9/29/2022	60.8	3.3%	7.4%	6.0%	7.5%
2/27/2025	60.6	-2.3%	-2.9%		
7-Period Average		2.0%	4.5%	9.7%	19.3%
All Periods Average		0.2%	0.9%	2.8%	5.9%

Source: American Association of Indivdual Investors and Bloomberg

AAII Bulls & Russell 3000 Forward TR

Date	Bulls	1W RET	1M RET	3M RET	6M RET	Date	Bulls	1W RET	1M RET	3M RET	6M RET
11/15/1990	12.0	-0.4%	3.6%	18.4%	20.1%	8/16/1990	18.0	-8.0%	-4.6%	-4.4%	13.3%
10/18/1990	13.0	1.5%	4.5%	10.1%	32.1%	3/30/1989	18.0	1.1%	5.9%	9.7%	20.7%
9/20/1990	13.0	-3.7%	-0.5%	6.9%	21.5%	9/1/1988	18.0	2.6%	5.2%	5.1%	12.4%
10/6/1988	13.0	0.7%	1.1%	3.2%	9.9%	7/1/1993	18.0	-0.1%	0.0%	4.3%	5.8%
3/9/1989	13.0	1.7%	1.3%	12.2%	19.9%	9/8/2022	18.1	-2.3%	-8.9%	-1.0%	3.1%
9/3/1992	14.0	0.5%	-1.5%	5.2%	10.7%	6/23/2022	18.2	-0.4%	4.6%	-2.3%	2.5%
10/4/1990	15.0	-5.5%	-0.5%	4.3%	26.2%	4/21/2022	18.9	-2.5%	-11.2%	-8.7%	-11.8%
2/1/1990	15.0	1.7%	1.9%	1.9%	8.8%	3/5/2009	18.9	10.3%	24.5%	40.3%	52.7%
4/14/2022	15.8	-0.2%	-8.8%	-14.0%	-17.8%	2/8/1990	19.0	0.6%	2.6%	3.0%	1.9%
9/13/1990	16.0	-2.3%	-6.4%	4.1%	20.5%	12/1/1988	19.0	1.3%	2.3%	6.9%	20.7%
12/20/1990	16.0	-0.3%	0.6%	13.7%	17.2%	8/18/1988	19.0	-0.6%	3.6%	2.1%	14.6%
11/22/1990	16.0	0.4%	5.5%	18.1%	23.0%	5/12/1988	19.0	-0.5%	6.7%	4.4%	7.0%
7/21/1988	16.0	-0.3%	-1.9%	6.1%	8.2%	2/17/2022	19.2	-2.0%	0.7%	-7.2%	-0.1%
4/28/2022	16.4	-3.3%	-3.0%	-4.8%	-5.0%	2/11/2016	19.2	5.1%	11.5%	14.4%	22.2%
4/14/2005	16.5	0.0%	-0.4%	7.2%	4.2%	4/11/2013	19.3	-3.4%	2.7%	5.9%	9.1%
11/24/1988	17.0	1.5%	3.5%	8.4%	21.1%	5/19/2016	19.3	2.7%	2.1%	8.2%	9.4%
12/8/1988	17.0	-0.7%	2.1%	7.9%	21.0%	6/16/2022	19.4	3.7%	5.5%	6.7%	2.3%
9/8/1988	17.0	0.9%	4.3%	3.8%	12.0%	7/7/2022	19.4	-3.1%	6.6%	-6.0%	3.8%
9/22/2022	17.7	-3.0%	0.1%	2.0%	8.5%	2/27/2005	19.4	-2.3%	-2.9%		
5/26/2016	17.8	1.0%	-2.2%	4.8%	8.2%	40-Period Average		-0.3%	1.4%	5.4%	12.2%
1/14/2016	17.9	-2.8%	-3.3%	9.3%	14.4%	All Periods Average		0.2%	0.9%	2.8%	5.9%

Source: American Association of Indivdual Investors and Bloomberg

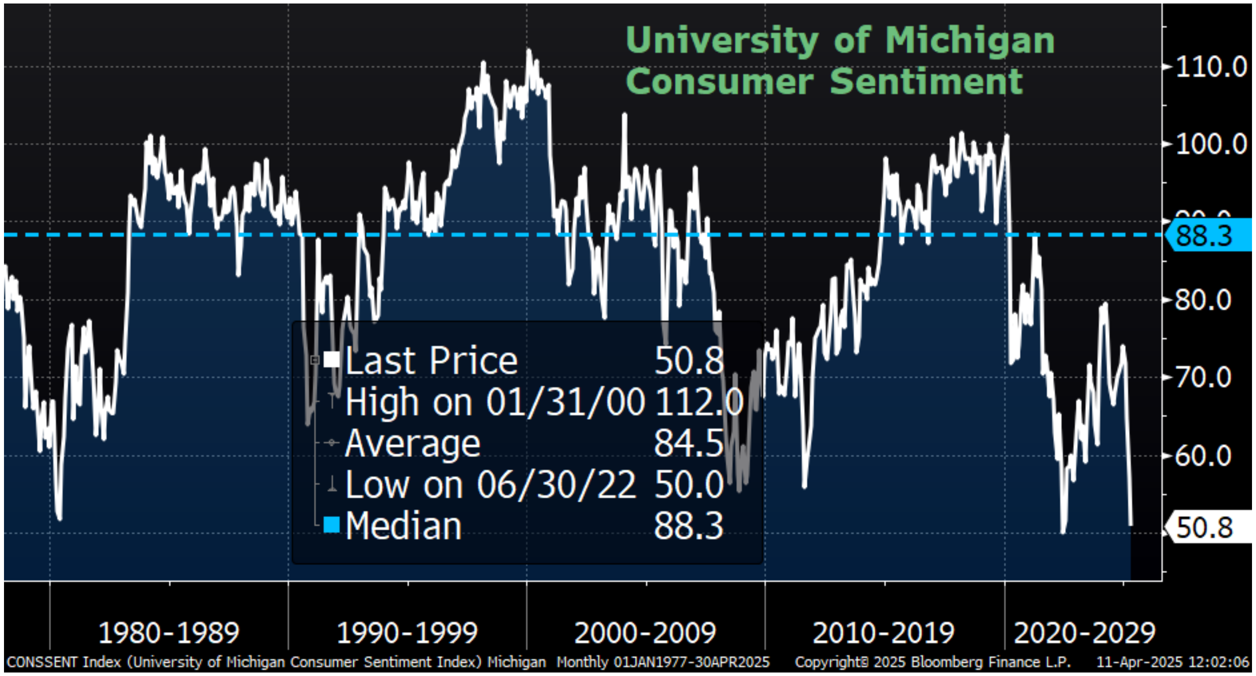
AAII Bull-Bear Spread Deciles & Subsequent Equity Returns

While 37+ years of historical evidence adds credence to the admonition to be greedy when others are fearful, with better subsequent returns when sentiment is Bearish, the data show that stocks have gained ground, on average, even when Bullishness is elevated.

AAII Bull-Bear Spread

Decile	Low Reading of the Range	High Reading of the Range	Count	R3K Next 1-Week Arithmetic Average TR	R3K Next 1-Week Geometric Average TR	R3K Next 1-Month Arithmetic Average TR	R3K Next 1-Month Geometric Average TR	R3K Next 3-Month Arithmetic Average TR	R3K Next 3-Month Geometric Average TR	R3K Next 6-Month Arithmetic Average TR	R3K Next 6-Month Geometric Average TR
	Below & Above Median Bull Bear Spread = 7.37										
BELOW	-54.0	7.4	983	0.23%	0.19%	1.13%	0.99%	3.41%	3.03%	6.68%	5.93%
ABOVE	7.4	62.9	982	0.19%	0.17%	0.62%	0.53%	2.16%	1.91%	4.98%	4.51%
	Ten Groupings of 1965 Data Points										
1	-54.0	-17.0	198	0.34%	0.28%	2.01%	1.77%	4.72%	4.22%	8.79%	7.66%
2	-17.0	-8.9	195	0.24%	0.21%	0.92%	0.78%	3.71%	3.34%	6.33%	5.54%
3	-8.9	-2.3	197	0.38%	0.35%	1.04%	0.92%	3.25%	2.83%	7.64%	6.93%
4	-2.3	2.8	196	0.12%	0.08%	1.07%	0.97%	2.72%	2.37%	5.66%	5.10%
5	2.8	7.3	196	0.06%	0.03%	0.59%	0.49%	2.64%	2.38%	5.05%	4.52%
6	7.4	12.0	206	0.16%	0.14%	0.67%	0.56%	2.04%	1.81%	5.08%	4.66%
7	12.0	16.2	187	0.23%	0.21%	0.60%	0.51%	2.53%	2.28%	5.49%	4.96%
8	16.2	21.9	197	0.16%	0.14%	0.99%	0.92%	2.54%	2.31%	6.31%	5.91%
9	21.9	28.9	196	0.17%	0.16%	0.53%	0.46%	1.95%	1.66%	4.90%	4.36%
10	29.0	62.9	197	0.22%	0.21%	0.29%	0.22%	1.75%	1.52%	3.08%	2.64%

From 07.31.1987 through 04.10.2025. Unannualized. SOURCE: Kovitz using data from American Association of Individual Investors and Bloomberg

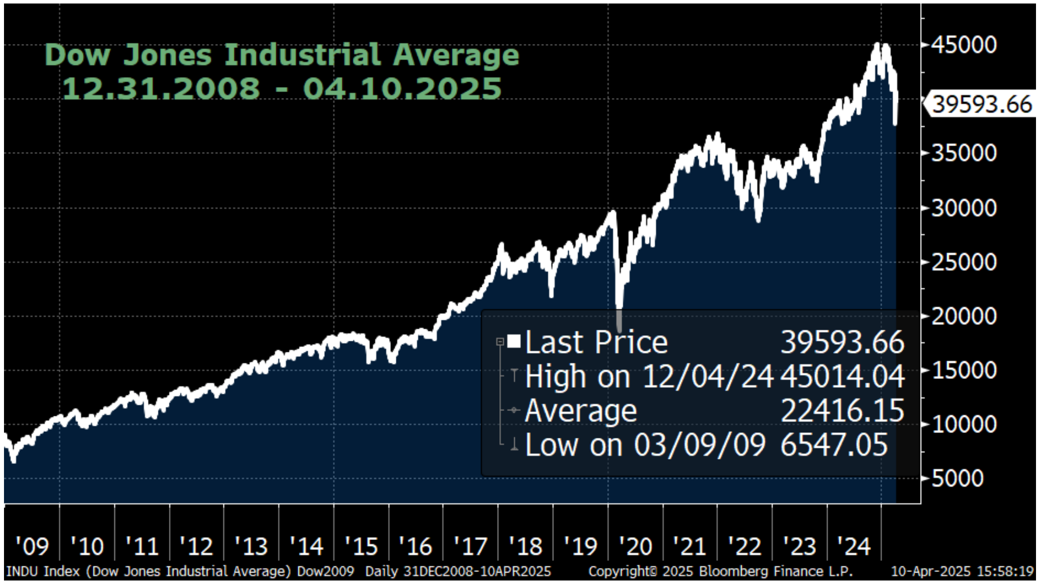


University of Michigan Consumer Sentiment
Cyclical Lows & Subsequent Equity Returns

Cyclical Low	U of M Sent.	1 Month SPX TR	1 Month Value TR	1 Year SPX TR	1 Year Value TR	3 Year SPX TR	3 Year Value TR	5 Year SPX TR	5 Year Value TR	10 Year SPX TR	10 Year Value TR
May-80	51.7	3.2%	3.4%	25.2%	34.5%	70.8%	128.5%	118.2%	227.6%	395.6%	537.3%
Mar-82	62.0	4.5%	3.4%	44.3%	54.5%	86.5%	129.6%	224.0%	275.9%	431.0%	502.5%
Nov-87	83.1	7.6%	4.8%	23.3%	32.1%	55.7%	31.1%	121.8%	124.0%	455.1%	543.2%
Oct-90	63.9	6.5%	5.1%	33.4%	40.9%	68.6%	129.3%	121.4%	190.0%	490.0%	614.8%
Jan-92	67.5	1.3%	7.0%	10.6%	28.3%	25.5%	47.2%	119.7%	157.4%	238.6%	453.4%
Sep-01	81.8	1.9%	-0.4%	-20.5%	-13.6%	12.6%	40.4%	40.0%	98.8%	32.0%	48.6%
Mar-03	77.6	8.2%	10.6%	35.1%	67.3%	61.0%	128.8%	71.0%	115.9%	126.8%	176.6%
Oct-05	74.2	3.8%	3.5%	16.3%	20.2%	-14.8%	-15.7%	9.0%	-3.7%	112.9%	72.9%
Nov-08	55.3	1.1%	3.4%	25.4%	22.2%	48.6%	34.0%	124.8%	135.1%	280.7%	246.2%
Aug-11	55.8	-7.0%	-10.5%	18.0%	14.8%	75.4%	89.6%	98.3%	95.0%	353.7%	265.1%
Apr-20	71.8	4.8%	3.8%	46.0%	85.5%	50.1%	91.3%				
Jun-22	50.0	9.2%	8.4%	19.6%	5.9%						
Apr-25	50.8										
		3.7%	**3.5%**	**23.1%**	**32.7%**	**49.1%**	**75.8%**	**104.8%**	**141.6%**	**291.6%**	**346.1%**

TR = Total Return From End of Cyclical Low Month. SPX = S&P 500. Value = Value Weighted Book to Market Portfolios - Blend of Small Value and Big Value.
Source: Kovitz Investment Group using data from Bloomberg, Professors Eugene F. Fama & Kenneth R. French and the Univ. of Michigan

The University of Michigan's preliminary Consumer Sentiment survey for April added to the doom-and-gloom that has been permeating the "soft" economic data of late. No doubt, the short-term inflation expectations number spiking to 6.7% and the longer-term projections jumping to 4.4% were cause for concern, and the headline Michigan Sentiment reading fell to 50.8, well below initial expectations of 53.8 and the prior month's tally of 57.0. However, history suggests that pessimism on Main Street has turned out to be a major buy signal for equities, on average, with inexpensively priced stocks like those that we have long championed leading the way.

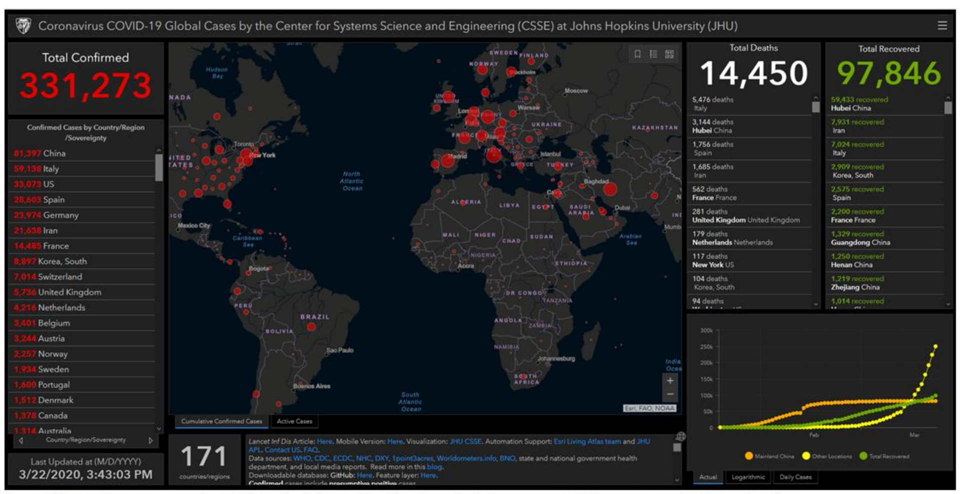


Pessimism on Main Street is currently at some of the highest levels ever, even as time and again, long-term investors have been rewarded for sticking with stocks through thick and thin. Obviously, the headlines are different today that they were on March 23, 2020, when the equity markets hit COVID-19 lows, while stocks bottomed during the Great Financial Crisis on March 9, 2009, but current Bearishness on the American Association of Individual Investors Sentiment Survey is on par with those periods.

AFAM a KOVITZ division

THE PRUDENT SPECULATOR
COVID-19's Global Spread

Sadly, per Johns Hopkins, the total Covid-19 confirmed cases and deaths continue to rise around the world, but so, too, do the total recoveries, while countless other untested folks have either no or mild symptoms.



https://www.arcgis.com/apps/opsdashboard/index.html#/bda7594740fd40299423467b48e9ecf6

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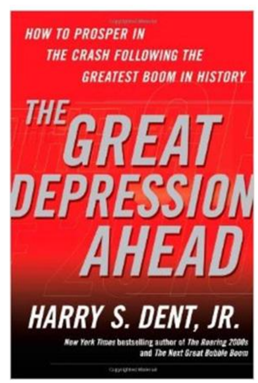
THE SECRET TO SUCCESS IN STOCKS
Fear Nearly Always Outsells Greed

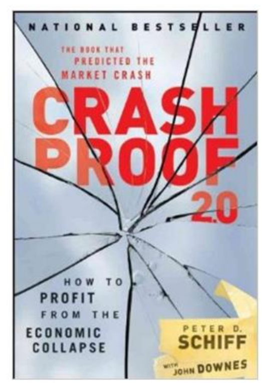
"The World Bank warned that the global economy and global trade volumes would shrink for the first year since World War II. And Warren Buffett declared that the economy had fallen off a cliff."

Mar 10 '09 *New York Times*

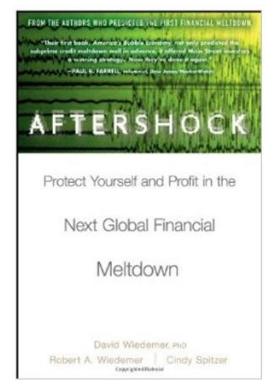
S&P 500, Six Months Later: +52.7%



January 6, 2009



September 22, 2009



November 9, 2009

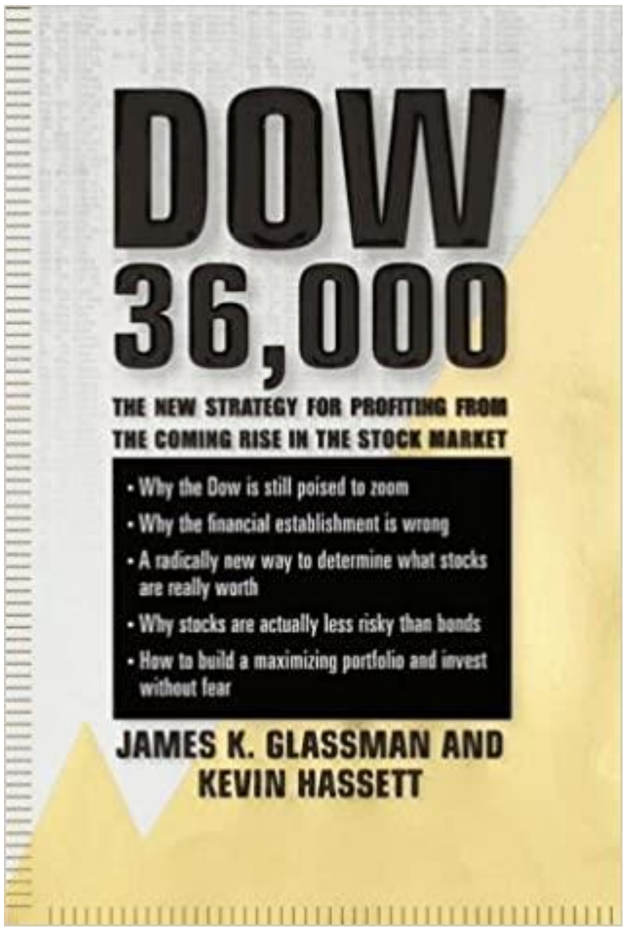
Equities staged a spectacular recovery from the COVID-19 lows in 2020, with the early-year devastation overcome and then some, long before the pandemic death count slowed, lockdowns ended and vaccines were introduced. Believe it or not, despite the ugly short-term numbers in the chart below, the average stock in the Russell 3000 Value Index soared 79.58% from March 23, 2020, to the end of the year, illustrating why we always say that the secret to success in stocks is not to get scared out of them.

2020 Bear Market

Start	End	Perf	Instrument	Start	End	Perf	Instrument
2/19/2020	**3/23/2020**	**-40.54%**	**Russell 3000 Average Stock**	**2/19/2020**	**3/23/2020**	**-34.03%**	**NASDAQ Composite Average Stock**
2/12/2020	3/23/2020	-38.40%	Dow Jones Industrial Average	2/19/2020	3/23/2020	-38.19%	S&P 500 Pure Growth Index
2/19/2020	3/23/2020	-32.60%	NASDAQ Composite Index	1/17/2020	3/23/2020	-51.78%	S&P 500 Pure Value Index
2/19/2020	3/23/2020	-36.23%	Russell 1000 Index	2/19/2020	3/23/2020	-31.26%	S&P 500 Communication Services
1/17/2020	3/18/2020	-43.66%	Russell 2000 Index	2/19/2020	3/18/2020	-36.94%	S&P 500 Consumer Discretionary
2/19/2020	3/23/2020	-36.66%	Russell 3000 Index	2/18/2020	3/23/2020	-26.15%	S&P 500 Consumer Staples Secto
2/19/2020	3/23/2020	-35.41%	S&P 500 Index	4/26/2019	3/18/2020	-65.24%	S&P 500 Energy Sector GICS Lev
2/19/2020	3/23/2020	-33.50%	Russell 1000 Growth Index	2/12/2020	3/23/2020	-43.93%	S&P 500 Financials Sector GICS
2/12/2020	3/23/2020	-39.57%	Russell 1000 Value Index	1/22/2020	3/23/2020	-24.47%	S&P 500 Health Care Sector GIC
2/19/2020	3/18/2020	-42.64%	Russell 2000 Growth Index	2/12/2020	3/23/2020	-27.66%	S&P 500 Industrials Sector GIC
1/17/2020	3/23/2020	-46.76%	Russell 2000 Value Index	2/19/2020	3/23/2020	-13.61%	S&P 500 Information Technology
2/19/2020	3/23/2020	-33.98%	Russell 3000 Growth Index	1/2/2020	3/18/2020	-38.12%	S&P 500 Materials Sector GICS
1/17/2020	3/23/2020	-39.97%	Russell 3000 Value Index	2/21/2020	3/23/2020	-21.17%	S&P 500 Real Estate Sector GIC
2/19/2020	3/23/2020	-33.35%	S&P 500 Growth Index	2/18/2020	3/23/2020	-17.66%	S&P 500 Utilities Sector GICS
2/12/2020	3/23/2020	-38.34%	S&P 500 Value Index				

Price Returns for Indexes and Total Returns for Average Stock. Source: Bloomberg

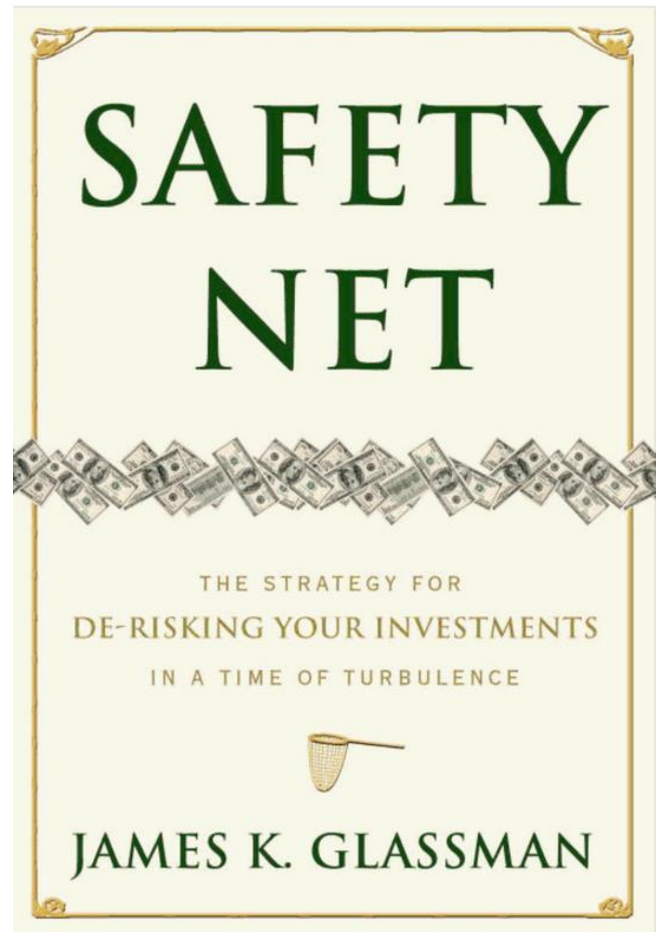
There is no assurance that the Dow Jones Industrial Average will remain above the 36,000 level, but James K. Glassman's famous Dow projection was eclipsed in 2021. Alas, he advised loading up on stocks at Dow 10,000 in 1999 and de-risking portfolios at Dow 12,000 in 2011...the only problem with market timing is getting the timing right.



September 20, 1999

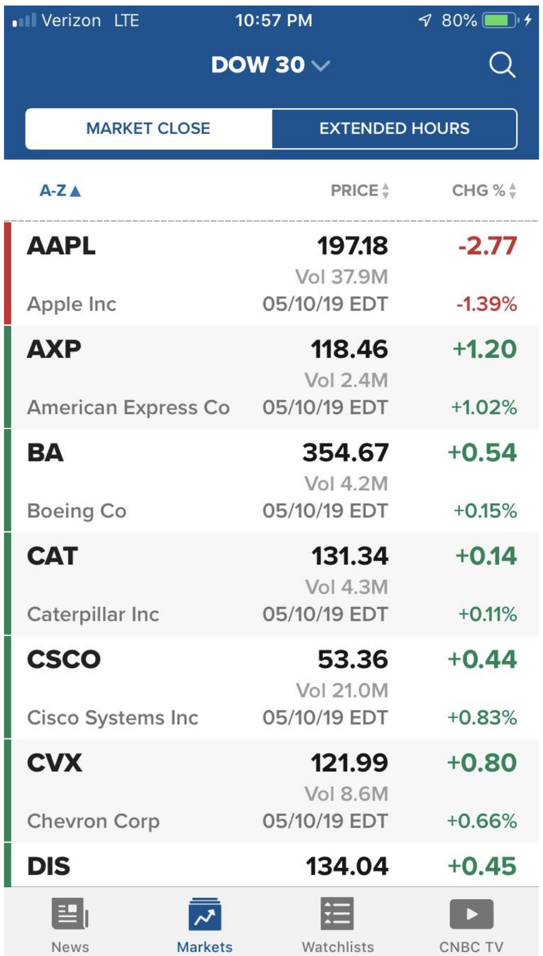
"In theory, historical averages show that stocks are a good buy if you can hang on through the miserable periods. But most investors find that excruciatingly difficult to do—a fact that I never fully appreciated in my 30 years of writing about investing."

— James K. Glassman, February 24, 2011



February 22, 2011

Myopic loss aversion is the combination of a greater sensitivity to losses than to gains and a tendency to evaluate outcomes frequently…The investors who got the most frequent feedback (and thus the most information) took the least risk and earned the least money.



Equities are a volatile asset class, and some make emotional decisions to abandon long-term investment plans, usually when markets are stressed. Of course, nearly a century of market history reveals that the longer the holding period the less the chance of a lower return from Value Stocks and Dividend Payers than what is presently offered by "safe" instruments like U.S. Treasuries. Indeed, the odds are in the favor of the long-term investor and time in the market has proven to be a terrific risk mitigation tool.

PATIENCE IS VIRTUOUS

VALUE STOCKS

	Count >4.42%	Count <=4.42%	Percent >4.42%
1 Month	708	462	60.5%
3 Months	741	427	63.4%
6 Months	766	399	65.8%
1 Year	781	378	67.4%
2 Year	858	289	74.8%
3 Year	925	210	81.5%
5 Year	944	167	85.0%
7 Year	965	122	88.8%
10 Year	989	62	94.1%
15 Year	963	28	97.2%
20 Year	931	0	100.0%

DIVIDEND PAYERS

	Count >4.42%	Count <=4.42%	Percent >4.42%
1 Month	703	467	60.1%
3 Months	742	426	63.5%
6 Months	776	389	66.6%
1 Year	794	365	68.5%
2 Year	883	264	77.0%
3 Year	901	234	79.4%
5 Year	912	199	82.1%
7 Year	946	141	87.0%
10 Year	939	112	89.3%
15 Year	954	37	96.3%
20 Year	918	13	98.6%

From 07.31.1927 through 12.31.24. Value stocks represented by 50% small value and 50% large value returns rebalanced monthly. Dividend payers represented by 30% top of dividend payers, 40% of middle dividend payers, and 30% bottom of dividend payers rebalanced monthly. SOURCE: Kovitz using data from Professors Eugene F. Fama and Kenneth R. French

“If you do not change direction, you may end up where you are heading”

—Lao Tzu

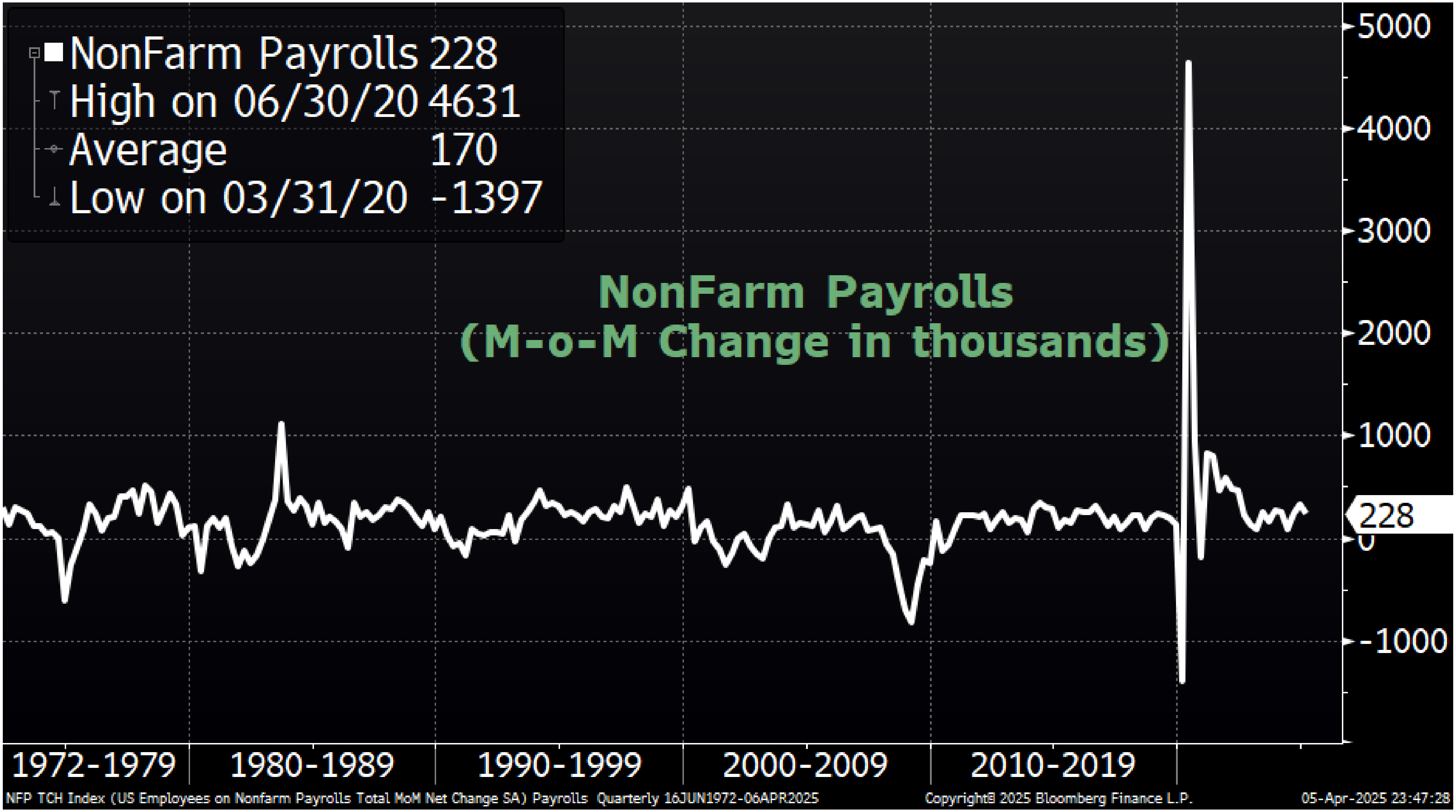
Sleeping Better at Night

- Market Myths

"Fear cannot be banished, but it can be calm and without panic; it can be mitigated by reason and evaluation."

– Vannevar Bush

Recessions & Equity Returns


NonFarm Payrolls 228
High on 06/30/20 4631
Average 170
Low on 03/31/20 -1397
NonFarm Payrolls
(M-o-M Change in thousands)
5000
4000
3000
2000
1000
228
0
-1000
1972-1979
1980-1989
1990-1999
2000-2009
2010-2019
NFP TCH Index (US Employees on Nonfarm Payrolls Total MoM Net Change SA) Payrolls Quarterly 16JUN1972-06APR2025
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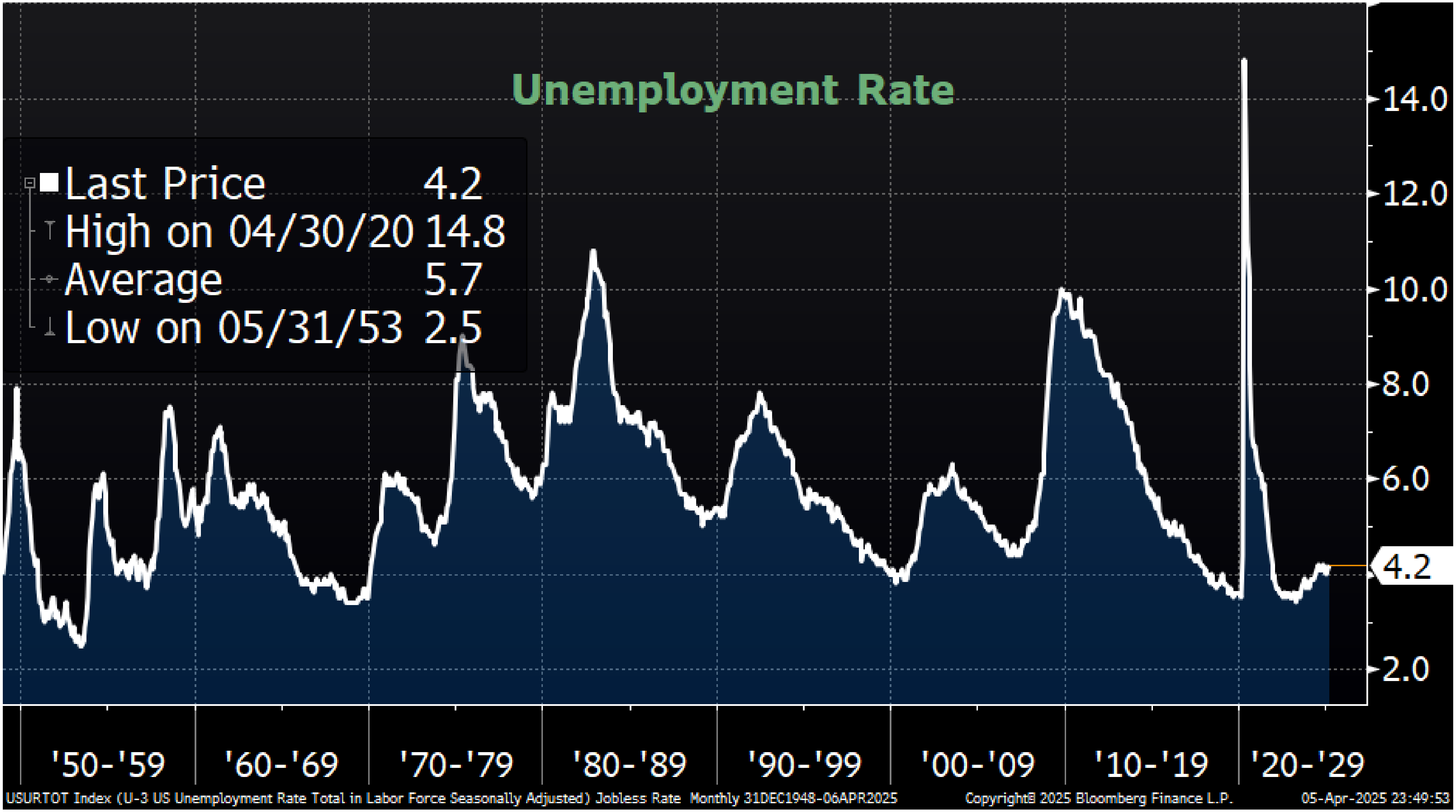
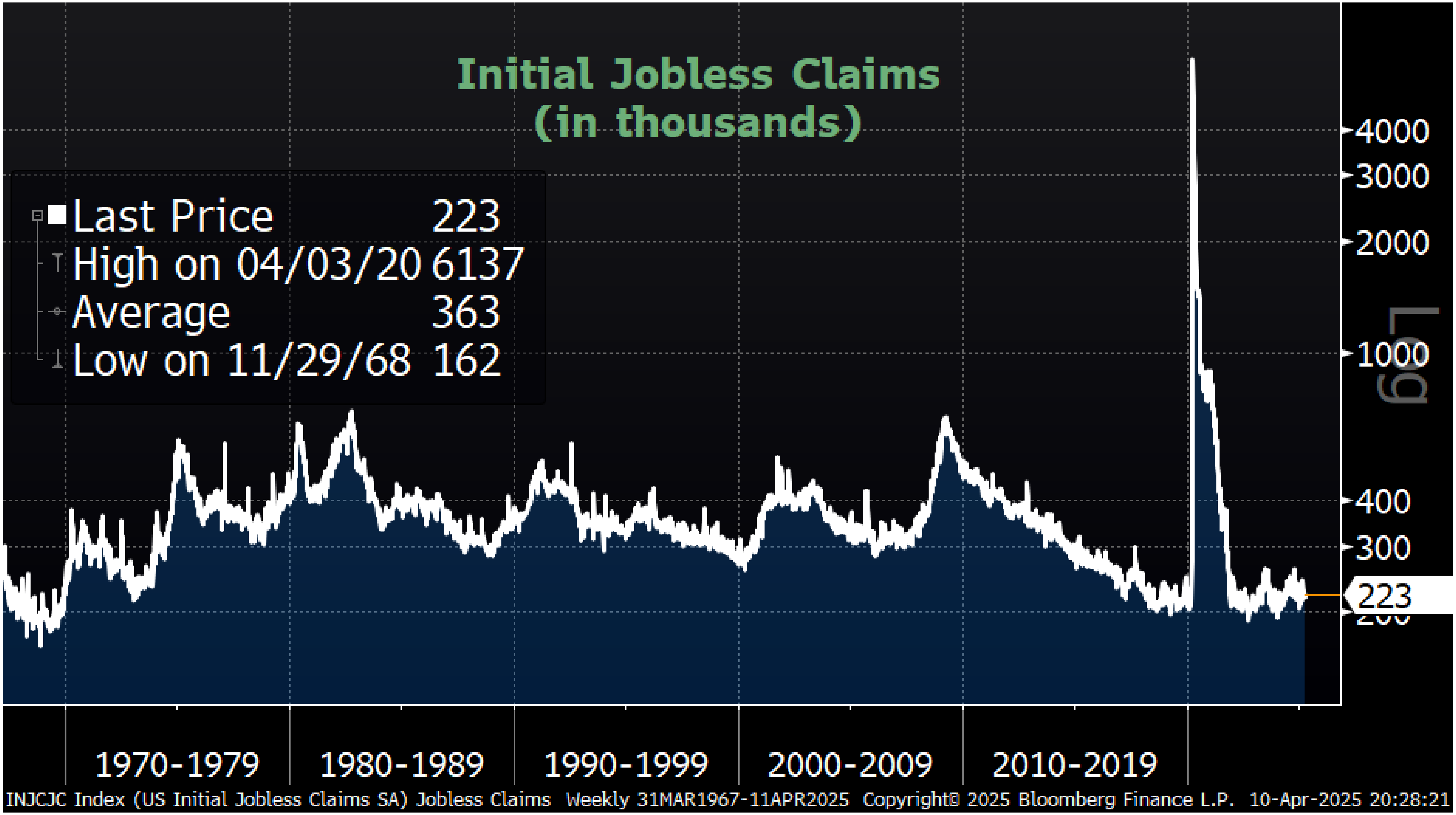
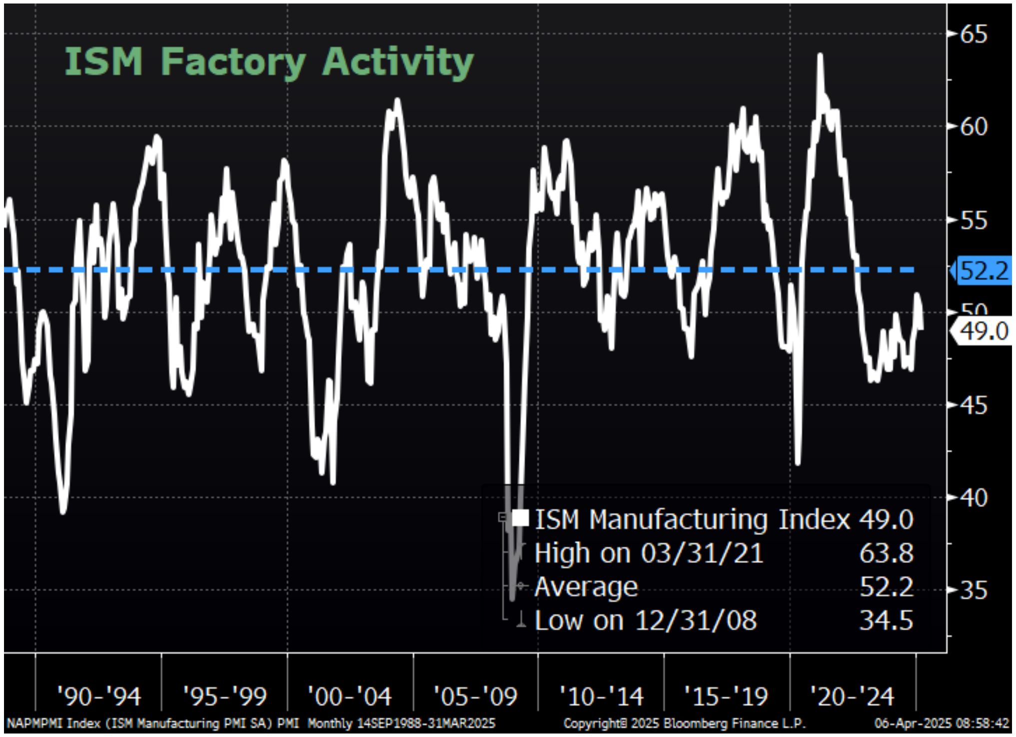
05-Apr-2025 23:47:28

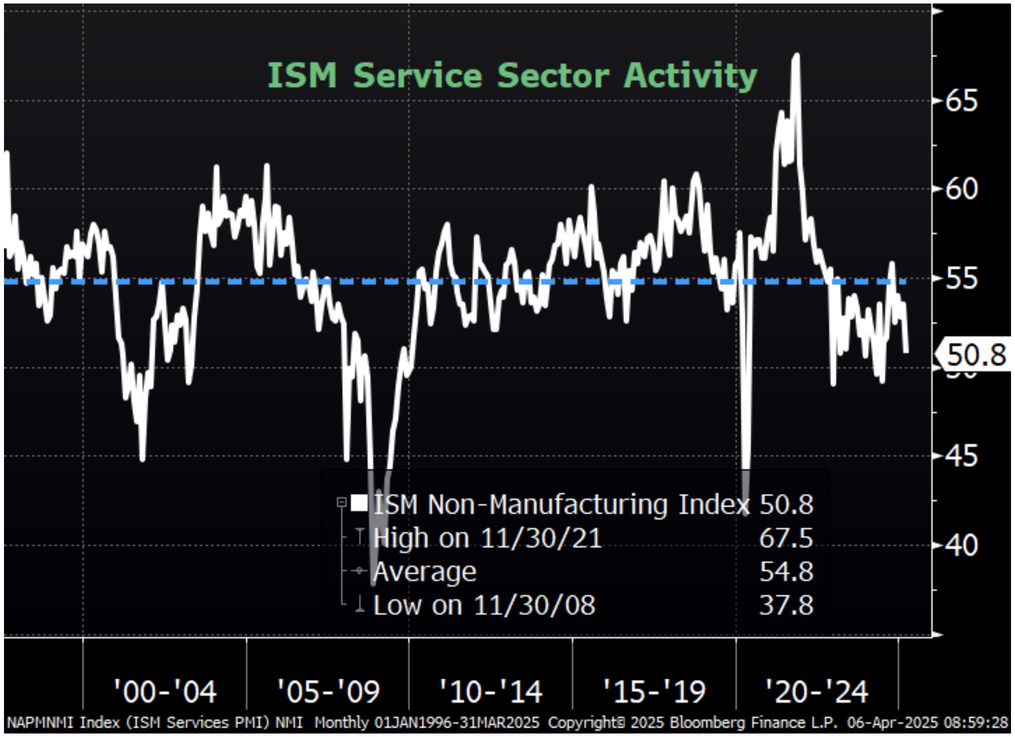

Unemployment Rate
Last Price 4.2
High on 04/30/20 14.8
Average 5.7
Low on 05/31/53 2.5
14.0
12.0
10.0
8.0
6.0
4.2
2.0
'50-'59
'60-'69
'70-'79
'80-'89
'90-'99
'00-'09
'10-'19
'20-'29
USURTOT Index (U-3 US Unemployment Rate Total in Labor Force Seasonally Adjusted) Jobless Rate Monthly 31DEC1948-06APR2025
Copyright© 2025 Bloomberg Finance L.P.
05-Apr-2025 23:49:53


Initial Jobless Claims
(in thousands)
Last Price 223
High on 04/03/20 6137
Average 363
Low on 11/29/68 162
4000
3000
2000
1000
400
300
223
200
Log
1970-1979
1980-1989
1990-1999
2000-2009
2010-2019
INJCJC Index (US Initial Jobless Claims SA) Jobless Claims Weekly 31MAR1967-11APR2025 Copyright© 2025 Bloomberg Finance L.P. 10-Apr-2025 20:28:21

A Manufacturing PMI® above 42.3 percent, over a period of time, generally indicates an expansion of the overall economy. Therefore, the March Manufacturing PMI® indicates the overall economy grew for the 59th straight month after last contracting in April 2020. The past relationship between the Manufacturing PMI® and the overall economy indicates that the March reading (49 percent) corresponds to a change ***of plus-1.9 percent in real gross domestic product (GDP) on an annualized basis****.*

A Services PMI® above 48.6 percent, over time, generally indicates an expansion of the overall economy. Therefore, the March Services PMI® indicates the overall economy is expanding for the 58th straight month. The past relationship between the Services PMI® and the overall economy indicates that the Services PMI® for March (50.8 percent) corresponds to a ***0.7-percentage point increase in real gross domestic product (GDP) on an annualized basis.***






Mid Price -2.4
High on 08/25/23 5.9
Average 2.6
Low on 03/28/25 -2.8
Atlanta Fed GDPNow
Quarter-Ahead Growth Forecast
6.0
4.0
2.0
0.0
-2.0
-2.4
2022
2023
2024
2025
GDGCAFJP Index (Atlanta Fed GDPNow GDP Forecast) AtlantaFed Weekly 31AUG2022-10APR2025
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10-Apr-2025 16:18:43

Table 1. Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy, March 2025

Percent

Variable	Median[1]				Central Tendency[2]				Range[3]			
	2025	2026	2027	Longer run	2025	2026	2027	Longer run	2025	2026	2027	Longer run
Change in real GDP	1.7	1.8	1.8	1.8	1.5–1.9	1.6–1.9	1.6–2.0	1.7–2.0	1.0–2.4	0.6–2.5	0.6–2.5	1.5–2.5
December projection	2.1	2.0	1.9	1.8	1.8–2.2	1.9–2.1	1.8–2.0	1.7–2.0	1.6–2.5	1.4–2.5	1.5–2.5	1.7–2.5
Unemployment rate	4.4	4.3	4.3	4.2	4.3–4.4	4.2–4.5	4.1–4.4	3.9–4.3	4.1–4.6	4.1–4.7	3.9–4.7	3.5–4.5
December projection	4.3	4.3	4.3	4.2	4.2–4.5	4.1–4.4	4.0–4.4	3.9–4.3	4.2–4.5	3.9–4.6	3.8–4.5	3.5–4.5
PCE inflation	2.7	2.2	2.0	2.0	2.6–2.9	2.1–2.3	2.0–2.1	2.0	2.5–3.4	2.0–3.1	1.9–2.8	2.0
December projection	2.5	2.1	2.0	2.0	2.3–2.6	2.0–2.2	2.0	2.0	2.1–2.9	2.0–2.6	2.0–2.4	2.0
Core PCE inflation[4]	2.8	2.2	2.0		2.7–3.0	2.1–2.4	2.0–2.1		2.5–3.5	2.1–3.2	2.0–2.9	
December projection	2.5	2.2	2.0		2.5–2.7	2.0–2.3	2.0		2.1–3.2	2.0–2.7	2.0–2.6	
Memo: Projected appropriate policy path												
Federal funds rate	3.9	3.4	3.1	3.0	3.9–4.4	3.1–3.9	2.9–3.6	2.6–3.6	3.6–4.4	2.9–4.1	2.6–3.9	2.5–3.9
December projection	3.9	3.4	3.1	3.0	3.6–4.1	3.1–3.6	2.9–3.6	2.8–3.6	3.1–4.4	2.4–3.9	2.4–3.9	2.4–3.9

NOTE: Projections of change in real gross domestic product (GDP) and projections for both measures of inflation are percent changes from the fourth quarter of the previous year to the fourth quarter of the year indicated. PCE inflation and core PCE inflation are the percentage rates of change in, respectively, the price index for personal consumption expenditures (PCE) and the price index for PCE excluding food and energy. Projections for the unemployment rate are for the average civilian unemployment rate in the fourth quarter of the year indicated. Each participant's projections are based on his or her assessment of appropriate monetary policy. Longer-run projections represent each participant's assessment of the rate to which each variable would be expected to converge under appropriate monetary policy and in the absence of further shocks to the economy. The projections for the federal funds rate are the value of the midpoint of the projected appropriate target range for the federal funds rate or the projected appropriate target level for the federal funds rate at the end of the specified calendar year or over the longer run. The December projections were made in conjunction with the meeting of the Federal Open Market Committee on December 17–18, 2024.

1. For each period, the median is the middle projection when the projections are arranged from lowest to highest. When the number of projections is even, the median is the average of the two middle projections.
2. The central tendency excludes the three highest and three lowest projections for each variable in each year.
3. The range for a variable in a given year includes all participants' projections, from lowest to highest, for that variable in that year.
4. Longer-run projections for core PCE inflation are not collected.

The global economy remained resilient in 2024, expanding at a solid annualised pace of 3.2% through the second half of the year. However, recent activity indicators point to a softening of global growth prospects. Business and consumer sentiment have weakened in some countries. Inflationary pressures continue to linger in many economies. At the same time, policy uncertainty has been high and significant risks remain. Further fragmentation of the global economy is a key concern. Higher-than-expected inflation would prompt more restrictive monetary policy and could give rise to disruptive repricing in financial markets. On the upside, agreements that lower tariffs from current levels could result in stronger growth. - OECD Economic Outlook, Interim Report March 2025

GDP growth projections

Real GDP growth

%, year-on-year

⊕ Upward revision, by 0.3pp or more   ⊖ Downward revision, by 0.3pp or more

	2024	2025	2026
World	3.2	3.1	⊖ 3.0
Australia	1.1	1.9	⊖ 1.8
Canada	1.5	⊖ 0.7	⊖ 0.7
Euro area	0.7	⊖ 1.0	⊖ 1.2
Germany	-0.2	⊖ 0.4	1.1
France	1.1	0.8	1.0
Italy	0.7	0.7	⊖ 0.9
Spain	3.2	⊕ 2.6	2.1
Japan	0.1	⊖ 1.1	⊖ 0.2
Korea	2.1	⊖ 1.5	2.2
United Kingdom	0.9	⊖ 1.4	1.2
United States	2.8	2.2	⊖ 1.6

	2024	2025	2026
G20	3.3	3.1	⊖ 2.9
Argentina	-1.8	⊕ 5.7	⊕ 4.8
Brazil	3.4	2.1	⊖ 1.4
China	5.0	4.8	4.4
India	6.3	⊖ 6.4	6.6
Indonesia	5.0	⊖ 4.9	5.0
Mexico	1.5	⊖ -1.3	⊖ -0.6
Russia	4.1	1.3	0.9
Saudi Arabia	1.2	3.8	3.6
South Africa	0.6	1.6	1.7
Türkiye	3.2	⊕ 3.1	3.9

OECD

Note: Revisions relative to the latest estimates from the December 2024 Economic Outlook. India projections are based on fiscal years, starting in April. The European Union is a full member of the G20, but the G20 aggregate only includes countries that are also members in their own right. Spain is a permanent invitee to the G20. World and G20 aggregates use moving nominal GDP weights at purchasing power parities. The projection incorporates the announced tariffs between China and the United States and the broad-based 25% tariff on United States imports of steel and aluminium. All merchandise imports from Canada and Mexico to the United States are assumed to incur a 25% tariff, with equivalent retaliatory actions being taken by these countries on merchandise imports from the United States.

Source: OECD Interim Economic Outlook 117 database; and OECD Economic Outlook 116 database.

Equity Returns Before & During Economic Recessions

Recession Start Date	Recession End Date	One Year Prior Value	One Year Prior Div Payers	One Year Prior Large	One Year Prior Small	During Value	During Div Payers	During Large	During Small
08.31.1929	03.31.1933	30.9%	44.4%	57.6%	8.6%	-81.0%	-77.8%	-76.9%	-85.0%
05.31.1937	06.30.1938	42.0%	14.3%	18.1%	36.6%	-43.1%	-21.5%	-24.0%	-52.4%
02.28.1945	10.31.1945	54.5%	30.0%	27.2%	61.9%	25.6%	20.0%	19.5%	32.4%
11.30.1948	10.31.1949	4.8%	2.4%	4.4%	0.5%	11.4%	15.7%	15.2%	12.8%
07.31.1953	05.31.1954	4.7%	3.0%	3.1%	4.7%	13.6%	22.8%	24.2%	8.5%
08.31.1957	04.30.1958	-0.4%	-1.0%	-1.1%	0.7%	-2.0%	-0.2%	-1.5%	-0.1%
04.30.1960	02.28.1961	-6.4%	-2.5%	-2.5%	-2.4%	21.5%	21.5%	20.3%	20.7%
12.31.1969	11.30.1970	-20.9%	-10.9%	-8.5%	-25.1%	1.1%	-2.3%	-1.7%	-23.0%
11.30.1973	03.31.1975	-19.3%	-17.5%	-15.1%	-32.3%	13.0%	-3.3%	-7.9%	11.5%
01.31.1980	07.31.1980	30.5%	24.0%	20.6%	37.3%	3.5%	8.7%	9.5%	8.7%
07.31.1981	11.30.1982	23.2%	16.4%	12.9%	45.1%	33.1%	15.7%	14.6%	17.7%
07.31.1990	03.31.1991	-7.3%	4.2%	6.5%	-8.7%	5.1%	8.6%	8.0%	3.2%
03.31.2001	11.30.2001	22.3%	7.9%	-21.7%	-19.8%	3.7%	0.5%	-0.9%	14.2%
12.31.2007	06.30.2009	-7.9%	4.9%	5.5%	-5.2%	-39.2%	-34.4%	-35.0%	-33.8%
02.29.2020	04.30.2020	-9.7%	5.6%	8.2%	-11.4%	-16.9%	-3.3%	-1.1%	-13.0%
Since 1929	Average	9.4%	8.4%	7.7%	6.0%	-3.4%	-2.0%	-2.5%	-5.2%
Since 1950	Average	0.8%	3.1%	0.7%	-1.5%	3.3%	3.1%	2.6%	1.3%
Since 1977	Average	8.5%	10.5%	5.3%	6.2%	-1.8%	-0.7%	-0.8%	-0.5%

Returns are not annualized. Value = Fama/French Value Stocks. Div Payers = Fama/French Dividend Paying Stocks. Large = Morningstar Large Cap Stocks. Small = Morningstar Small Cap Stocks. Source: Kovitz using data from National Bureau of Economic Research, Bloomberg Finance L.P., Morningstar and Professors Eugene F. Fama and Kenneth R. French

There have "only" been 15 economic recessions in the United States since 1927, which is how far back freely available equity return data exists. While the 16th may be imminent, the start and end dates are never known in advance and contrary to current media proclamations, stocks have suffered only modest pullbacks, on average, during the contraction and decent gains, again on average, in the year leading up to the recession.

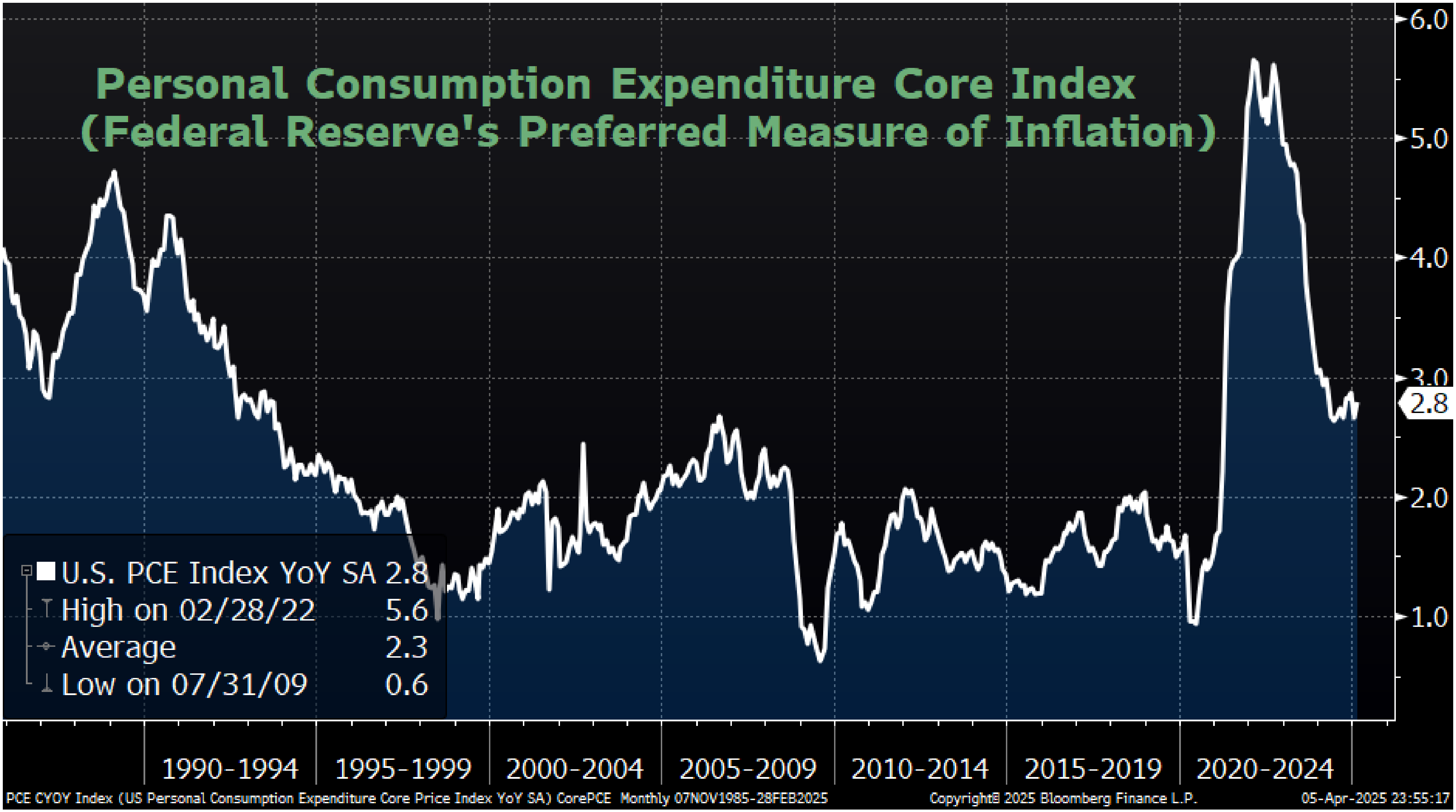
Equity Returns After Economic Recessions

Recession Start Date	Recession End Date	One Year After Value	One Year After Div Payers	One Year After Large	One Year After Small	Five Years After Value	Five Years After Div Payers	Five Years After Large	Five Years After Small
08.31.1929	03.31.1933	205.5%	101.9%	92.0%	256.2%	123.3%	99.3%	84.8%	112.2%
05.31.1937	06.30.1938	-14.5%	2.1%	-1.9%	-15.3%	128.7%	58.2%	44.3%	202.7%
02.28.1945	10.31.1945	-2.3%	-4.5%	-7.3%	-1.8%	75.7%	58.1%	57.8%	45.8%
11.30.1948	10.31.1949	43.4%	31.2%	31.4%	31.4%	174.6%	153.9%	171.2%	106.8%
07.31.1953	05.31.1954	60.2%	38.1%	35.9%	51.1%	200.7%	151.2%	144.8%	168.1%
08.31.1957	04.30.1958	61.1%	42.7%	37.3%	53.5%	129.3%	102.3%	89.7%	108.6%
04.30.1960	02.28.1961	16.9%	14.6%	13.6%	18.0%	136.8%	73.7%	68.4%	141.6%
12.31.1969	11.30.1970	11.1%	12.5%	11.2%	12.1%	44.1%	28.7%	25.1%	12.5%
11.30.1973	03.31.1975	51.7%	31.4%	28.3%	58.1%	156.1%	76.4%	55.3%	231.6%
01.31.1980	07.31.1980	23.2%	16.4%	12.9%	45.1%	207.3%	109.5%	100.9%	162.6%
07.31.1981	11.30.1982	39.5%	25.7%	25.4%	43.6%	122.8%	99.9%	103.2%	51.7%
07.31.1990	03.31.1991	25.6%	13.4%	11.0%	27.5%	150.6%	102.1%	98.1%	147.3%
03.31.2001	11.30.2001	-11.6%	-10.1%	-16.5%	-3.3%	93.4%	47.3%	34.3%	112.8%
12.31.2007	06.30.2009	24.5%	14.2%	14.4%	23.5%	156.5%	136.5%	137.0%	170.5%
02.29.2020	04.30.2020	85.8%	47.0%	46.0%	77.8%				
Since 1929	Average	41.3%	25.1%	22.3%	45.2%	135.7%	92.6%	86.8%	126.8%
Since 1950	Average	35.3%	22.4%	20.0%	37.0%	139.8%	92.8%	85.7%	130.7%
Since 1977	Average	31.2%	17.8%	15.5%	35.7%	146.1%	99.1%	94.7%	129.0%

Returns are not annualized. Value = Fama/French Value Stocks. Div Payers = Fama/French Dividend Paying Stocks. Large = Morningstar Large Cap Stocks. Small = Morningstar Small Cap Stocks. Source: Kovitz using data from National Bureau of Economic Research, Bloomberg Finance L.P., Morningstar and Professors Eugene F. Fama and Kenneth R. French

Fantastic returns, on average, have been enjoyed by equity investors in Value, Dividend, Large and Small Stocks following the end of an economic contraction. Alas, they don’t ring a bell to mark the conclusion, so those who somehow managed to avoid historically modest average losses during a recession likely sat on the sidelines, waiting for an all-clear signal and missing the massive rallies.

Inflation & Equity Returns



Personal Consumption Expenditure Core Index
(Federal Reserve's Preferred Measure of Inflation)
U.S. PCE Index YoY SA 2.8
High on 02/28/22 5.6
Average 2.3
Low on 07/31/09 0.6
6.0
5.0
4.0
3.0
2.8
2.0
1.0
1990-1994
1995-1999
2000-2004
2005-2009
2010-2014
2015-2019
2020-2024
PCE CYOY Index (US Personal Consumption Expenditure Core Price Index YoY SA) CorePCE Monthly 07NOV1985-28FEB2025
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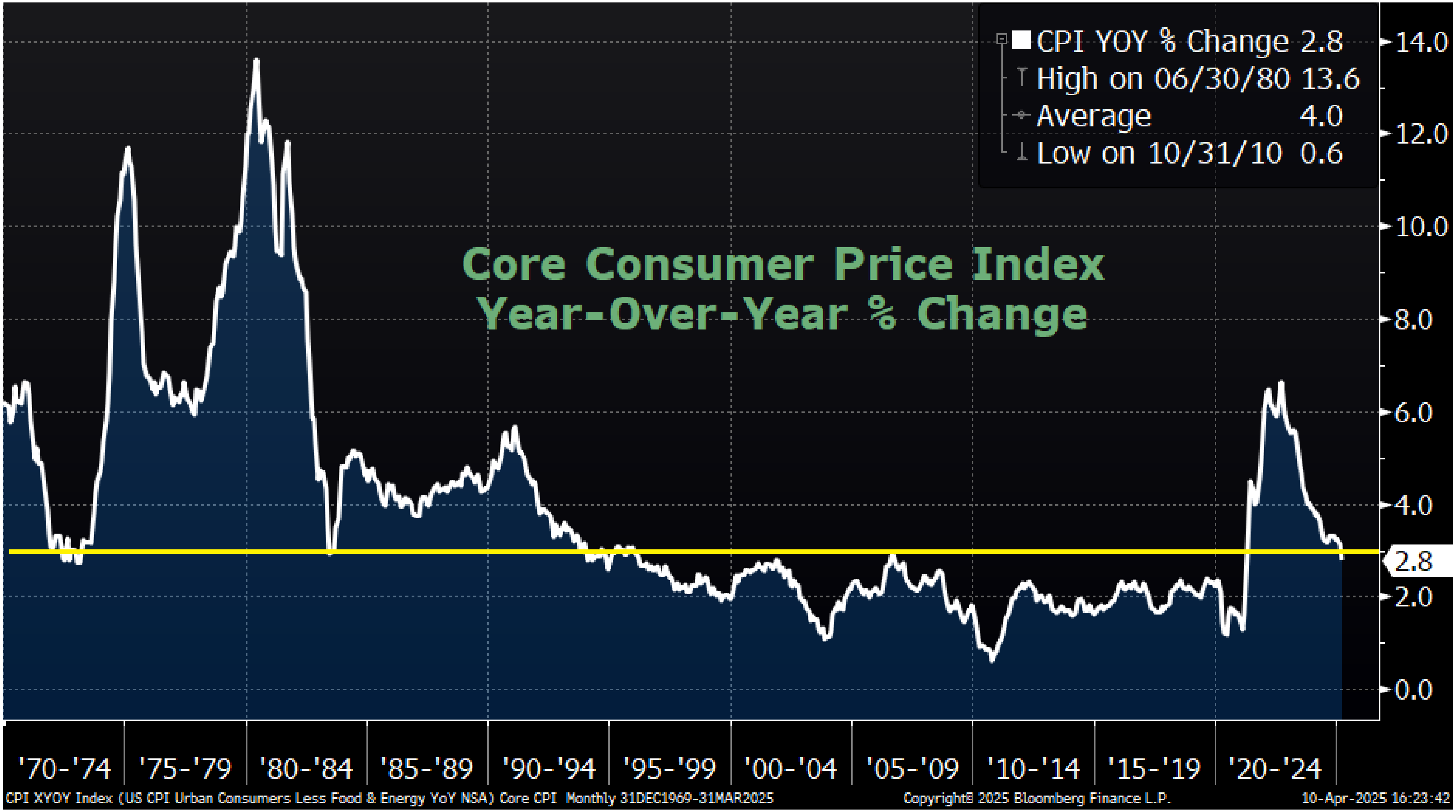
CPI YOY % Change 2.8
High on 06/30/80 13.6
Average 4.0
Low on 10/31/10 0.6
Core Consumer Price Index
Year-Over-Year % Change
14.0
12.0
10.0
8.0
6.0
4.0
2.8
2.0
0.0
'70-'74
'75-'79
'80-'84
'85-'89
'90-'94
'95-'99
'00-'04
'05-'09
'10-'14
'15-'19
'20-'24
CPI XYOY Index (US CPI Urban Consumers Less Food & Energy YoY NSA) Core CPI Monthly 31DEC1969-31MAR2025
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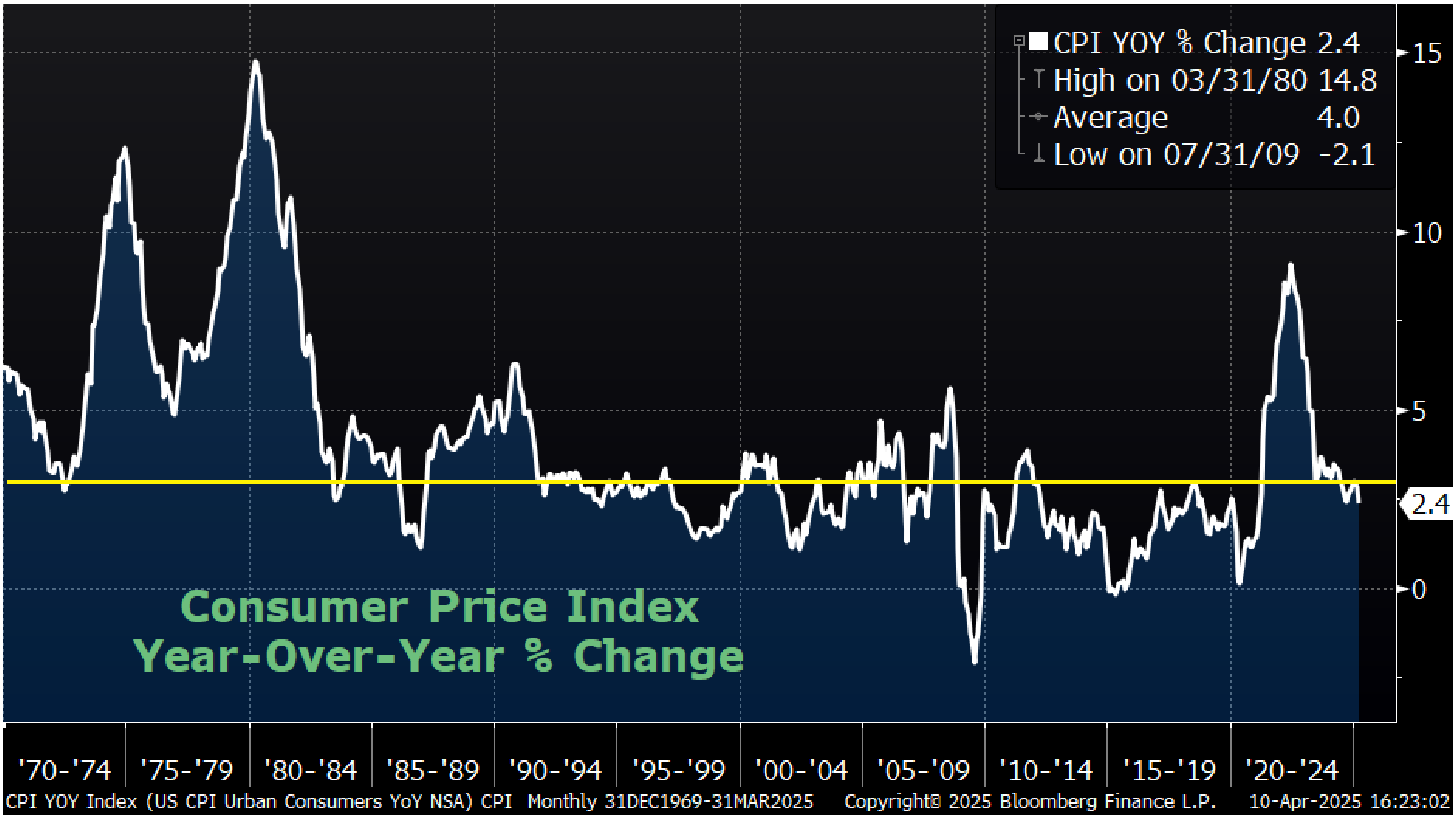
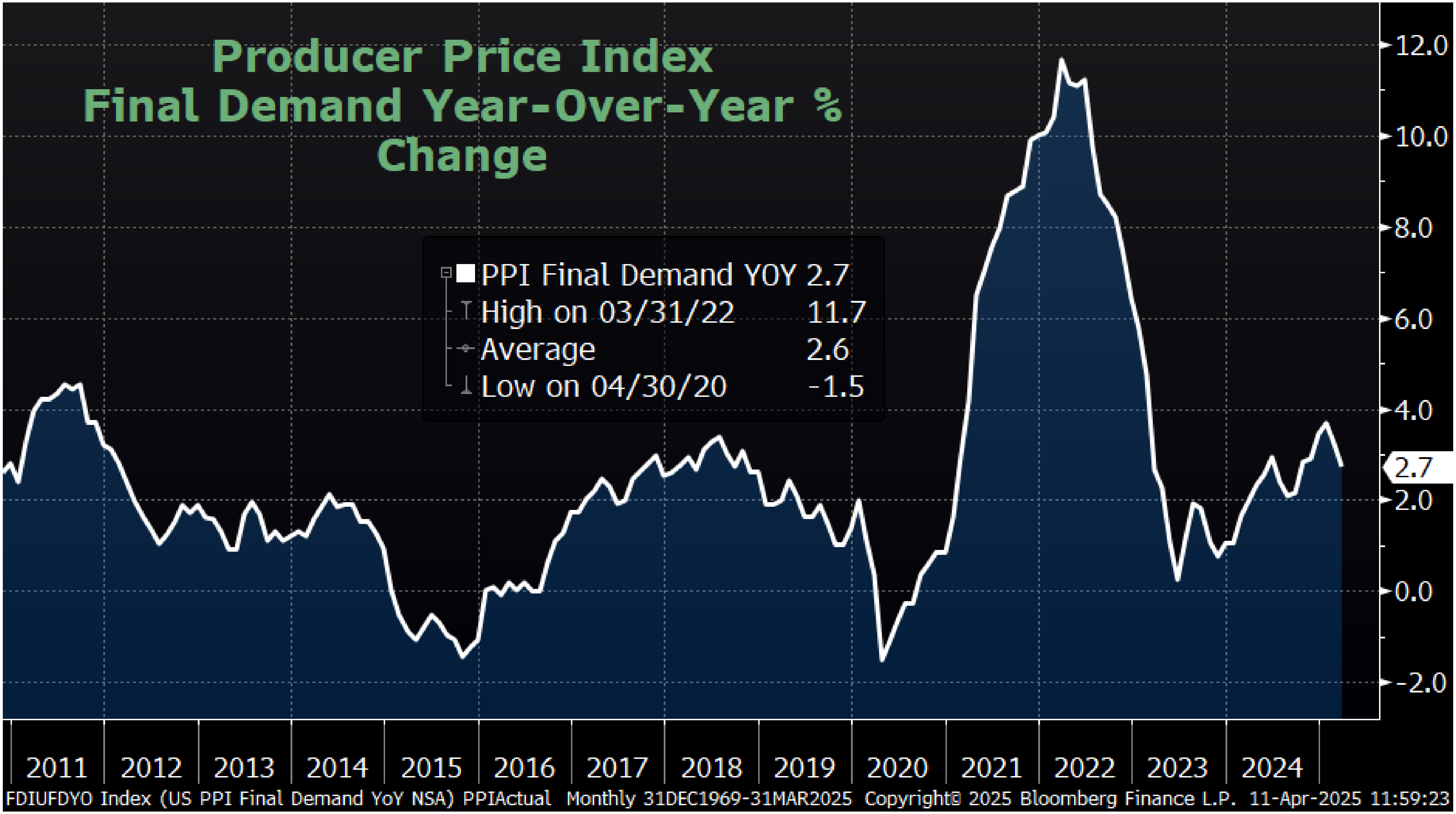
10-Apr-2025 16:23:42


CPI YOY % Change 2.4
High on 03/31/80 14.8
Average 4.0
Low on 07/31/09 -2.1
15
10
5
0
2.4
Consumer Price Index
Year-Over-Year % Change
'70-'74
'75-'79
'80-'84
'85-'89
'90-'94
'95-'99
'00-'04
'05-'09
'10-'14
'15-'19
'20-'24
CPI YOY Index (US CPI Urban Consumers YoY NSA) CPI Monthly 31DEC1969-31MAR2025 Copyright© 2025 Bloomberg Finance L.P. 10-Apr-2025 16:23:02


Producer Price Index
Final Demand Year-Over-Year % Change
PPI Final Demand YOY 2.7
High on 03/31/22 11.7
Average 2.6
Low on 04/30/20 -1.5
12.0
10.0
8.0
6.0
4.0
2.7
2.0
0.0
-2.0
2011
2012
2013
2014
2015
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2017
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2021
2022
2023
2024
FDIUFDYO Index (US PPI Final Demand YoY NSA) PPIActual Monthly 31DEC1969-31MAR2025 Copyright© 2025 Bloomberg Finance L.P. 11-Apr-2025 11:59:23

Concurrent Stock Performance & Change in Inflation Rate

	Count	Value	Growth	Payers	Non-Payers
Less than 2.7%	590	14.8%	14.1%	12.4%	14.4%
More than 2.7%	573	11.3%	5.0%	8.8%	3.9%
3-Month Drop	632	14.3%	12.5%	13.1%	11.7%
3-Month Rise	527	11.7%	6.1%	7.7%	6.0%
6-Month Drop	604	14.7%	12.4%	12.8%	12.1%
6-Month Rise	549	11.4%	6.2%	8.2%	5.6%
12-Month Drop	586	13.2%	10.5%	11.8%	9.6%
12-Month Rise	555	12.8%	8.1%	9.2%	8.1%

From 12.31.1927 through 12.31.2024. Concurrent annualized 12-month returns. SOURCE: Kovitz using data from Bloomberg Finance L.P. and Professors Eugene F. Fama and Kenneth R. French

Subsequent Stock Performance & Change in Inflation Rate

	Count	Value	Growth	Payers	Non-Payers
Less than 2.7%	591	11.7%	10.6%	10.1%	10.4%
More than 2.7%	574	14.4%	8.1%	10.9%	7.3%
3-Month Drop	627	14.3%	10.3%	11.4%	10.5%
3-Month Rise	523	11.4%	8.0%	9.3%	6.7%
6-Month Drop	600	14.7%	10.4%	11.5%	10.3%
6-Month Rise	547	11.0%	7.9%	9.2%	7.0%
12-Month Drop	586	15.3%	10.9%	12.0%	11.3%
12-Month Rise	555	10.5%	7.5%	8.6%	5.9%

From 12.31.1927 through 12.31.2024. Subsequent 12-month return. SOURCE: Kovitz using data from Bloomberg Finance L.P. and Professors Eugene F. Fama and Kenneth R. French

Believe it or not, equities, ON AVERAGE, have been a strong hedge against inflation through the years, yet many supposed experts are using an elevated Consumer Price Index (CPI) as a warning against stock market investments. As our tables illustrate, we like how Value stocks have performed both as the CPI is rising and after it has risen, with it very intriguing that they have done better subsequent to a CPI reading above 2.7% than below!

Stagflation, the combination of stagnation with inflation, was the hallmark of OECD economic performance in the late 1970s and early 1980s. For the OECD as a whole "both unemployment and inflation averaged about double their rates of the 1960s." (Michael Bruno and Jeffrey Sachs 1985, p. 3). Stagflation was universal, amping the major economies during the period 1973 to 1982.

Helliwell, John F. "Comparative Macroeconomics of Stagflation." Journal of Economic Literature, vol. 26, no. 1, 1988, pp. 1–28. JSTOR, http://www.jstor.org/stable/2726607

MarketWatch Investing Per

BREAKING Elon Musk is folding X into his AI ambitions

Stocks fall sharply to end the week. 'Stagflation' fears are back in the spotlight.

U.S. Stagflation (1973-1982) Equity Returns

Year	FF Value	FF Growth	Inflation	Unemp Rate
1973	-16.5%	-33.8%	8.7%	4.9%
1974	-20.8%	-30.7%	12.3%	5.6%
1975	57.6%	47.9%	6.9%	8.5%
1976	52.3%	27.7%	4.9%	7.7%
1977	11.6%	3.7%	6.7%	7.1%
1978	12.9%	12.8%	9.0%	6.1%
1979	30.5%	32.2%	13.3%	5.8%
1980	19.5%	44.2%	12.5%	7.2%
1981	15.9%	-9.0%	8.9%	7.6%
1982	34.1%	20.8%	3.8%	9.7%
Annualized	17.1%	7.8%		

Total Return. Value Weighted Equity Portfolios. Year-End Unemployment Rate. Source: Kovitz Investment Group using data from Bloomberg, Professors Eugene F. Fama & Kenneth R. French and Professor Robert J. Shiller

The approach took two tries to get its intended effect. Volcker's tightening slowed economic activity enough that by January 1980, the U.S. was in recession. But Fed interest rates actually began falling sharply after April, which limited the effectiveness of the Fed's anti-inflation efforts. The Fed tightened again after that and sparked another recession in July 1981. This one was far worse than the first; while unemployment peaked at 7.8 percent during the 1980 recession, it would peak at 10.8 percent in December 1982 in the middle of the 16-month second Volcker recession. That's a higher level than at the peak of the Great Recession in 2009. Over the course of the 1980s, this policy regime would become known as the "Volcker shock." – Vox.com

Volcker Vanquishes The Great Inflation Equity Returns

Year	FF Value	FF Growth	FF Div Payers	FF Non Div	Inflation	Fed Funds Rate
1979	30.5%	32.3%	22.5%	60.5%	13.3%	14.0%
1980	19.5%	44.2%	30.8%	63.3%	12.4%	18.0%
1981	16.0%	-9.0%	-1.1%	-16.1%	8.9%	12.0%
1982	34.1%	20.8%	21.7%	13.6%	3.9%	8.5%
1983	37.5%	17.5%	22.8%	20.7%	3.8%	9.5%
1984	11.9%	-7.3%	5.1%	-18.3%	4.0%	8.3%
1985	32.5%	31.2%	33.7%	24.0%	3.8%	7.8%
1986	18.1%	8.6%	18.2%	2.2%	1.1%	6.0%
Annualized	**24.7%**	**15.9%**	**18.7%**	**15.3%**	**6.3%**	

Total Return. Value Weighted Equity Portfolios. Year-End Federal Funds Rate. Source: Kovitz Investment Group using data from Bloomberg and Professors Eugene F. Fama & Kenneth R. French

Federal Reserve & Equity Returns

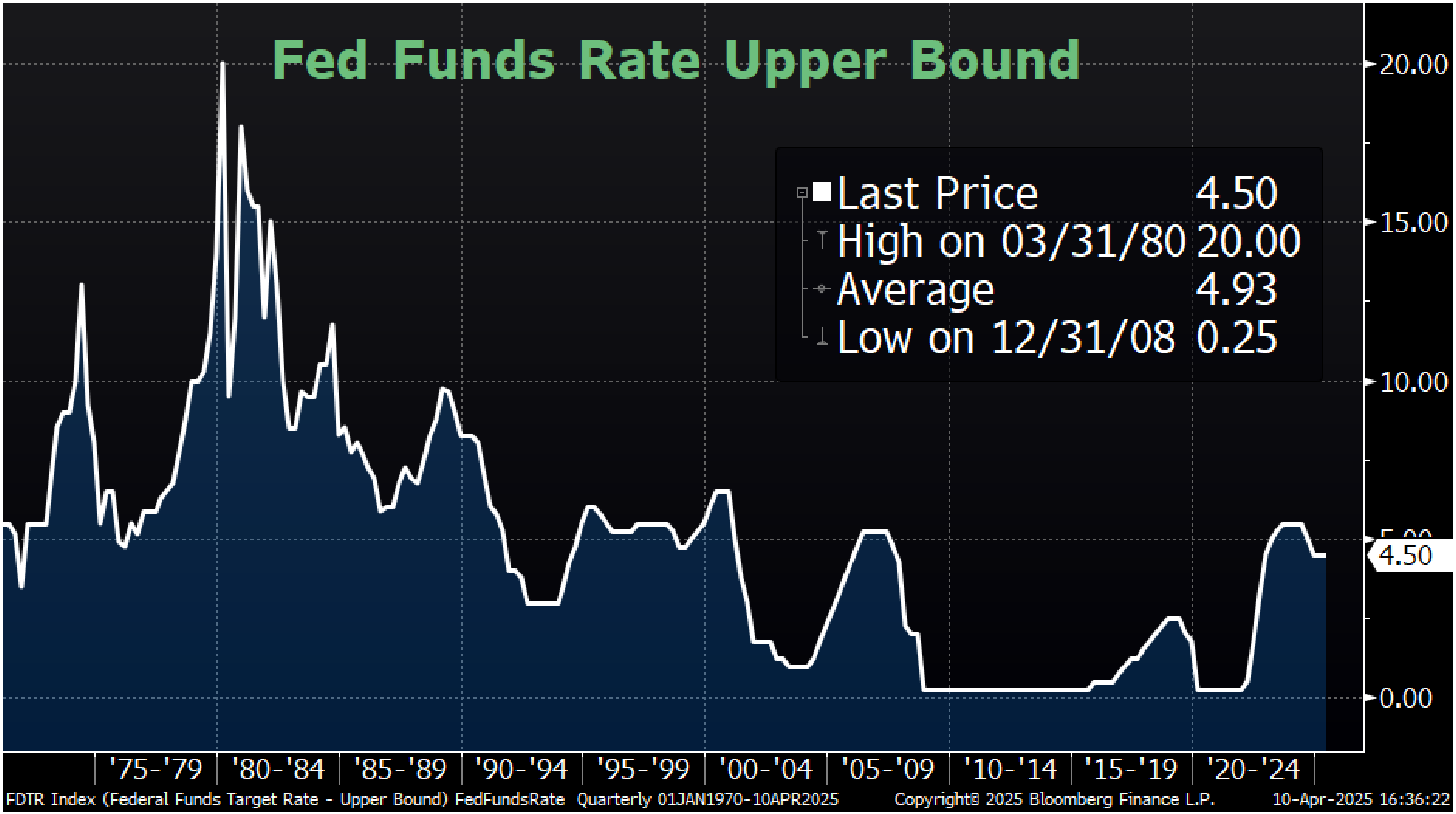
Chair Jerome H. Powell’s Economic Outlook – April 4, 2025

Looking across many indicators, the labor market appears to be broadly in balance and is not a significant source of inflationary pressure. This morning's jobs report shows the unemployment rate at 4.2 percent in March, still in the low range where it has held since early last year. Over the first quarter, payrolls grew by an average of 150,000 jobs a month. The combination of low layoffs, moderating job growth, and slowing labor force growth has kept the unemployment rate broadly stable.

Turning to the other leg of our dual mandate, inflation has declined sharply from its pandemic highs of mid-2022. It has done so without the kind of painful rise in unemployment that has often accompanied periods of tight monetary policy that are needed to reduce inflation. More recently, progress toward our 2 percent inflation objective has slowed. Total PCE prices rose 2.5 percent over the 12 months ending in February. Core PCE prices, which exclude the volatile food and energy categories, rose 2.8 percent. Looking ahead, higher tariffs will be working their way through our economy and are likely to raise inflation in coming quarters. Reflecting this, both survey- and market-based measures of near-term inflation expectations have moved up. By most measures, longer-term inflation expectations—those beyond the next few years—remain well anchored and consistent with our 2 percent inflation goal. We remain committed to returning inflation sustainably to our 2 percent objective.

We have stressed that it will be very difficult to assess the likely economic effects of higher tariffs until there is greater certainty about the details, such as what will be tariffed, at what level and for what duration, and the extent of retaliation from our trading partners**. While uncertainty remains elevated, it is now becoming clear that the tariff increases will be significantly larger than expected. The same is likely to be true of the economic effects, which will include higher inflation and slower growth. The size and duration of these effects remain uncertain.** While tariffs are highly likely to generate at least a temporary rise in inflation, it is also possible that the effects could be more persistent. Avoiding that outcome would depend on keeping longer-term inflation expectations well anchored, on the size of the effects, and on how long it takes for them to pass through fully to prices. Our obligation is to keep longer-term inflation expectations well anchored and to make certain that a one-time increase in the price level does not become an ongoing inflation problem.

We will continue to carefully monitor the incoming data, the evolving outlook, and the balance of risks. We are well positioned to wait for greater clarity before considering any adjustments to our policy stance. It is too soon to say what will be the appropriate path for monetary policy.


Fed Funds Rate Upper Bound
Last Price 4.50
High on 03/31/80 20.00
Average 4.93
Low on 12/31/08 0.25
20.00
15.00
10.00
4.50
0.00
'75-'79
'80-'84
'85-'89
'90-'94
'95-'99
'00-'04
'05-'09
'10-'14
'15-'19
'20-'24
FDTR Index (Federal Funds Target Rate - Upper Bound) FedFundsRate Quarterly 01JAN1970-10APR2025
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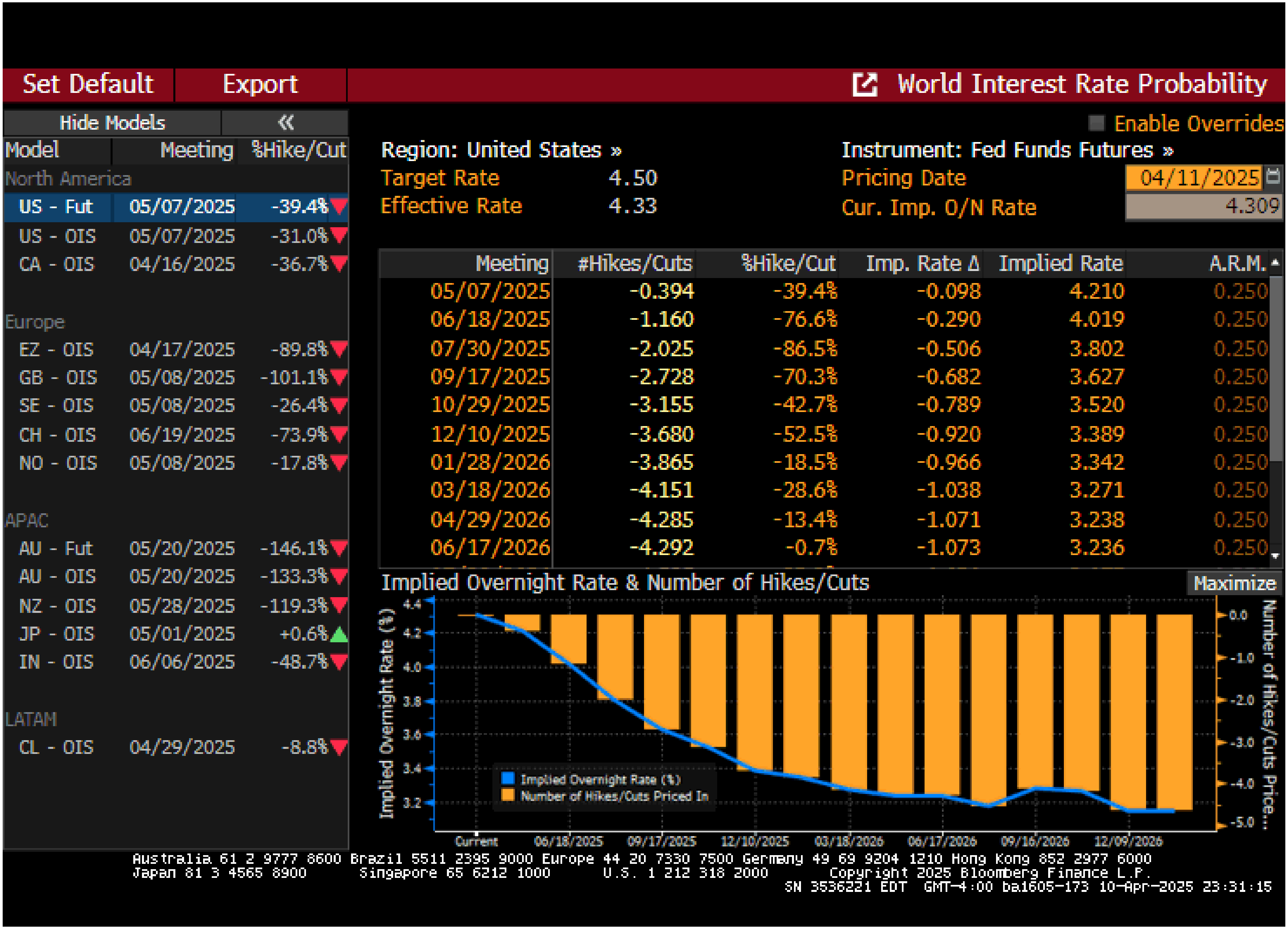


Set Default | Export | World Interest Rate Probability

Hide Models

Model	Meeting	%Hike/Cut
North America		
US - Fut	05/07/2025	-39.4%
US - OIS	05/07/2025	-31.0%
CA - OIS	04/16/2025	-36.7%
Europe		
EZ - OIS	04/17/2025	-89.8%
GB - OIS	05/08/2025	-101.1%
SE - OIS	05/08/2025	-26.4%
CH - OIS	06/19/2025	-73.9%
NO - OIS	05/08/2025	-17.8%
APAC		
AU - Fut	05/20/2025	-146.1%
AU - OIS	05/20/2025	-133.3%
NZ - OIS	05/28/2025	-119.3%
JP - OIS	05/01/2025	+0.6%
IN - OIS	06/06/2025	-48.7%
LATAM		
CL - OIS	04/29/2025	-8.8%

Enable Overrides

Region: United States »
Target Rate 4.50
Effective Rate 4.33

Instrument: Fed Funds Futures »
Pricing Date 04/11/2025
Cur. Imp. O/N Rate 4.309

Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate	A.R.M.
05/07/2025	-0.394	-39.4%	-0.098	4.210	0.250
06/18/2025	-1.160	-76.6%	-0.290	4.019	0.250
07/30/2025	-2.025	-86.5%	-0.506	3.802	0.250
09/17/2025	-2.728	-70.3%	-0.682	3.627	0.250
10/29/2025	-3.155	-42.7%	-0.789	3.520	0.250
12/10/2025	-3.680	-52.5%	-0.920	3.389	0.250
01/28/2026	-3.865	-18.5%	-0.966	3.342	0.250
03/18/2026	-4.151	-28.6%	-1.038	3.271	0.250
04/29/2026	-4.285	-13.4%	-1.071	3.238	0.250
06/17/2026	-4.292	-0.7%	-1.073	3.236	0.250

Concurrent Stock Performance & Change in Federal Funds Eff. Rate

	Count	Value	Growth	Payers	Non-Payers
Less than 4.28%	422	13.4%	10.5%	10.8%	10.6%
More than 4.28%	422	14.9%	10.0%	12.5%	9.7%
3-Month Drop	394	18.0%	12.6%	14.5%	11.3%
3-Month Rise	446	11.0%	8.2%	9.2%	9.1%
6-Month Drop	371	16.6%	13.0%	14.4%	11.2%
6-Month Rise	463	12.1%	8.0%	9.4%	8.9%
12-Month Drop	371	14.6%	11.9%	13.0%	9.9%
12-Month Rise	451	13.3%	8.5%	10.2%	9.5%

From 07.31.1954 through 12.31.2024. Concurrent annualized 12-month returns. SOURCE: Kovitz using data from Bloomberg Finance L.P. and Professors Eugene F. Fama and Kenneth R. French

Subsequent Stock Performance & Change in Federal Funds Eff. Rate

	Count	Value	Growth	Payers	Non-Payers
Less than 4.28%	423	12.2%	10.2%	10.6%	10.0%
More than 4.28%	423	15.7%	9.9%	12.3%	9.4%
3-Month Drop	385	13.8%	10.4%	11.2%	10.3%
3-Month Rise	446	13.7%	9.5%	11.5%	9.0%
6-Month Drop	366	15.4%	11.7%	12.2%	12.0%
6-Month Rise	462	12.4%	8.4%	10.6%	7.6%
12-Month Drop	371	16.9%	11.8%	12.3%	11.9%
12-Month Rise	451	11.1%	8.3%	10.3%	7.6%

From 07.31.1954 through 12.31.2024. Subsequent 12-month return. SOURCE: Kovitz using data from Bloomberg Finance L.P. and Professors Eugene F. Fama and Kenneth R. French

Many thought the Federal Reserve hiking the Fed Funds would be a big headwind for equities, but such was again not the case. Anything could have happened, of course, but seven decades of annualized data showed that equities performed admirably, ON AVERAGE, both concurrent with and subsequent to increases in the Fed Funds rate over 3-, 6-, and 12-month time spans. More importantly today, given that the Fed has been cutting rates, stocks have performed even better, historically speaking, in a falling rate environment.

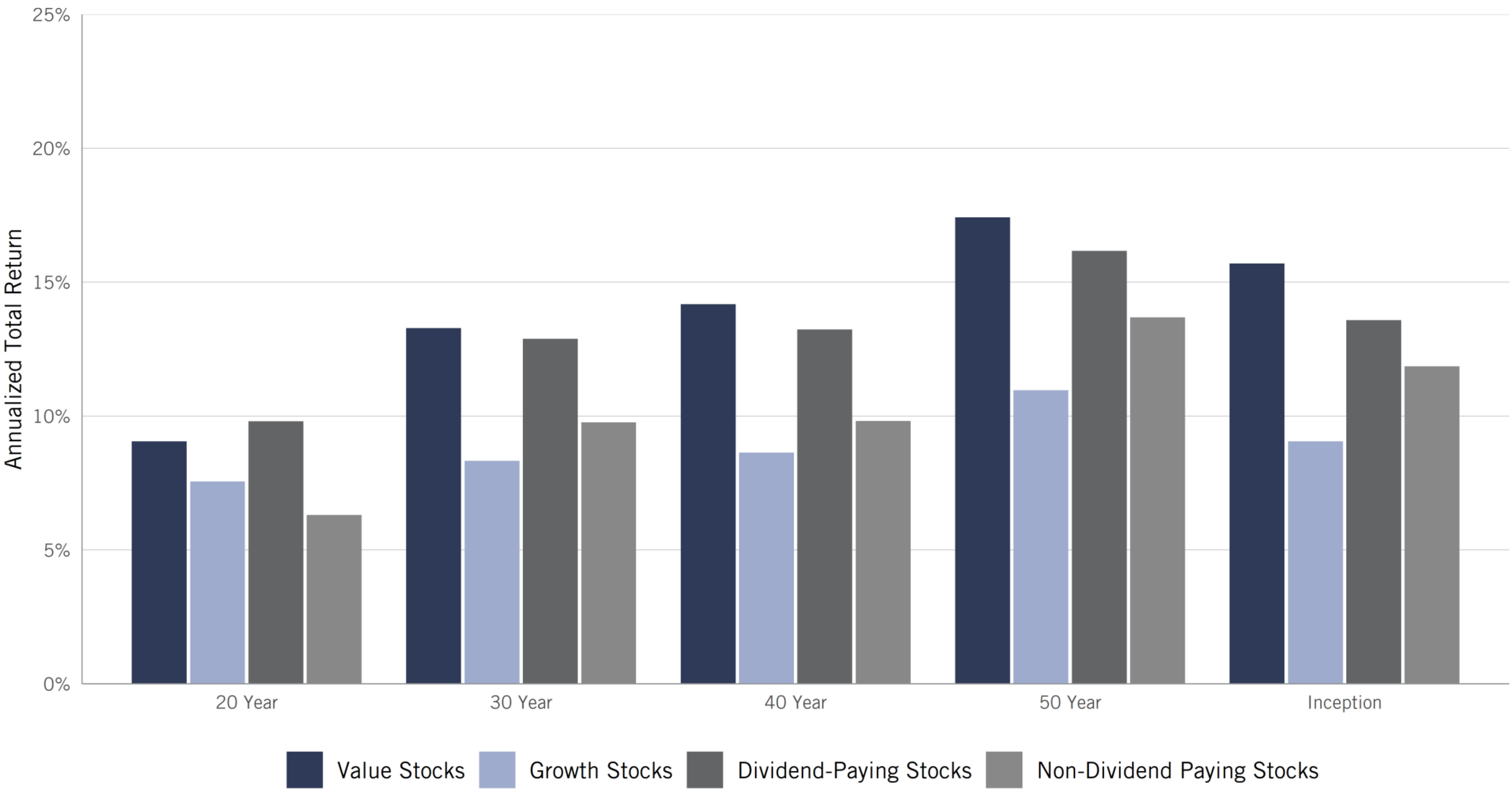
Sleeping Better at Night

- The Value of Dividends

"Do you know the only thing that gives me pleasure? It's to see my dividends coming in."

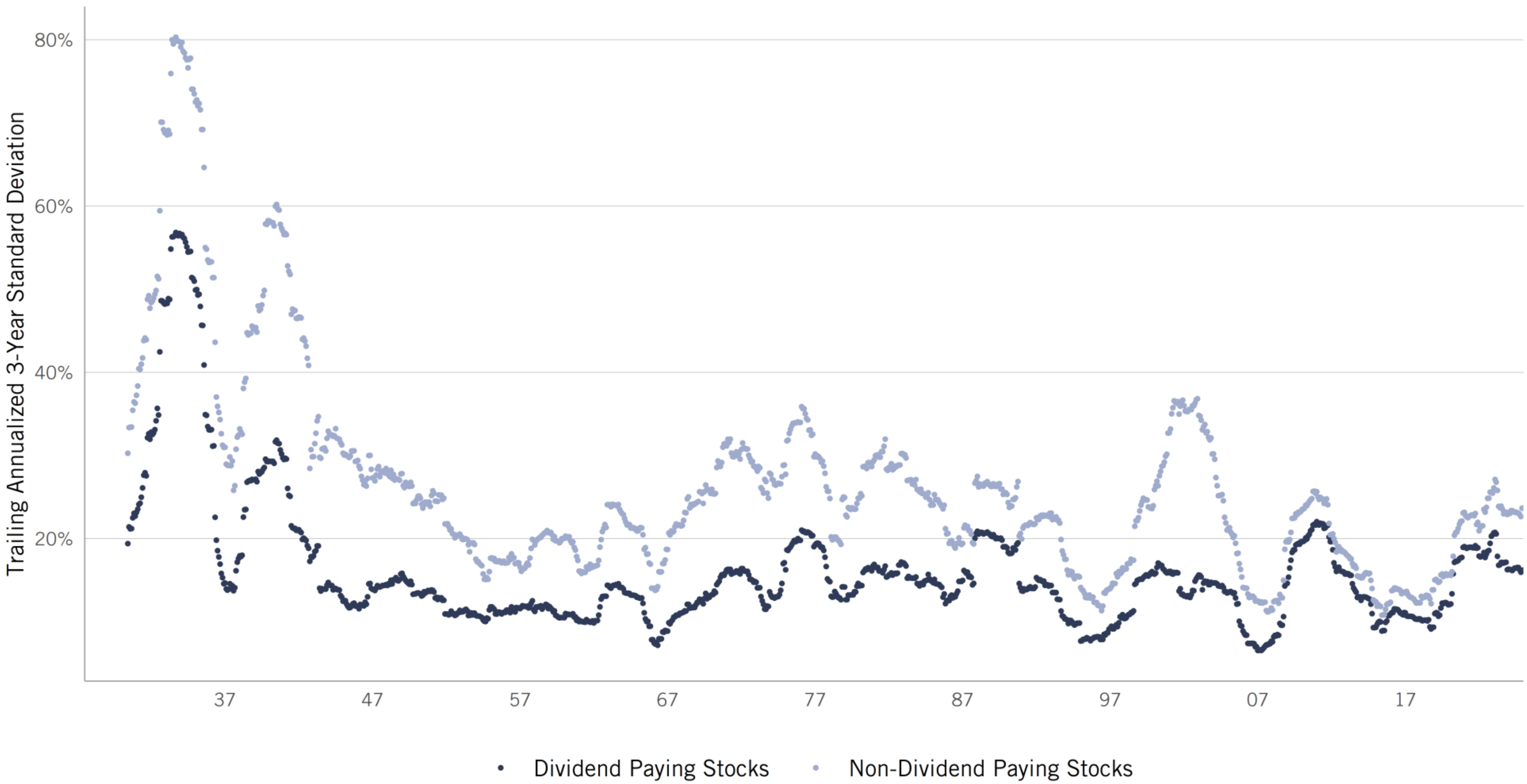
—John D. Rockefeller

Portfolio created by Professors Eugene F. Fama and Kenneth R. French show that Value Stocks and Dividend Payers have enjoyed the best long-term returns.



As of 12.31.24. Value stocks are the highest 30% of Book Equity to Market Equity (BE/ME). Growth stocks are the lowest 30% of Book Equity to Market Equity (BE/ME). Common inception for the portfolios is 12.31.27. Equal weight portfolios. SOURCE: Kovitz using data from Professors Eugene F. Fama and Kenneth R. French

Though we do not necessarily think that volatility equals risk, most prefer a smoother ride when it comes to their investments. Happily, dividend payers would seem to allow folks to have their cake and eat it too, given higher returns historically and lower standard deviation.



From 06.30.1927 through 12.31.2024. Trailing annualized 3-Year standard deviation. SOURCE: Kovitz using data from Professors Eugene F. Fama and Kenneth R. French

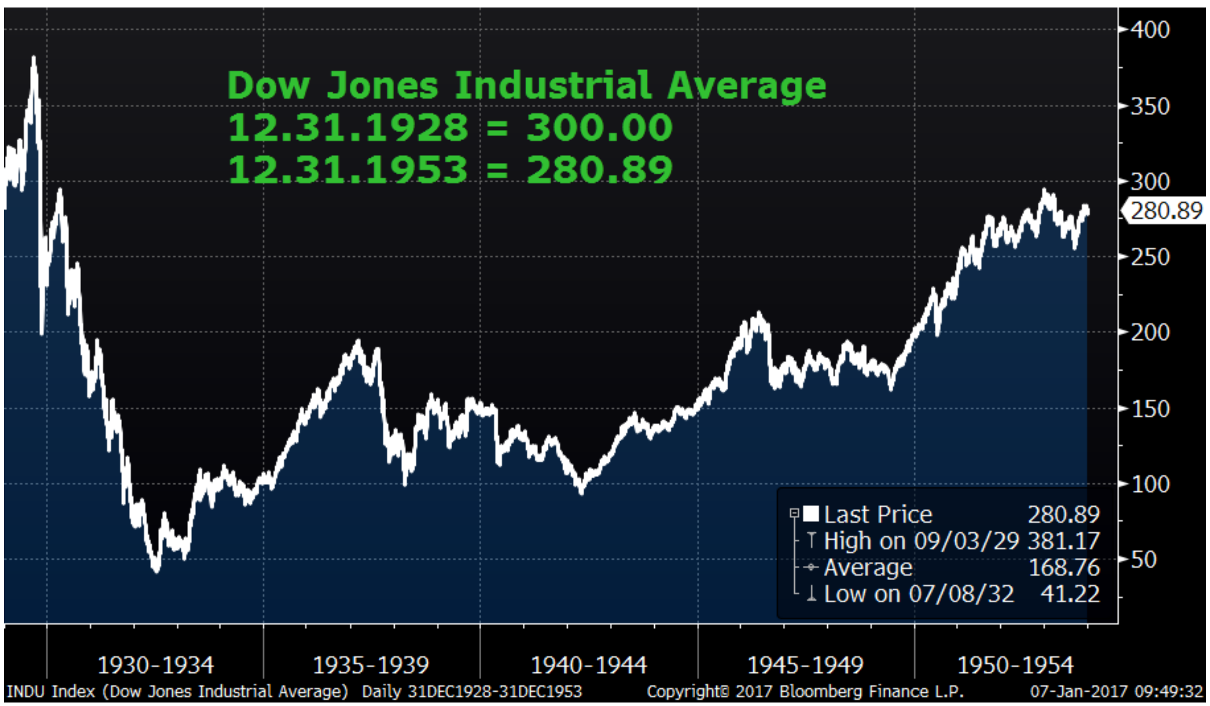
Dividends are never guaranteed, as we saw in the wake of COVID-19 and the Great Lockdown, but the historical data show that Corporate America has a long history of raising payouts. In fact, per share dividends for the S&P 500 were higher (modestly) in 2020 vs. 2019. And dividend payments for TPS Portfolio nearly doubled between 2014 and 2024, even as substantial distributions were made and tax payments withdrawn from the account.

COUNT OF S&P 500 DIVIDEND ACTIONS	INCREASES	INITIATIONS	DECREASES	SUSPENSIONS
2024 (as of 03.31.25)	128	2	3	1
2024	342	8	15	2
2023	348	11	26	4
2022	377	7	5	0
2021	353	19	4	1
2020	287	11	27	42
2019	355	6	7	0
2018	374	6	3	0
2017	351	5	9	2
2016	344	7	19	2
2015	344	7	16	3
2014	375	8	8	0
2013	366	15	12	0
2012	333	15	11	1
2011	320	22	5	0
2010	243	13	4	1
Source: Standard & Poor's.				

S&P 500 DIVIDENDS PER SHARE	
2025 (Est.)	$81.77
2024	$74.61
2023	$70.91
2022	$67.57
2021	$60.54
2020	$58.95
2019	$58.69
2018	$53.86
2017	$50.47
2016	$46.73
2015	$43.49
2014	$39.44
2013	$34.99
2012	$31.25
2011	$26.43
2010	$22.73
Source: Bloomberg. As of 04.10.2025	

TPS Annual Dividends	
2024	$126,237
2023	$122,361
2022	$112,179
2021	$96,562
2020	$95,753
2019	$97,995
2018	$87,802
2017	$89,787
2016	$75,460
2015	$68,785
2014	$65,357
Source: Kovitz	

Illustrating that index values tell only part of the story, the Dow Jones Industrial Average actually lost ground over a 25-year time span from the beginning of 1929 to the beginning of 1954, yet the total return on stocks ranged from 4.02% to 8.32% per annum, with Large Caps annualized return coming in at a respectable 5.90%. The reason for the difference between the price-return-only Dow measure and the actual returns investors might have earned is dividends and their reinvestment.



Annualized Total Returns	
25 Years	
12.31.28 - 12.31.53	
FF Value	8.32%
FF Growth	5.64%
FF Divs	6.03%
FF No Divs	4.02%
FF Large Company	5.90%

Source: Kovitz Investment Group using data from Morningstar and Professors Fama & French

Why an Unpleasant Inflation Surprise Could Be Coming

If inflation turns up, economists have long assumed it would do so slowly, giving the Fed plenty of time to respond. But Michael Feroli of J.P. Morgan notes this assumption is built on models in which the world behaves in a predictable, linear way. In fact, he says, the world isn't linear and inflation can change suddenly for unexpected reasons: it "is sluggish and slow-moving, until it isn't."

A case in point: in 1966, inflation, which had run below 2% for nearly a decade, suddenly accelerated to over 3%. Some of the circumstances echo the present: unemployment had slid to 4%, taxes had been cut and federal spending for the Vietnam War and Lyndon Johnson's "Great Society" programs was surging. Deutsche Bank economists note the budget deficit jumped by more than 2% of gross domestic product between 1965 and 1968, similar to what they project between 2016 and 2019. Except in recessions, stimulus of this size "is unprecedented outside of these two episodes," they said.

The effect of an overheating economy was then compounded by policy errors. Fed chairmen William McChesney Martin Jr. and Arthur Burns were too optimistic about how low unemployment could go without pushing prices higher, and succumbed to pressure from Johnson and then Richard Nixon to keep interest rates low. **From 1966 to 1981, inflation and interest rates climbed to double digits, decimating stock and bond values.**

Wall Street Journal, February 28, 2018

In yet another example of fear over facts, *The Wall Street Journal* warned of dire consequences should we have another inflation and interest rate scare like 1965-1981. If past is prologue, as Value investors, we hope they are right.

Annualized Returns December 1965 - December 1981	
Inflation	7.0%
IA SBBI US 1 Yr Treasury TR	7.1%
IA SBBI US 30 Day TBill TR	6.8%
IA SBBI US LT Govt Bonds TR	2.5%
IA SBBI US IT Govt Bonds TR	5.8%
IA SBBI US LT Corp Bonds TR	2.9%
FF Growth Stocks TR	7.4%
S&P 500 TR	6.0%
Dow Jones Industrials TR	3.9%
FF Value Stocks TR	13.4%

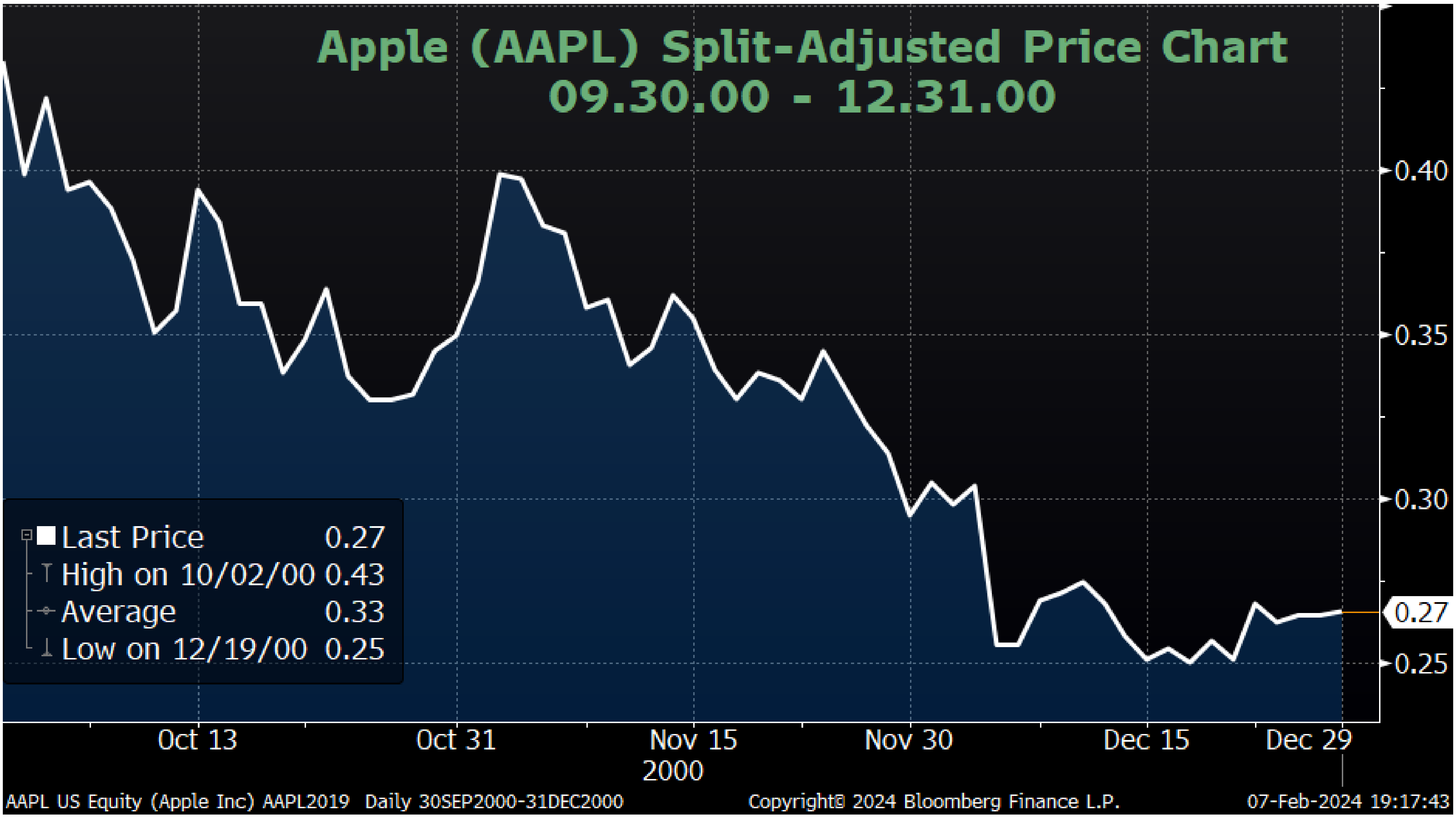
Source: Morningstar

"Whether we're talking about socks or stocks, I like to buy quality merchandise when it is marked down."

—Warren Buffett

Investors gobbled up an Apple 10-Year bond yielding 2.4% in May 2013 when the stock yielded 2.8%. Given an 111% increase in the dividend over the ensuing 10 years, the AAPL buyer back then ended the 10 years with a 6.2% yield to go along with an 1,107% total return! The debt holder received a consistent 2.4% annual coupon and a 28% total return over the decade.

Even a stock like Apple has endured tremendous volatility, plunging from a split-adjusted $0.40 in October 2000 to $0.27 three months later, a stomach-churning short-term loss of more than 30%.



We continue to sleep very well at night, given the inexpensive valuations and generous dividend yields for our broadly diversified portfolios of what we believe are undervalued stocks. We also note that our price and yield metrics are far more attractive than those of the broad-based market indexes, and they even compare very favorably to most of the Value benchmarks.

CURRENT PORTFOLIO AND INDEX VALUATIONS

Name	Price to Earnings Ratio	Price to Fwd. Earnings Ratio	Price to Sales Ratio	Price to Book Ratio	Dividend Yield
TPS Portfolio	14.2	12.2	0.8	2.0	2.9
ValuePlus	15.2	12.5	1.0	2.1	2.5
Dividend Income	14.6	12.5	0.8	1.9	3.2
Focused Dividend Income	13.9	11.9	0.9	2.1	3.5
Focused ValuePlus	14.9	12.8	0.9	2.2	2.8
Small-Mid Dividend Value	10.7	9.6	0.5	1.3	3.5
Russell 3000	22.9	19.8	2.4	4.0	1.4
Russell 3000 Growth	30.9	25.0	4.6	10.2	0.7
Russell 3000 Value	17.9	16.1	1.6	2.4	2.3
Russell 1000	22.5	19.6	2.5	4.3	1.4
Russell 1000 Growth	30.1	24.6	4.9	11.1	0.7
Russell 1000 Value	17.6	16.0	1.6	2.6	2.3
S&P 500 Index	22.5	19.8	2.7	4.5	1.4
S&P 500 Growth Index	29.3	24.8	5.1	8.6	0.8
S&P 500 Value Index	19.3	17.4	1.9	3.2	2.2
S&P 500 Pure Value Index	10.0	10.5	0.4	1.3	3.1

As of 04.11.2025. Weights based on model portfolios. Harmonic mean used to calculate the portfolio price metrics. Companies with negative earnings are excluded from the P/E and Estimated P/E calculations. SOURCE: Kovitz using data from Bloomberg Finance L.P.

San Diego AAII 2025 Dividend Value Stocks Down Double Digits and Yielding 3.0%+

Symbol	Company	4.10.25 Price	2025 Total Return	Industry	Trailing-12-Month P/E	Next-12-Month P/E	Price to Sales Ratio	Price to Tang Book Value	Dividend Yield	Market Cap
ADM	Archer Daniel Midland	44.48	-11.0%	Food Products	9.4	10.7	0.2	1.4	4.6%	21,357
AEO	American Eagle Out	10.68	-35.4%	Specialty Retail	6.1	7.4	0.3	1.2	4.7%	1,842
ARE	Alexandria Real Estate	74.57	-22.5%	Health Care REITs	7.9	8.0	nmf	0.7	7.1%	12,900
C	Citigroup	61.59	-11.9%	Banks	10.0	8.5	nmf	0.7	3.6%	115,922
CIVI	Civitas Resources	26.58	-41.2%	Oil, Gas & Fuels	3.5	3.9	0.5	0.4	7.5%	2,472
DVN	Devon Energy	27.75	-14.6%	Oil, Gas & Fuels	5.7	6.1	1.1	1.3	3.5%	18,010
EOG	EOG Resources	104.61	-14.1%	Oil, Gas & Fuels	9.0	9.8	2.4	2.0	3.7%	57,697
FITB	Fifth Third Bancorp	33.83	-19.2%	Banks	9.9	9.4	nmf	1.8	4.4%	22,602
GBX	Greenbrier	40.57	-33.2%	Machinery	6.3	9.5	0.4	1.2	3.2%	1,273
HPE	Hewlett Packard Ent	13.74	-35.1%	Technology Hardware	6.9	7.6	0.6	2.7	3.8%	18,049
KIM	Kimco Realty	19.77	-14.6%	Retail REITs	12.0	11.6	nmf	1.3	5.1%	13,434
MAN	Manpower	50.75	-12.1%	Professional Services	12.9	13.0	0.1	nmf	6.1%	2,372
MET	MetLife	71.11	-12.6%	Insurance	8.7	7.7	nmf	3.3	3.1%	48,442
MRK	Merck & Co	77.55	-21.4%	Pharmaceuticals	10.2	8.7	3.0	nmf	4.2%	195,146
MS	Morgan Stanley	106.58	-14.7%	Capital Markets	13.4	12.7	nmf	2.4	3.5%	171,435
OMC	Omnicom Group	73.98	-13.3%	Media	9.2	10.0	0.9	nmf	3.8%	14,541
PFE	Pfizer	21.59	-17.3%	Pharmaceuticals	6.9	7.3	1.9	nmf	8.0%	122,447
PNC	PNC Financial	152.16	-20.5%	Banks	14.5	8.9	nmf	1.6	4.2%	60,217
PRU	Prudential Finl	98.48	-15.9%	Insurance	7.6	7.2	nmf	1.4	5.5%	34,904
STX	Seagate Tech	69.74	-18.5%	Technology Hardware	14.0	8.4	1.8	nmf	4.1%	14,764
TFC	Truist Fin'l	35.64	-16.9%	Banks	10.5	9.0	nmf	1.2	5.8%	46,524
TGT	Target	92.71	-30.8%	Consumer Staples Dist	13.2	10.2	0.4	3.0	4.8%	42,236
UPS	United Parcel Service	96.56	-22.3%	Air Freight & Logistics	12.5	12.7	0.9	8.7	6.8%	81,838
WHR	Whirlpool	80.95	-28.1%	Household Durables	nmf	8.5	0.3	nmf	8.6%	4,483

As of 04.10.2025. Source: Kovitz using data from Bloomberg.

"As I struggle to maintain the tranquility and perspective of long-term investing, which has been a bit shaken by recent actions in the stock market, I hope you too can maintain the belief that 'this too shall pass away.' Life is pain and suffering as well as joy and triumph, but not necessarily in equal amounts. I think there are many who believe life is a hard struggle with intermittent periods of relief, while others believe that life is generally good with intermittent moments of trauma and darkness. Let us belong to the positive, optimistic class and not let the plethora of seemingly negative events, in the stock market and elsewhere, shake our faith in the good we now have."

—Al Frank

ALL TPS RECOMMENDATIONS

Symbol	Common Stock	Symbol	Common Stock	Symbol	Common Stock	Symbol	Common Stock	Symbol	Common Stock
AAPL	Apple Inc	CMCSA	Comcast Corp-A	GEN	Gen Digital Inc	MAN	Manpowergroup In	SIEGY	Siemens Ag-Adr
ABT	Abbott Labs	CMI	Cummins Inc	GILD	Gilead Sciences	MDT	Medtronic Plc	SNA	Snap-On Inc
ADM	Archer-Daniels	COF	Capital One Fina	GLW	Corning Inc	MET	Metlife Inc	SNY	Sanofi-Adr
AEO	Amer Eagle Outf	COHU	Cohu Inc	GM	General Motors C	META	Meta Platforms-A	STX	Seagate Technolo
ALB	Albemarle Corp	CSCO	Cisco Systems	GOOG	Alphabet Inc-C	MOS	Mosaic Co/The	SW	Smurfit Westrock
ALIZY	Allianz-Unsp Adr	CVS	Cvs Health Corp	GS	Goldman Sachs Gp	MRK	Merck & Co	SYF	Synchrony Financ
ALL	Allstate Corp	CVX	Chevron Corp	GT	Goodyear Tire	MS	Morgan Stanley	TAP	Molson Coors-B
AMGN	Amgen Inc	DE	Deere & Co	HAS	Hasbro Inc	MSFT	Microsoft Corp	TFC	Truist Financial
AMT	American Tower C	DINO	Hf Sinclair Corp	HMC	Honda Motor-Adr	MTH	Meritage Homes C	TGT	Target Corp
ANF	Abercrombie & Fi	DIS	Walt Disney Co/T	HPE	Hewlett Packa	MU	Micron Tech	TKR	Timken Co
APD	Air Prods & Chem	DKS	Dick'S Sporting	HRL	Hormel Foods Crp	NEM	Newmont Corp	TPR	Tapestry Inc
ARE	Alexandria Real	DLR	Digital Realty	IBM	Ibm	NRG	Nrg Energy	TSN	Tyson Foods-A
AVGO	Broadcom Inc	DOC	Healthpeak Prope	INTC	Intel Corp	NSC	Norfolk Southern	TTE	Totalener-Sp Adr
AXAHY	Axa -Adr	DVN	Devon Energy Co	IP	Intl Paper Co	NTAP	Netapp Inc	UPS	United Parcel-B
BAC	Bank Of America	ELV	Elevance Health	JBL	Jabil Inc	NTR	Nutrien Ltd	VWAPY	Volkswa-Unsp Adr
BHE	Benchmark Electr	ENS	Enersys	JNJ	Johnson&Johnson	OMC	Omnicom Group	VZ	Verizon Communic
BK	Bank Ny Mellon	EOG	Eog Resources	JNPR	Juniper Networks	ORCL	Oracle Corp	WHR	Whirlpool Corp
BLK	Blackrock Inc	ETN	Eaton Corp Plc	JPM	Jpmorgan Chase	OZK	Bank Ozk	WKC	World Kinect Cor
BMY	Bristol-Myer Sqb	FDP	Fresh Del Monte	KEY	Keycorp	PFE	Pfizer Inc	WM	Waste Management
C	Citigroup Inc	FDX	Fedex Corp	KIM	Kimco Realty	PHG	Koninklijke P-Ny	WMT	Walmart Inc
CAH	Cardinal Health	FITB	Fifth Third Banc	KLIC	Kulicke & Soffa	PNC	Pnc Financial Se	XOM	Exxon Mobil Corp
CAT	Caterpillar Inc	FL	Foot Locker Inc	KR	Kroger Co	PPG	Ppg Inds Inc	ZBH	Zimmer Biomet Ho
CE	Celanese Corp	FLG	Flagstar Financi	LITE	Lumentum Hol	PRU	Prudentl Finl		
CFG	Citizens Financi	FSLR	First Solar Inc	LMT	Lockheed Martin	PYPL	Paypal Holdings		
CIVI	Civitas Resource	GBX	Greenbrier Cos	LOW	Lowe'S Cos Inc	QCOM	Qualcomm Inc		
CMA	Comerica Inc	GD	General Dynamics	LRCX	Lam Research	REG	Regency Centers		

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The list of stocks on Slide 68 represent what we believe to be stocks that offer capital appreciation potential. The full list of recommendations comprises the Kovitz California Strategies, which is part of Kovitz Investment Group Partners, LLC (KIG).

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Sleeping Better at Night
The Value of Dividends

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