

## CFO Spring 2025 Economic Outlook

May 21<sup>st</sup>, 2025

After a volatile few months, some calm has returned to global financial markets. While concerns over trade tensions, inflationary pressures, and fiscal policy persist, recent developments have modestly eased immediate downside risks. We would like to take this opportunity to share our current market views and portfolio positioning.

The past quarter has seen a shift in market sentiment, with hopes rising that the U.S. administration will moderate its trade policies. A reduction in harsh rhetoric and the announcement of trade agreements have been welcomed by both equity and bond markets. That said, the situation remains fluid, and we remain mindful of the potential for sudden policy pivots.

The U.S. equity market entered this year at historically elevated valuations, and while recent corrections have moderated some of the excess, asset prices remain generally expensive against an uncertain economic backdrop. Globally, credit spreads also remain tight. The resilience of the labor market has been a stabilizing factor, though ongoing trade negotiations and fiscal debates continue to inject volatility into the outlook. The economy demonstrated solid momentum at the end of 2024 and is reasonably positioned to withstand moderate increases in tariffs, provided broader economic uncertainty subsides. While it is too soon to rule out a recession, the probability of a near-term downturn has receded modestly.

On the policy front, attention is shifting from trade to fiscal matters. The administration's push for a significant fiscal spending package, alongside ongoing tax cut discussions, has the potential to support near-term growth but may exacerbate inflationary pressures and strain the Treasury market. Inflation remains a key concern, with limited economic slack fueling upward pressure on wages and prices. Given this backdrop, we remain defensively positioned. Most asset valuations are not historically compelling, and the unpredictability of both economic data and policy direction warrants a cautious approach. Our strategy remains flexible, with an openness to adjust positioning should conditions improve or deteriorate meaningfully.

Looking ahead, easing trade tensions have reduced immediate risks, but global growth is expected to slow, and inflationary impulses from tariffs may persist. Markets will likely be sensitive to further developments in fiscal policy and bond yields, which could pressure equity valuations and corporate earnings. We anticipate continued near-term resilience in risk assets, provided trade tensions do not re-escalate. However, persistent inflation and rising bond yields pose medium-term challenges, particularly in the U.S. dollar and Treasury markets. While the recent recovery in financial markets is encouraging, we believe a prudent, measured investment strategy remains appropriate. As always, we are closely monitoring developments and stand ready to adjust portfolios as conditions evolve.

We appreciate your continued trust and partnership. Should you have any questions or wish to discuss your portfolio in more detail, please do not hesitate to reach out.

Warm regards,



Tim Tymniak, CIS, CFS  
Managing Partner