

MARKET



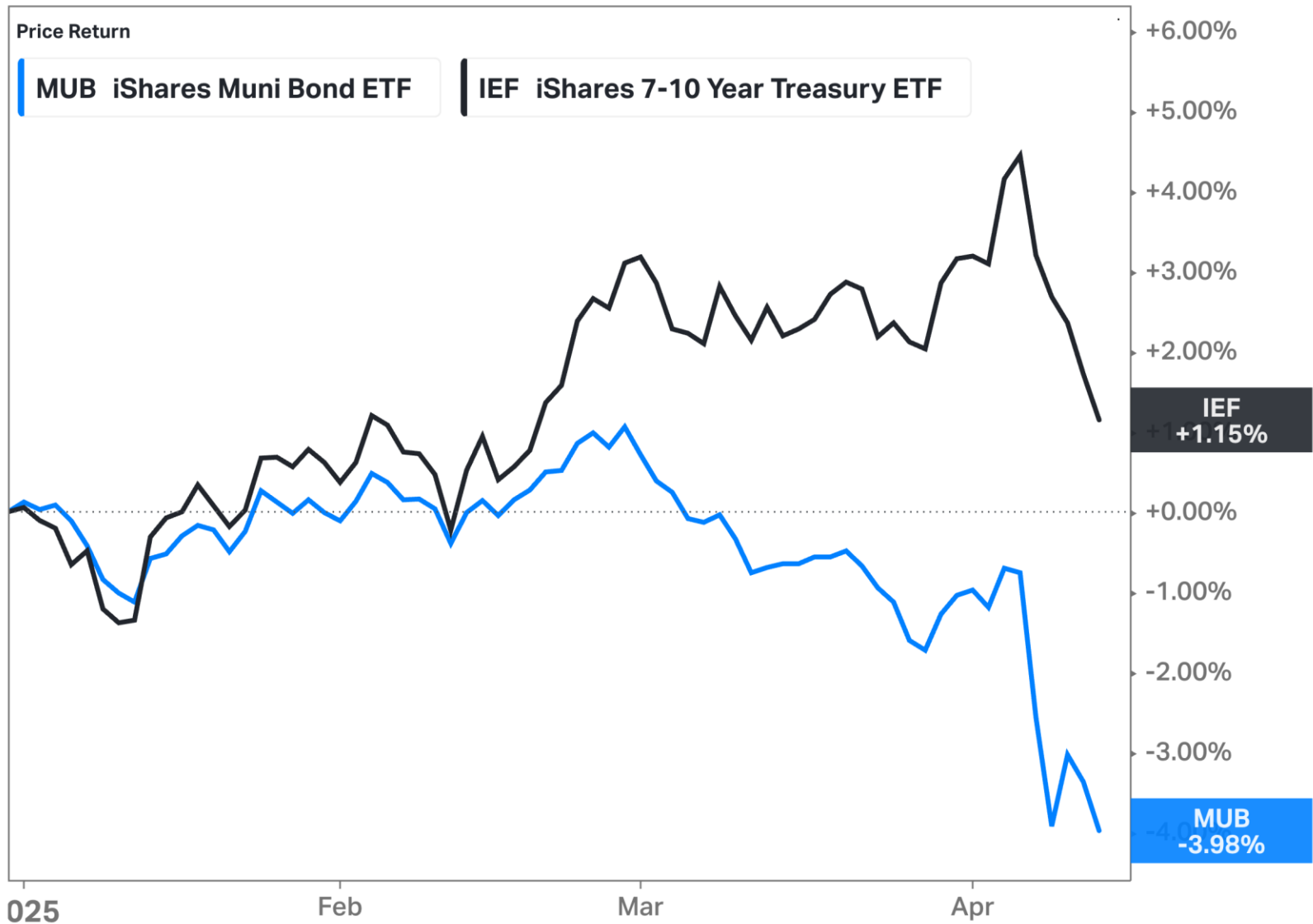
CHARTS

MARKET TRENDS &
OPPORTUNITIES

Q&A

April 13, 2025

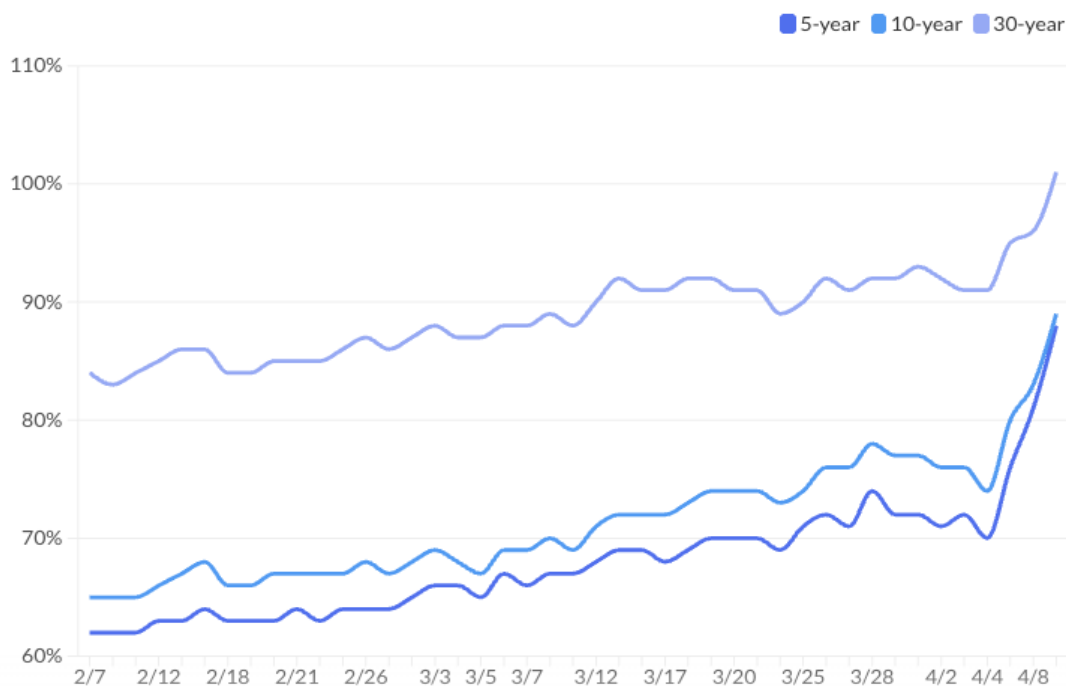
Muni Bonds Cheapen



Is there an opportunity in municipal bonds?

- Muni bonds cheapened as yields rose
- 30-year muni yields are higher than Treasuries
- For example, MUB has a 4.03% average yield to maturity and 6.9-year duration

Muni-UST ratios



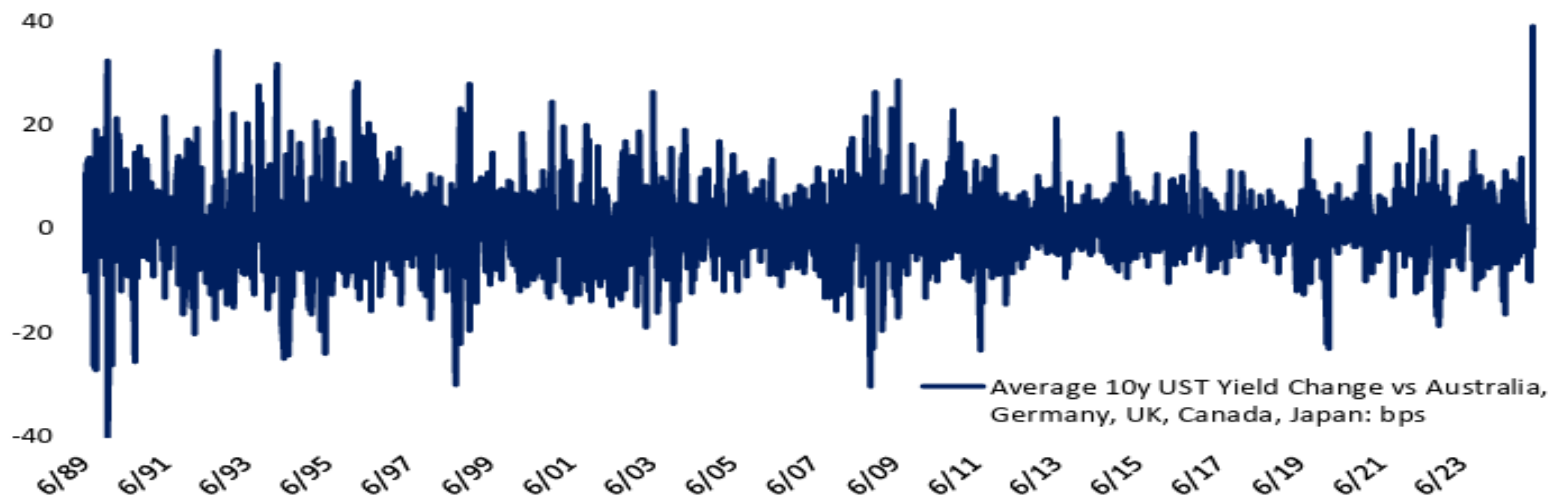
Source: LSEG

30-Year Treasury Yield



(Source: koyfin)

Record Move Higher For US Bond Yields vs RoW This Week



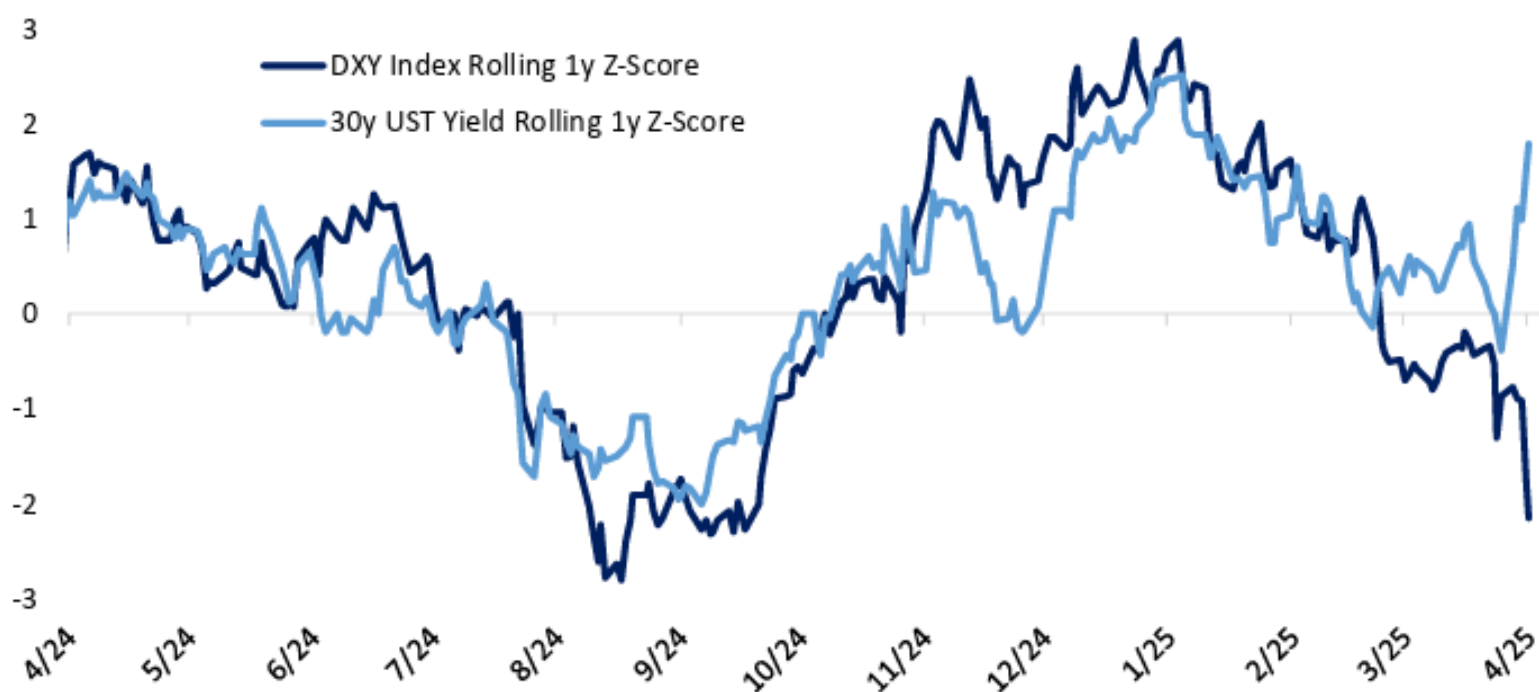
(Source: Bespoke Investment Group)

Aren't bond yields supposed to fall when stocks crater?

- Short answer: normally, but not this time
- Foreign selling of Treasuries in response to the tariffs caused bond yields to rise almost 50 bps last week
- The rapid selloff forced leveraged investors (hedge funds) to unwind positions, adding momentum to the rise in rates
- For investors who can look past the potential blip in consumer prices from tariffs, the higher rates and steeper curve are an opportunity to position for a potential recession

USD/Bond Yield Divergence

Dollar Down As Yields Rip Sounds Scary, But Is A Divergence With Precedent



(Source: Bespoke Investment Group)

Isn't the U.S. dollar supposed to strengthen when rates rise?

- Short answer: normally, but not this time
- The administration's approach to tariffs appears to be eroding confidence in the U.S. dollar's safe-haven status
- While long-end rates are going up, expectations for short-rates are moving the other way
- Many international investors piled into U.S. assets last year without hedging their currency exposure and some are now repatriating

Euro vs. USD



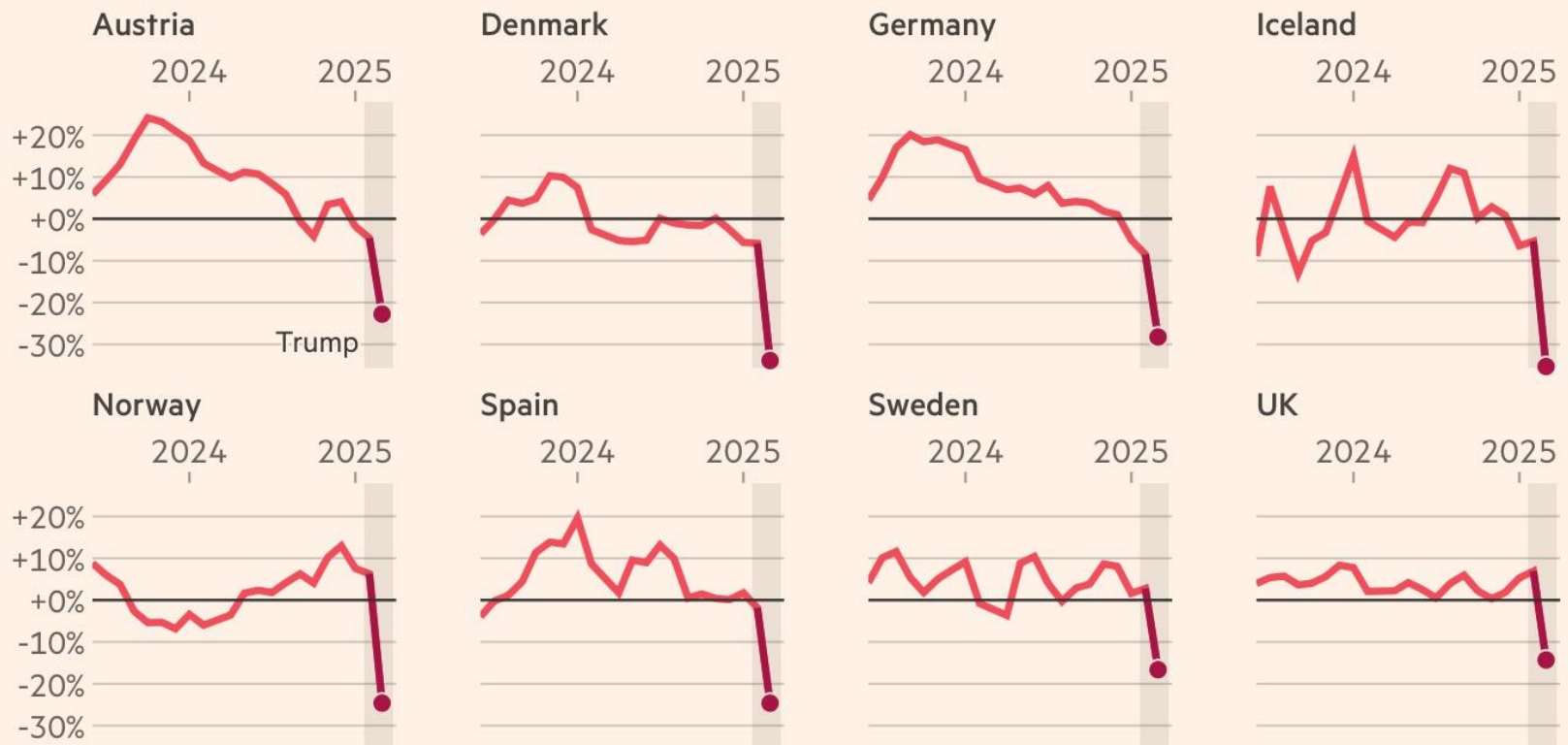
(Source: koyfin)

What is driving the EUR/USD rate higher?

- The euro broke key technical resistance levels last week, fueling further buying momentum among traders
- It gained over 3.5% for the week and closed at \$1.135, a 3-year high
- Just a guess, but the EUR is the next most liquid currency after the U.S. dollar. Given German Bund yields FELL on the week, some central banks may be reallocating reserves to EUR as they move out of Treasuries

European Travel to U.S.

The number of Europeans travelling to the US has cratered under Trump
Year-on-year change in visitors to the US, by country of origin (%)



Source: [International Trade Administration, U.S. Department of Commerce](#)

FT graphic: John Burn-Murdoch / @jburnmurdoch

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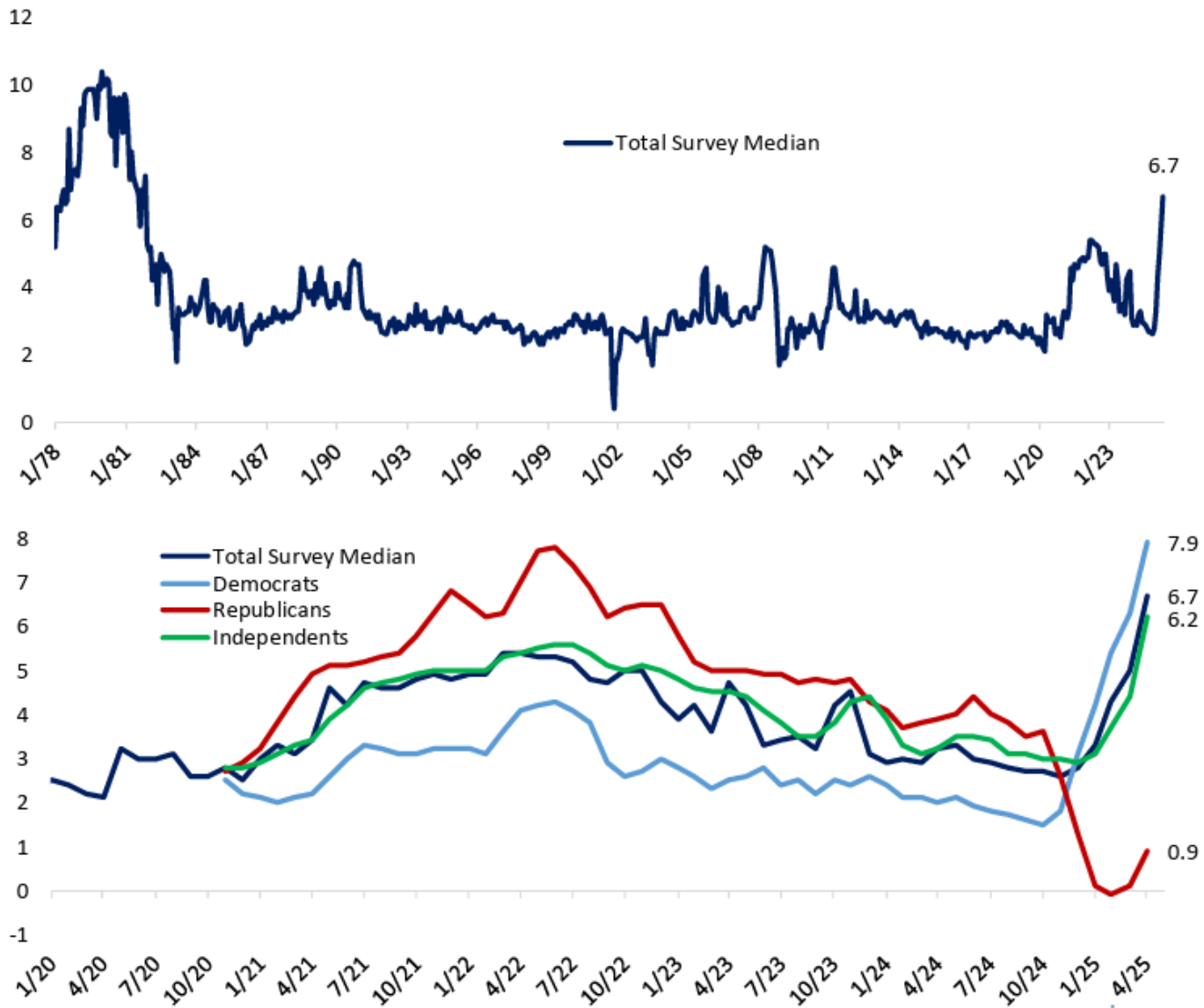
(Source: Financial Times)

What is the impact of the decline in travel to the U.S.?

- Delta revised earnings lower, referencing “broad economic uncertainty” and “stalled growth,” exacerbated by ongoing trade tensions and tariffs
- Reduced travel could reflect the fear over tightened immigration laws and/or protest over U.S. policy to allies
- Lower travel could reflect decelerating consumer spending
- Figures from Canada are also WAY down

Inflation Expectations

University of Michigan Consumer Sentiment: Expected Inflation Over Next Year (%)



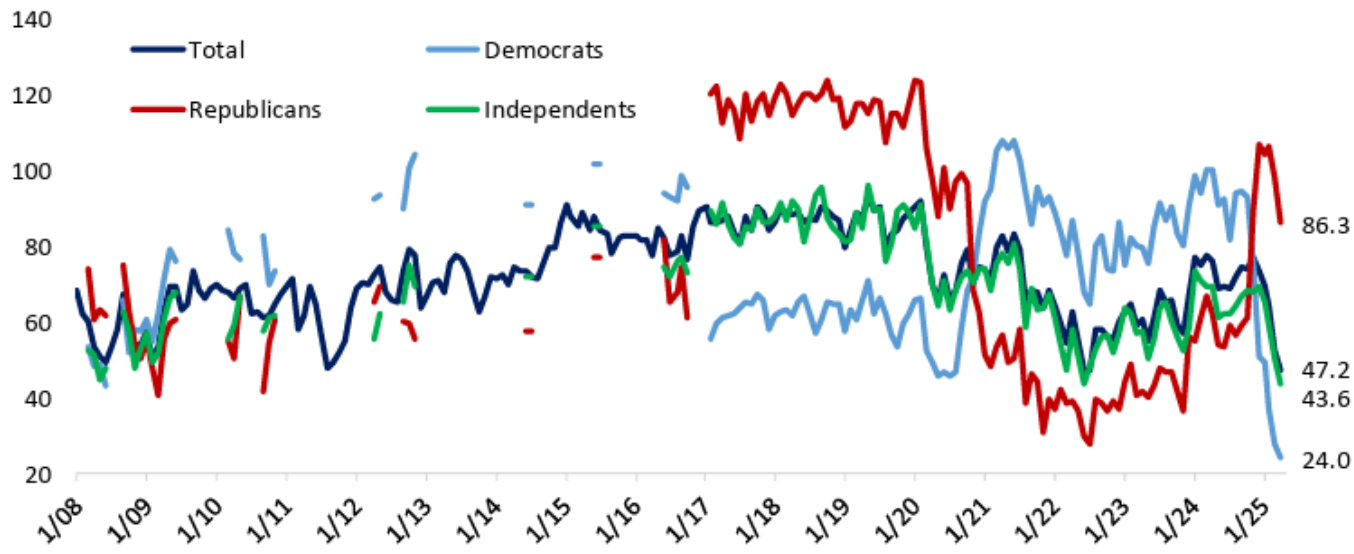
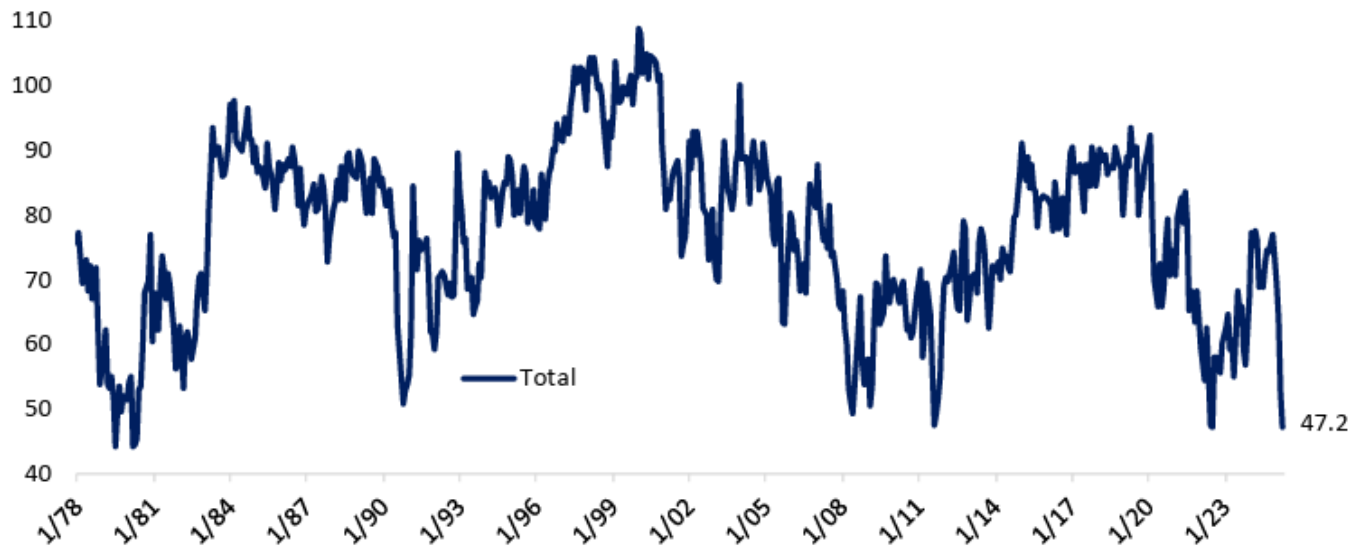
(Source: Bespoke Investment Group)

How can political affiliation impact inflation expectations so much?

- This is an incredible chart for two reasons:
- First, look how much one-year-ahead inflation expectations have jumped in the last month. They are now up to 6.7%
- Whether those expectations are realized or not, the huge change in perception will probably still have an impact on consumer behavior
- Second, check out the difference in inflation outlook based on political party affiliation
- Democrats see a 7.9% increase, but Republicans see just a 0.9% rise
- It goes to show you there are two competing narratives out there when it comes to inflation

Consumer Sentiment

University of Michigan Consumer Sentiment: Expectations

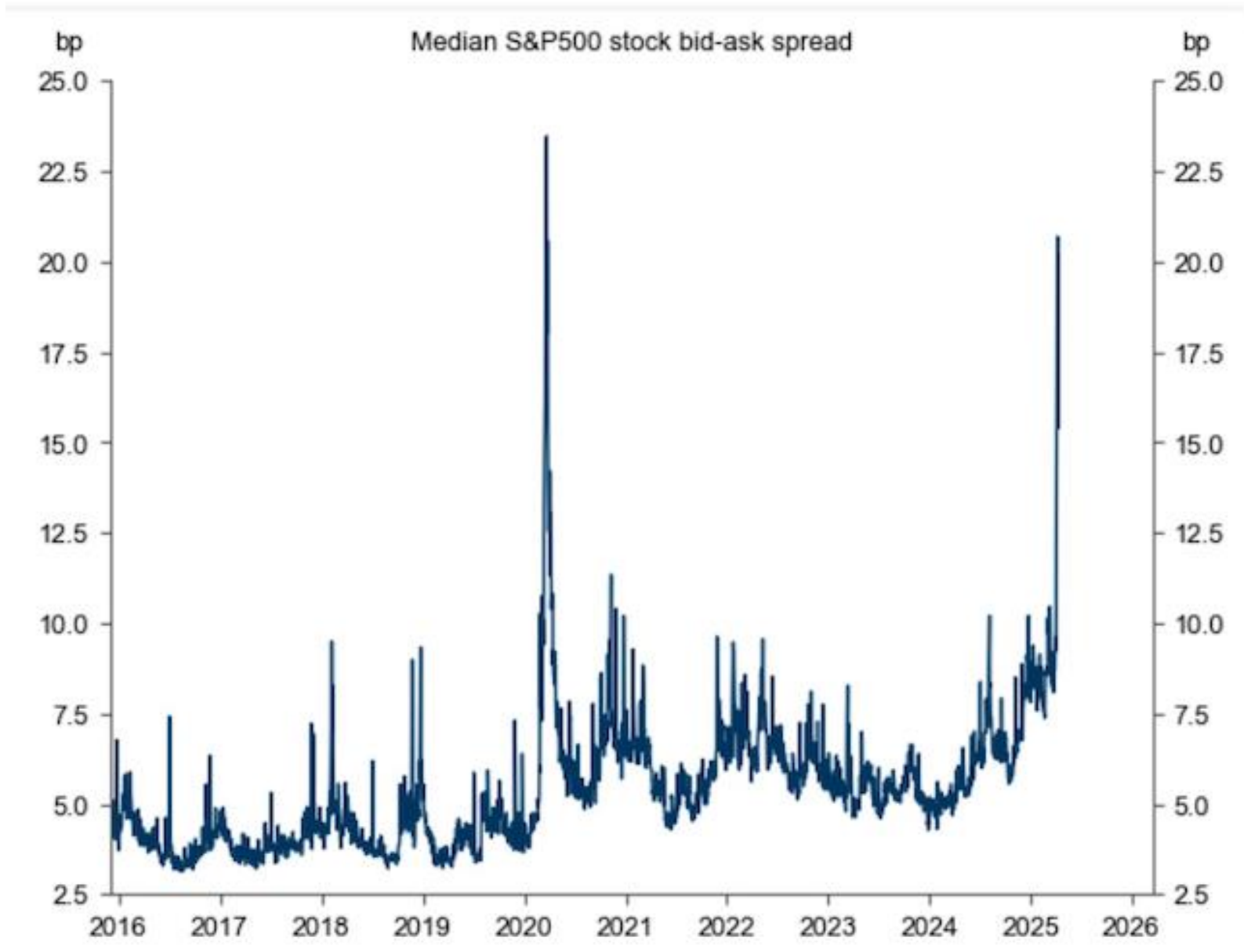


(Source: Financial Times)

Does consumer sentiment matter?

- Yes!
- The sharp decline in sentiment signals potential headwinds for consumer spending, which accounts for approximately 70% of U.S. GDP.
- The University of Michigan's preliminary Consumer Sentiment Index for April 2025 dropped to 47.2 from 52.6, its lowest level since May 1980
- Consumer spending will be the key determinant if/when the economy slips into a recession

S&P Liquidity



(Source: Goldman Sachs)

What happened to liquidity in the U.S equity market?

- The median bid-ask spread roughly doubled for stocks in the S&P 500
- While the chart looks scary and is a sign of illiquidity, it is normal for bid-ask spreads to widen when volatility increases
- Given that the VIX reached 60 at one point last week, it's no surprise that market makers widened their quotes.
- 11% intraday swings will have that effect!

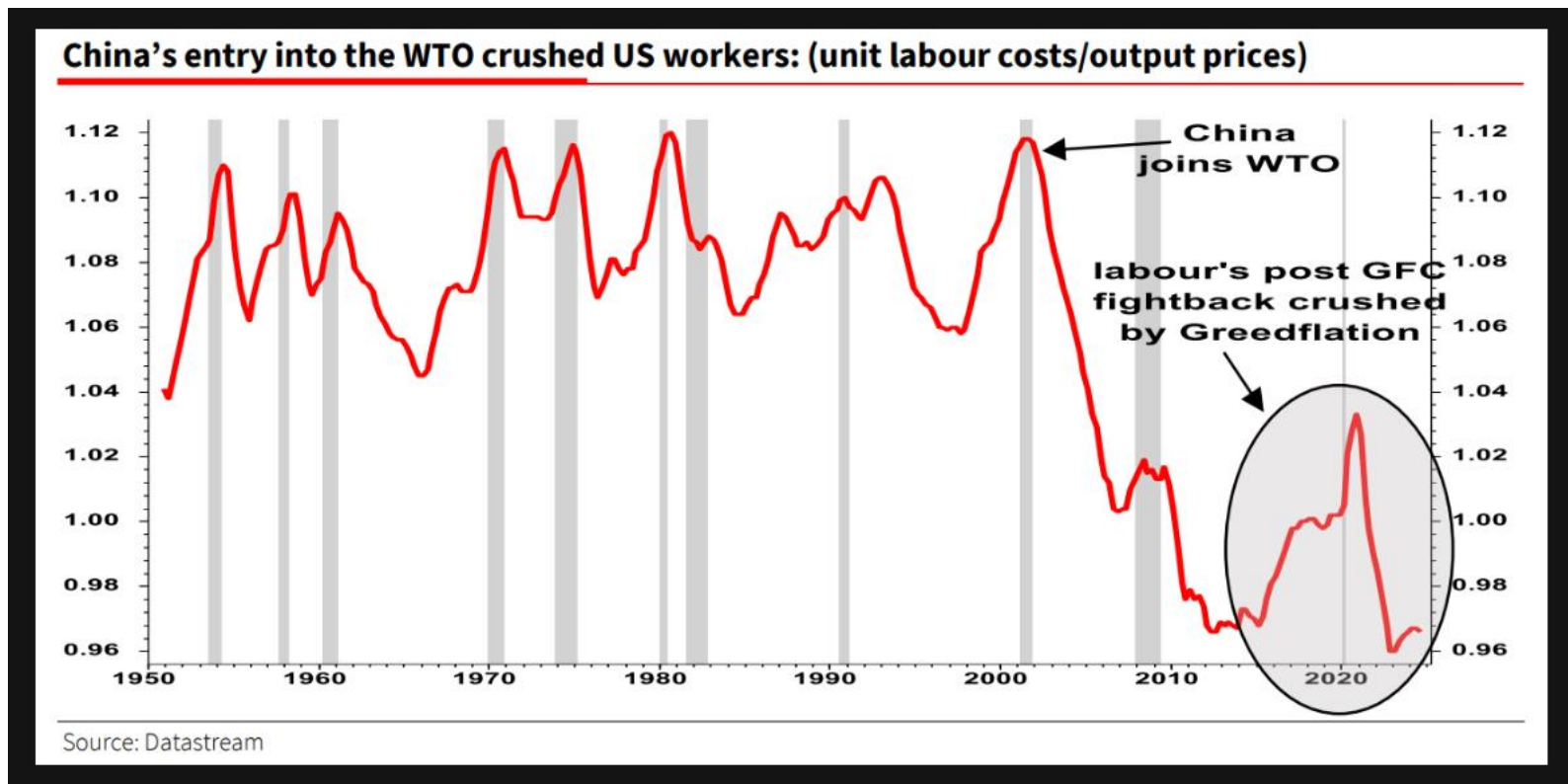
Gold Miners



What happened to gold and gold miner stocks last week?

- Gold briefly dipped below \$3,000 last week before rocketing higher to \$3,235 per ounce
- Gold is benefiting from safe-haven flows as investors dump risk assets
- Are U.S. Treasuries still a safe haven—or have they become a risky asset?
- Gold mining stocks, which are highly leverage to the price of gold, screamed higher and are now up 47% on the year.

Impact of China on U.S. Labor



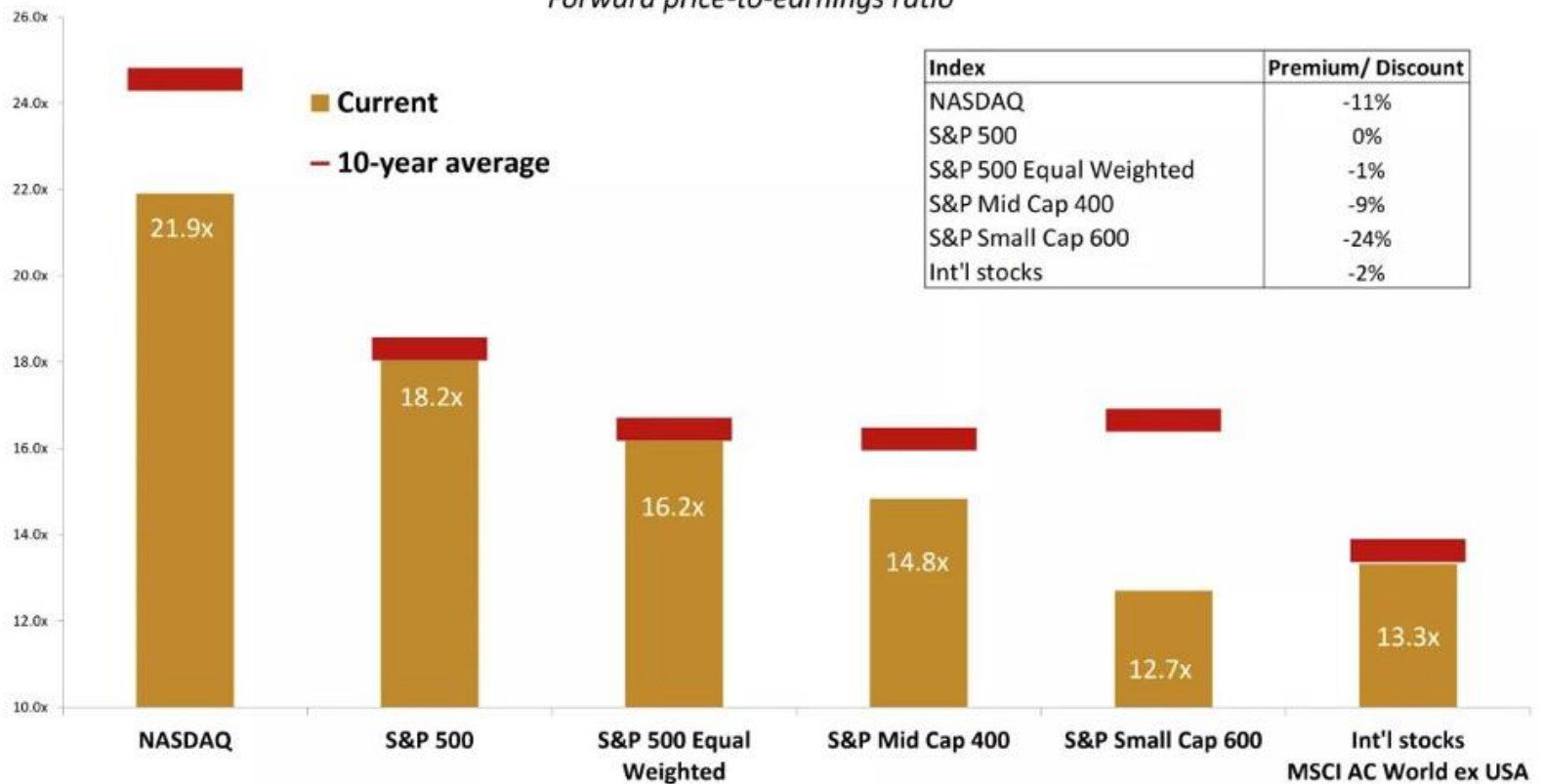
(Source: Soc Gen)

What has happened to the U.S. labor force since China entered WTO?

- China's entry into the WTO was the catalyst for a structural shift in the U.S. economy, with jobs shifting from manufacturing to services
- Globalization moved labor-intensive production overseas, mainly to China
- U.S. productivity increased, but most of those gains showed up in corporate profits, not wage increases
- When the Trump administration refers to the decimation of manufacturing, they are looking at charts like this

Post-Selloff Valuations

Valuations for all major indexes are now below their 10-yr averages
Forward price-to-earnings ratio



Source: FactSet, Edward Jones as of 4/5/25. Past performance does not guarantee futures results. An index is unmanaged, cannot be invested into directly and is not meant to depict an actual investment.

(Source: Edward Jones)

Are stocks cheap yet?

- That is the trillion-dollar question
- All the major U.S. indexes are trading at or below their 10-year historical average price-to-earnings ratios
- If you look at the 20-year average, which includes the aftermath of the 2008 financial crisis and subsequent recession, the S&P 500 is still trading above its historical average
- The problem with looking at P/E multiples in this environment is getting a good read on the “E”
- There is still massive uncertainty where earnings will be at the end 2025



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