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11. Friday Footnotes

One Month to Tax Filing Deadline

Tax season is chugging right along. If you have yet to file, do you have all of your Raymond James or Schwab documents?

- **Download** from online client access:
  - **Raymond James**: https://www.raymondjames.com/account-access
  - **Charles Schwab**: https://client.schwab.com/Areas/Access/Login
- **Have our office send documents securely** to your tax preparer:
  - Email Katie or Krista *(click a name to send)*
  - Call **317-859-2502**

Four Questions on the Minds of Investors Today

Recent market volatility has raised important concerns among investors. Amid fluctuations and uncertainties, it is crucial to understand the fundamental factors influencing markets today. Below we discuss four important questions investors are asking, along with key points to consider when considering market conditions.

1. What's Causing the Current Market Decline?

- **Elevated valuations:** Stocks had become expensive when looking at trailing and forward PEs, baking in very high profit expectations. When prices outpace realistic earnings and economic expectations, even minor disappointments can trigger declines as expectations get deflated.
- **Recession fears:** Several economic signals, such as negative forecasts from the Atlanta Fed and poor consumer surveys, have heightened investor concerns about a potential recession. Although unemployment remains low, consumers are increasingly less optimistic, potentially signaling a slowdown in spending.
- **Sticky inflation pressures:** Inflation remains persistent, creating uncertainty for policymakers and businesses. Elevated inflation can erode purchasing power and complicate monetary policy decisions, making markets nervous.
- **Policy uncertainty and tariffs:** Government policy, specifically inconsistent messages on trade tariffs, has introduced added uncertainty. Tariffs disrupt supply chains, raise business costs, reduce margins and sales, and make it harder for companies to confidently plan and invest for future growth, causing them to delay spending and hiring decisions.

2. Is This Type of Market Decline Normal?

- **Historical perspective on this decline:** Historically, the S&P 500 experiences an average annual drawdown of approximately 14.84%. The current market decline of around 8.5%* is well within historical norms and should be viewed in context.
- **Normal fluctuations in markets:** Stock markets inherently have cycles of expansion and contraction. Declines like these are a natural part of the investing landscape, occurring periodically even during overall bullish market environments.
- **Long-term opportunities:** Temporary market declines often present attractive buying opportunities. Markets function as discounting mechanisms, meaning longer-term expected returns increase after asset price declines, rewarding patient, long-term investors who maintain perspective and stay the course.
- **Importance of staying invested:** Market volatility is expected and manageable through diversified portfolios. Historically, investors who stay invested during downturns often recover more quickly and benefit significantly in the long term.

3. What Could Trigger a Market Recovery?

- **Reduction of trade tensions:** An easing or resolution of trade tensions and tariffs would significantly improve market sentiment. Businesses benefit from greater certainty in planning and decision-making, thereby boosting investment and growth prospects.
- **Improvement in inflation data:** Tangible evidence of easing inflation would likely encourage market participants. Lower inflation typically leads central banks to reduce interest rates, supporting economic stability and market confidence.
- **Constructive policy shifts:** Policy actions favoring businesses, such as deregulation, tax incentives, or other pro-growth measures, could significantly boost investor sentiment and corporate earnings expectations.
- **Strength in consumer data and confidence:** Improved consumer confidence and strong economic data releases (e.g., employment reports, consumer spending, retail sales growth) would reinforce economic resilience and may drive the market upward.
- **Trade conflict resolutions:** Meaningful progress toward resolving international trade disputes, particularly regarding tariffs, could lead to increased business certainty, fueling renewed investment, hiring, and spending.

4. What Could Cause Market Conditions to Deteriorate Further?

- **Prolonged trade uncertainty:** Further escalation of trade tensions and increased tariffs could severely disrupt global trade dynamics, creating cost pressures for consumers and businesses alike. Higher costs lead to declining demand, diminished corporate earnings, and weakened economic growth.
- **Risk of stagflation or recession:** Persistent inflation combined with slowing growth could trigger a "supply-side shock," increasing the risk of a deeper economic slowdown or even stagflation. Tariffs can exacerbate these pressures by causing prices to rise and suppressing economic growth simultaneously.
- **Reduced business and consumer confidence:** Businesses facing ongoing uncertainty tend to postpone investments in growth and hiring. Reduced consumer confidence similarly curtails spending and economic growth, creating a feedback loop of slower demand and lower profits.
- **Unexpected economic shocks:** Unforeseen events, such as geopolitical disruptions, energy price volatility, or shocks to financial systems, could exacerbate existing uncertainty and send markets sharply lower.

Market volatility, including price declines, is an inevitable and natural part of investing. We are here to contextualize current market fluctuations and remind you of YOUR long-term investment objectives. This why we stress test portfolios and financial plans, implement strong financial strategies and stay proactive to mitigate risks and leverage opportunities created by volatility.

We appreciate hearing from many of you over these past weeks.
While we do not have all of the answers, we're here for you.

**As of 3/11/2025*

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