



## Market Update: April 2025

Earlier this year, we mentioned the possibility of a 10% market correction, but we weren't too concerned. Corrections like that are pretty normal. Even when we hit those levels last month, we still believed it was a healthy adjustment and that the market would bounce back.

But lately, developments out of Washington have caused us to take a more cautious view.

The tariffs announced on April 2nd were surprising—not because tariffs were unexpected, but because of how extreme the rates turned out to be. While the idea of “reciprocal tariffs” might make for a strong negotiating position, the numbers themselves felt either arbitrary or based on some fuzzy math. Even if this is just a tactic, in our opinion the fact that these tariffs are being implemented at all is concerning. Yes, there are real issues with unfair trade practices that need to be addressed, but we believe the way we're going about it raises a lot of red flags.

We still believe in long-term equity investing and staying the course through market ups and downs. But there are moments when it makes sense to dial back risk a bit—and we think this is one of those times.

Some of these tariffs might eventually be rolled back as negotiations progress, but we're worried the damage may already be done. While we're not predicting a recession just yet and current data still looks solid, that could shift quickly. Confidence plays a massive role—in both consumer behavior and corporate decision-making—and it's hard to imagine that recent events haven't shaken that confidence.



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Consumer spending drives most of our economy, and if people start to pull back, the effects could ripple fast. Meanwhile, businesses are facing a tough environment. It's incredibly difficult to plan and invest for the next 3-5 years when there's so much uncertainty around policy. We fear both consumers and companies may choose to pause big decisions for now—and that hesitation increases the odds of a recession significantly.

In this kind of environment, it's tough to see how earnings expectations hold up. In fact, we've already seen some companies lower their guidance for 2025. U.S. markets have been trading at higher price-to-earnings multiples since the pandemic, largely because of strong economic growth, innovation in tech, and—most importantly—investor confidence. But if that confidence fades, those higher valuations might not stick. Even if earnings stay on track, stock prices could come under pressure if investors decide they're no longer comfortable paying such high premiums.

Bottom line: we're taking a more cautious stance on risk assets for the time being. While we continue to view equities as a solid long-term growth tool, the near-term outlook is looking more uncertain and challenging.



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