

# 2025 UPDATE: THE JURY'S OUT ON THE ECONOMY AND TARIFFS



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## INVESTMENT RETURNS: 2025 FIRST HALF VS 2024

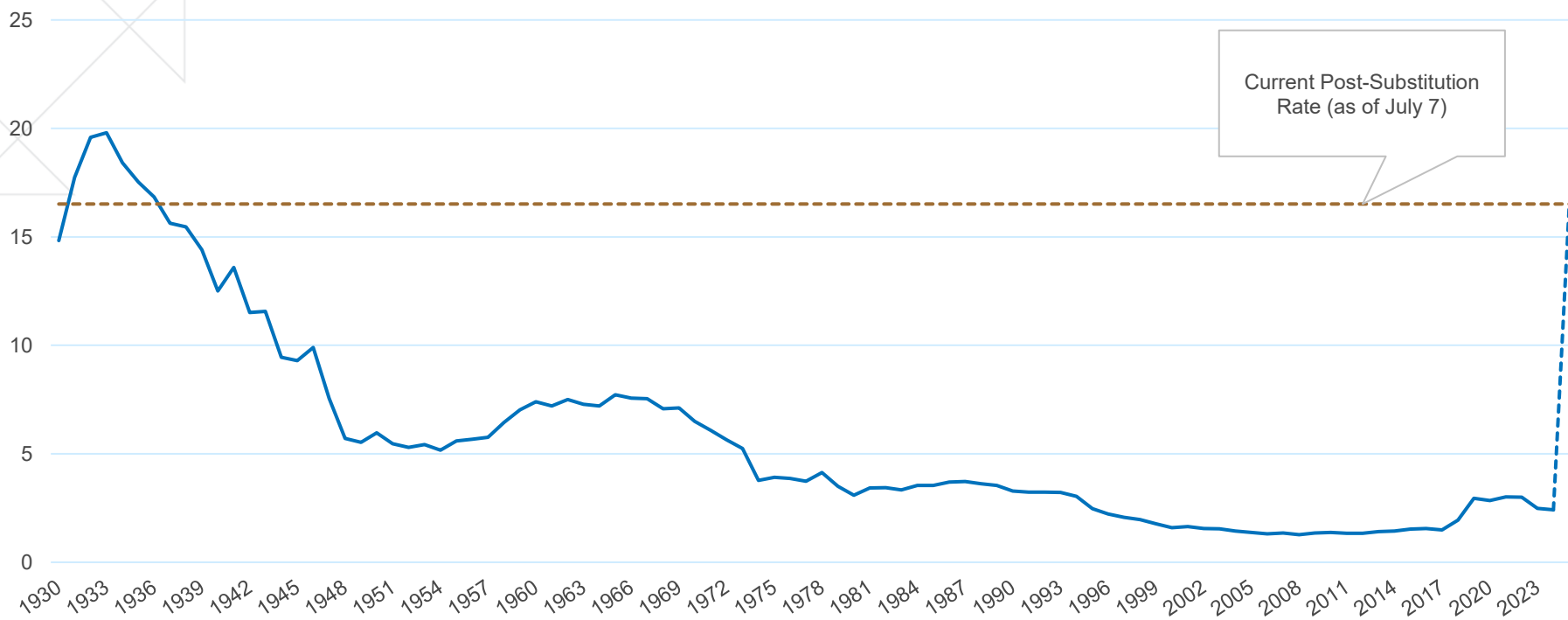
<i><b>Total Returns (%)</b></i>	<b>2024</b>	<b>2025 (1st half)</b>
<b>Stock Market</b>		
US (S&P 500)	25.0	6.2
NASDAQ	29.6	5.9
Russell 2000	11.5	-1.8
International (EAFE \$)	4.4	19.9
Emerging Markets (MSCI \$)	8.0	15.5
<b>Bonds</b>		
US Agg	1.3	4.0
Treasuries	0.6	3.8
IG Credit	2.0	4.2
High Yield	8.2	4.6
JPM EM Debt	6.5	5.6

*Source: Bloomberg*



# U.S. TARIFFS ARE THE HIGHEST SINCE THE 1930S

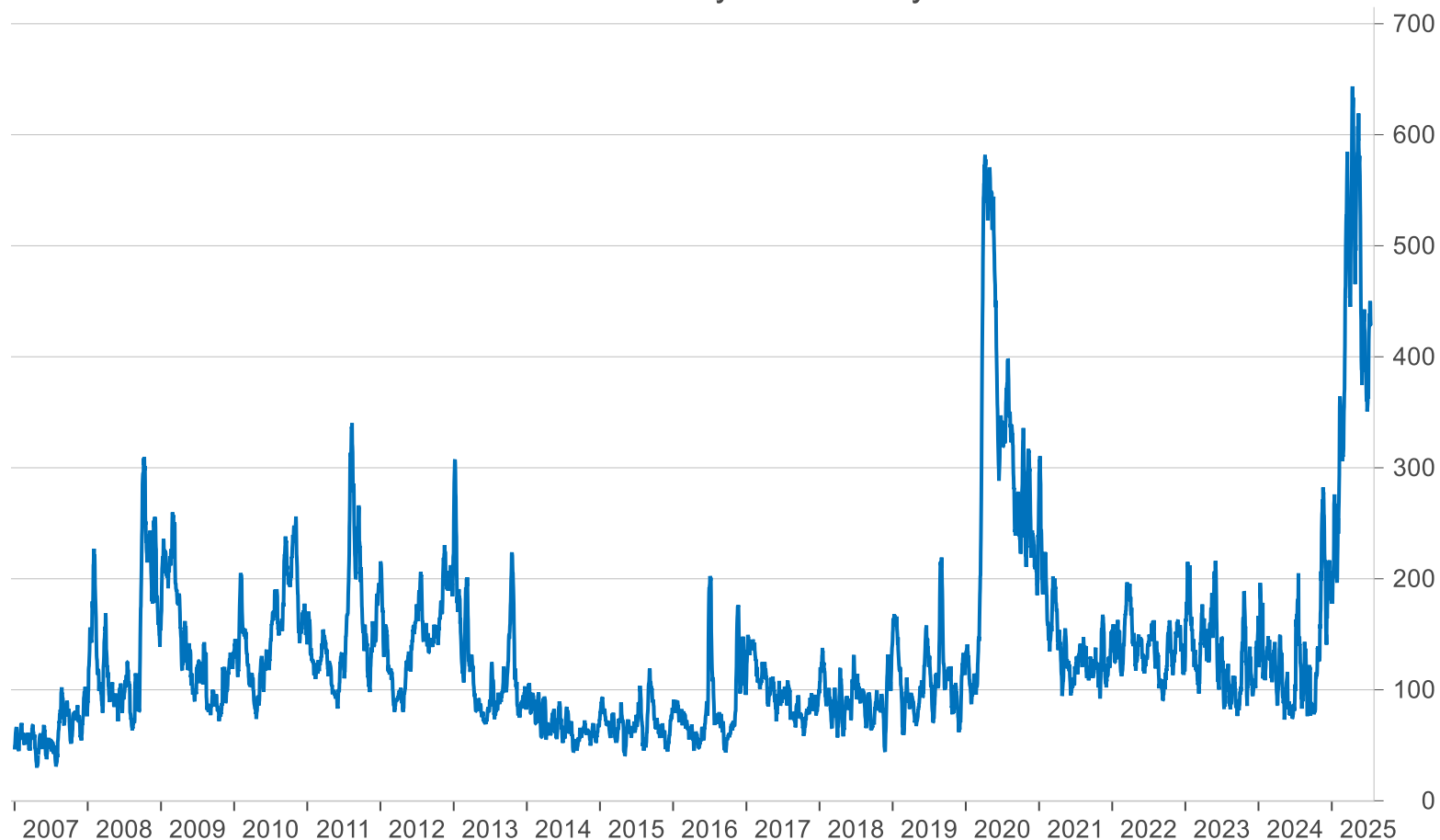
US Average Effective Tariff Rate



SOURCE: Yale Budget Lab

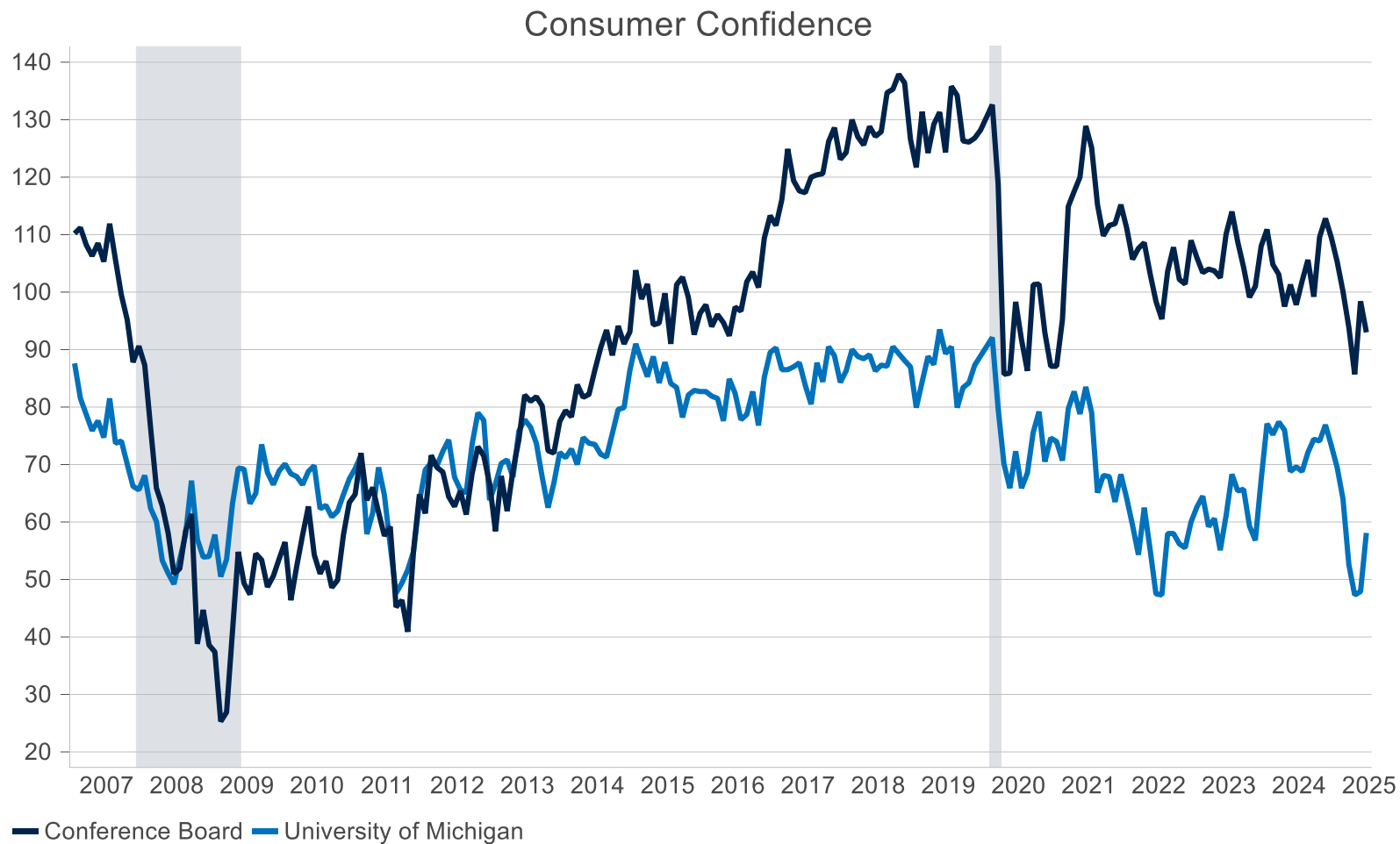
## ECONOMIC POLICY UNCERTAINTY IS UNUSUALLY HIGH

US Economic Policy Uncertainty Index



SOURCE: Scott Baker, Nick Bloom, Steven Davis and Bloomberg

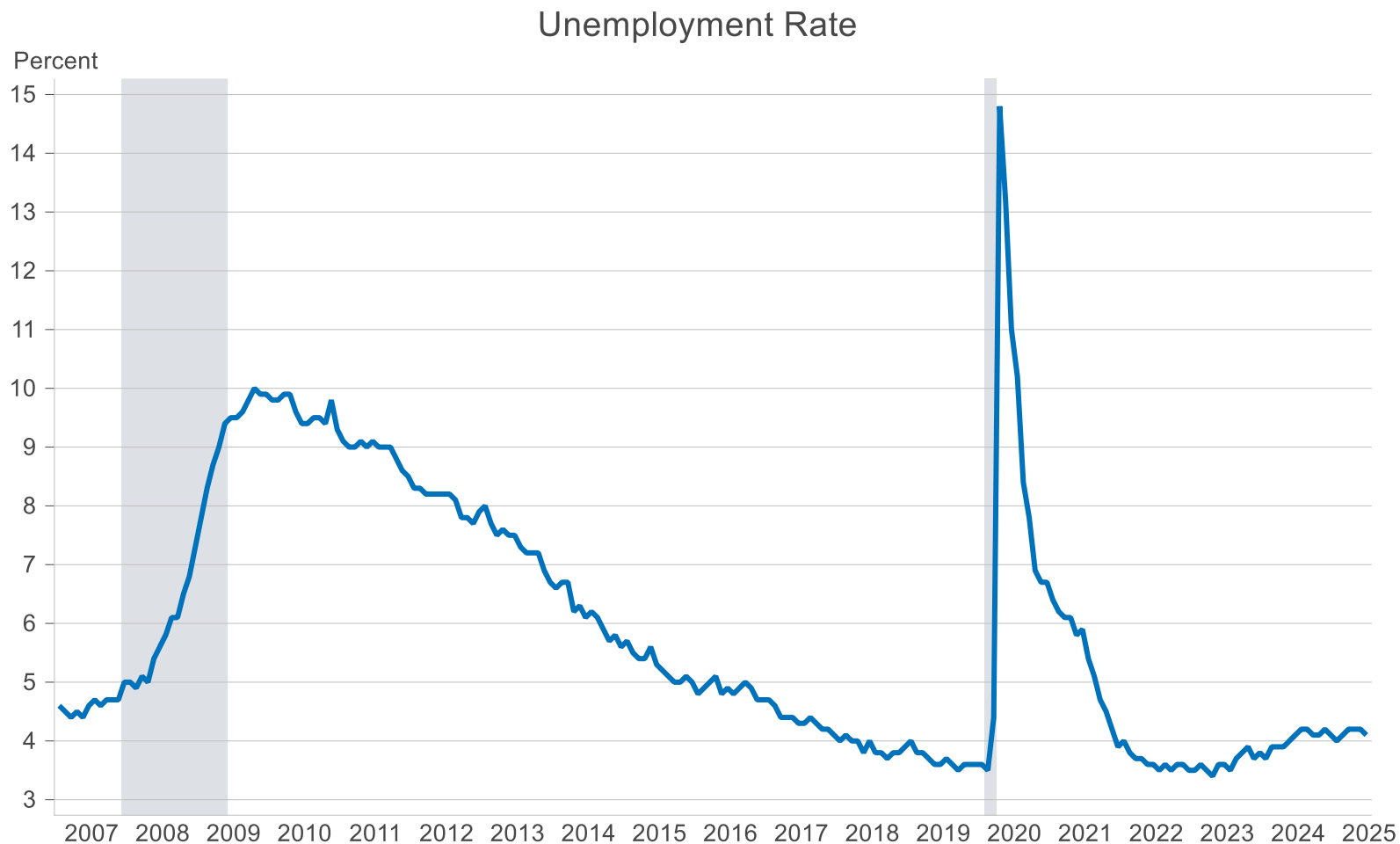
## CONSUMER CONFIDENCE PLUMMETS



SOURCE: University of Michigan, FRED

# THE JOBS MARKET IS HOLDING UP, BUT CRACKS ARE SURFACING

## Unemployment Rate



SOURCE: BLS, Federal Reserve of St. Louis

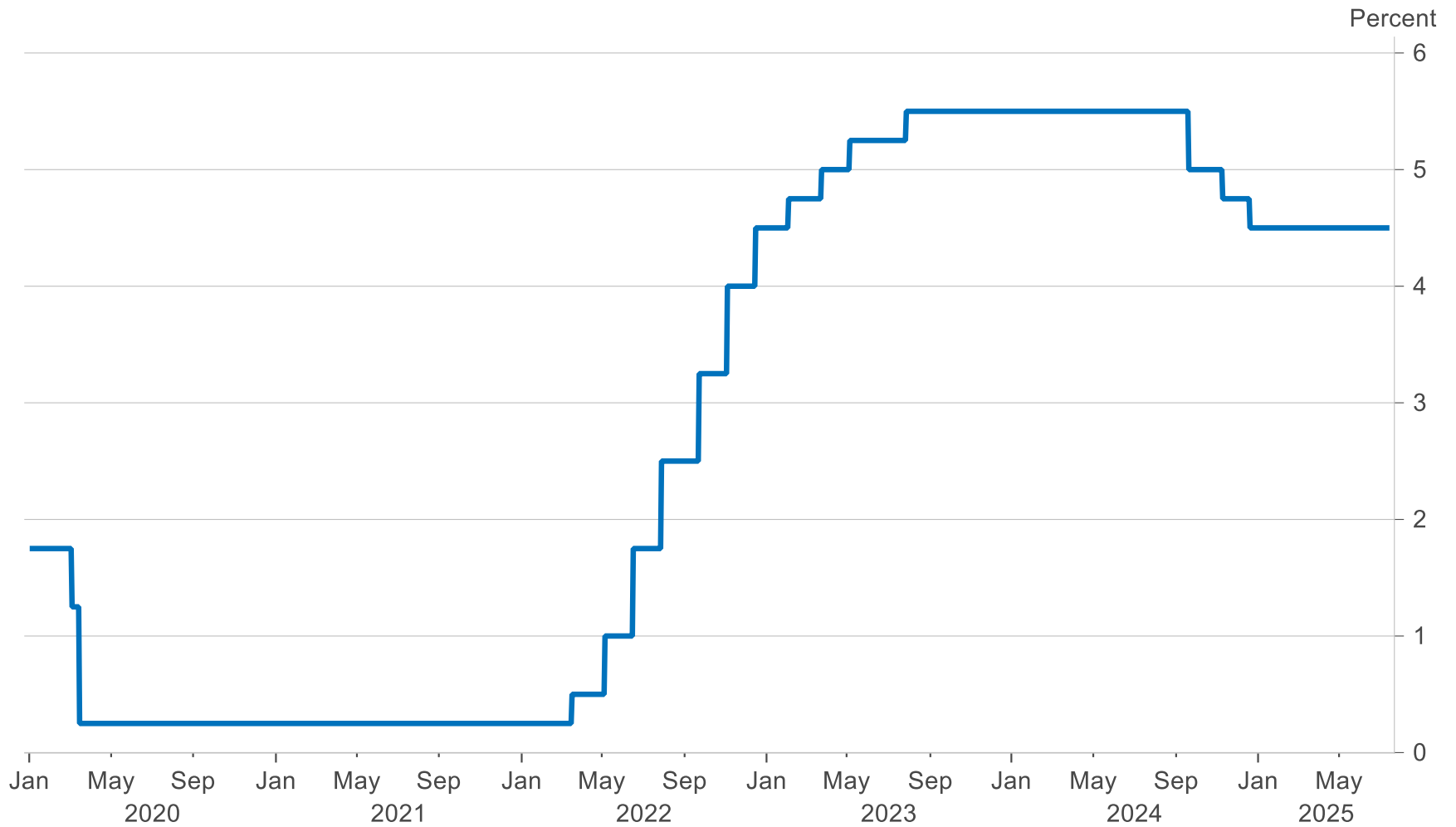
## INFLATION HAS NOT PICKED UP AS IMPORT PRICES ARE STABLE...



SOURCE: BLS, Federal Reserve of St. Louis

## THE FED IS ON HOLD

### Fed Funds Rate

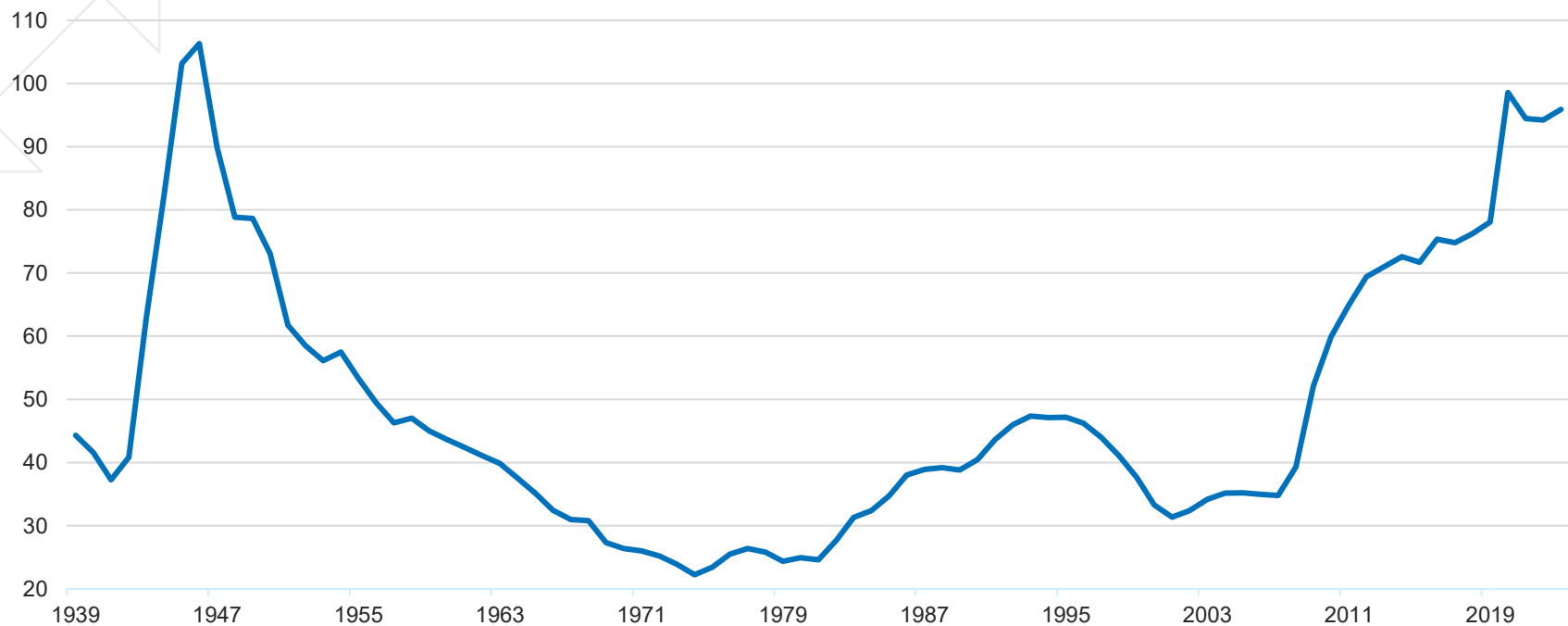


SOURCE: St. Louis Federal Reserve



# FEDERAL FINANCES ARE ON AN UNSUSTAINABLE TRAJECTORY

Gross Federal Debt Held by the Public as % of GDP



SOURCE: St. Louis Federal Reserve

# STOCK MARKET VALUATIONS ARE NEAR RECORD HIGHS

CAPE (Cyclically Adjusted P/E Ratio)



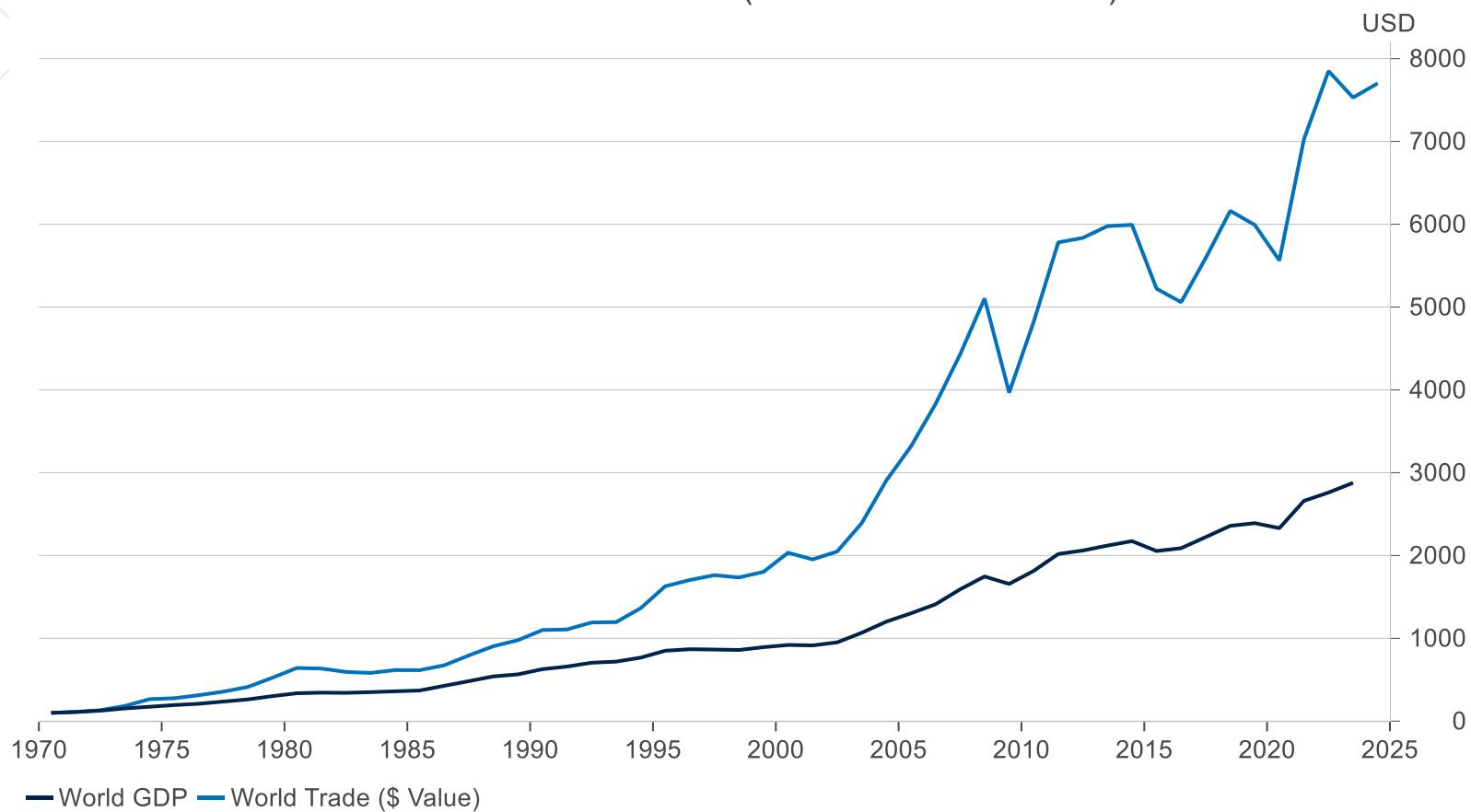
Source: Robert Shiller



SOURCE: Robert Shiller and Bloomberg

## GROWTH OF WORLD TRADE IN POST-WAR ERA

World Trade and GDP (1970 - Rebase to 100)



Source: WTO, UNCTAD



SOURCE: WTO, UNCTAD

# THE DOLLAR IS UNDER PRESSURE

## Trade Weighted Dollar Index

### US Dollar Index



SOURCE: Federal Reserve of St. Louis

## **POSITIONING PORTFOLIOS: NOT A GOOD TIME TO BE AGGRESSIVE**

- **Good: Low inflation (for now), tax cut extensions and deregulation**
  - **Bad: Both parties won't compromise on the budget**
  - **Ugly: The current trade war is much worse than the first one**
- \* THE BIG UNKNOWN: What Will Replace the Post-War Order?**

