

180 Mount Airy Road, Suite 208  
Basking Ridge, NJ 07920  
www.mendhamcapital.com  
T: 908.204.1234 F: 908.204.0006

April 7, 2025

## SECOND QUARTER 2025 NEWSLETTER

### Tariffs & Tornados

The chart below seems like ancient history given the market selloff on Thursday and Friday of last week. The carnage followed President Trump's announcement on Wednesday of tariffs that were well beyond the worst-case scenario envisioned by seasoned observers.

The S&P 500 closed on Friday at 5,074.08, a decline of almost 10% from Wednesday's close. This begs the question - if tariffs are such a great idea why has the market reacted so poorly?

Ironically, Dan and Bill spent the latter part of the week in Nashville at the *Raymond James Structured Investments Summit 2025*. We both lost a great deal of sleep, due to both the ugly market action and to persistent tornado warnings for downtown Nashville in the wee hours of Thursday morning.

Bonds have been a silver lining thus far in 2025 and, thankfully, this proved to be true last week, offering some relief versus falling stock prices.

More than anything, markets hate uncertainty. At this moment, we must grapple with erratic leadership and a massive dose of uncertainty.

## Review of Previous Quarters:

	<u>09/30/2024</u>	<u>12/31/2024</u>	<u>03/31/2024</u>	<u>QTD Change</u> as of <u>03/31/2024</u>	<u>YTD Change</u> as of <u>03/31/2024</u>
S&P 500	5,762.48	5,881.63	5,611.85	-4.59%	-4.59%
Dow	42,330.15	42,544.22	42,001.76	-1.28%	-1.28%
NASDAQ Composite	18,189.17	19,310.79	17,229.29	-10.78%	-10.78%
Russell 2000	2,229.97	2,233.86	1,989.09	-10.96%	-10.96%
MSCI EAFE	2,468.66	2,261.05	2,400.82	+6.18%	+6.18%
10-Year Treasury Note	3.75%	4.58%	4.21%	-37 basis points	-37 basis points
3-Month T-Bill Rate	4.60%	4.32%	4.30%	-2 basis points	-2 basis points
Price of Gold (COMEX)	\$2,672.10	\$2,637.70	3,157.40	+19.70%	+19.70%
Crude Oil (NYMEX)	\$67.63	\$71.78	71.36	-.59%	-.59%
US Dollar Index	101.12	108.43	104.19	-3.91%	-3.91%

*Inclusion of these indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results.*

- **A basis point** is 1/100th of one percentage point.
- **Treasury Bills** are certificates reflecting short-term (under one year) obligations of the U.S. government.
- **Treasury Notes** are marketable U.S. government debt securities with a fixed interest rate and a maturity between one and ten years.
- The **S&P 500** is an unmanaged index of 500 widely held stocks that's generally considered representative of the U.S. stock market.
- The **NASDAQ composite** is an unmanaged index of securities traded on the NASDAQ system.
- The **Russell 2000** is a small-cap U.S. stock market index that makes up the smallest 2,000 stocks in the Russell 3000 Index.
- The **Dow Jones Industrial Average (DJIA)** commonly known as "the Dow" is an index representing 30 stocks of companies maintained and reviewed by the editors of the Wall Street Journal.
- The **MSCI Europe, Australasia and Far East Index** is a market capitalization weighted selection of stocks from 21 developed nations excluding the US and Canada.
- The **US Dollar Index** measures the value of the U.S. dollar relative to a basket of top 6 currencies: EUR, JPY, GBP, CHF, CAD and SEK.

## Liberation Day or Ruination Day?

Targeting a country for unfair practices in a unified front with allies makes sense. Trump's so-called Liberation Day amounted to launching an attack on everyone all at once. The result is the US is fighting a trade war on all fronts while its opponents are fighting only the US.

The worst defeats in history have occurred when a country overestimates its own strengths and its opponents' weaknesses. Think Napoleon invading Russia while engaged in fighting the UK or Hitler opening the Russian front while fighting the allies in the west.

Some observers hope that negotiations will soon bring the tariffs down. There's the possibility, however, that US trading partners may be in no hurry to negotiate given how politically popular it has become to go up against Trump.

Beyond that, several analysts believe the design of US tariffs is so poor that the US has put itself in a weak negotiating position.

“Worse is the bizarre, slapdash way the White House calculated the tariff rates on individual countries. Everyone will pay 10%. Then the White House appears to have calculated each country's additional tariff rate by dividing its trade deficit with the U.S. by its exports to the U.S. This rate was then cut in half for most countries, which Mr. Trump calls a “discount.” The discordant result is that U.S. adversaries like Iran (10%) and Venezuela (15%) will pay lower rates than friends in Europe (20%), Japan (24%) and Taiwan (32%)... Yet Mr. Trump claims his tariffs will unleash a flood of new investment in the U.S. Then why is the dollar falling in value, recording its worst single-day loss in two years? Our guess is that investors are losing confidence in U.S. economic decisions.” - The Wall Street Journal Editorial Board

“It's a pity to see the administration take a perfectly good economy and hit it with a wrecking ball.” – Ed Yardeni, president of Yardeni Research

“US tariffs make Xi Jinping's day... what a fabulous change in fortunes for the Chinese leader. Mr. Trump has taken an ax to the economic cords that were binding the rest of the world into an economic and strategic bloc to rival Beijing—and at precisely the moment many countries finally were starting to re-evaluate their economic relationships with China.” – The Wall Street Journal Editorial Board

## **False Premises**

While trade agreements such as NAFTA are heavily criticized by organized labor, the decline in US manufacturing is more about competition with China than from

Mexico. Over the last several decades, a mix of automation, low-cost imports, and domestic wage restraint has diminished the clout of manufacturing workers. Investment in right-to-work states in the south has grown and jobs are unlikely to return to UAW-organized plants in the Midwest.

Over the last 30 years, openness on trade has helped the economy grow, made most people better off, and given American consumers access to a host of goods at attractive prices. Strong employment has helped keep Social Security and Medicare sustainable.

By almost any measure the US middle class has thrived over the past half century. Since the Bureau of Labor Statistics began tracking consumer price index adjusted income in 1964, real wages have grown by 39%.

It is true that the number of manufacturing jobs is lower than it was in 1970. This is because we make much more with fewer people. It's more about technology than free trade. The contribution of the US manufacturing sector to GDP reached its highest recorded level in 2022.

Finally, the administration professes to believe that foreign companies and governments will bear the cost of the tariffs. This is simply not true. The increased costs will be passed on to American consumers. By some measures, this amounts to the largest tax increase in history.

Meanwhile, the magnitude of the market selloff far exceeds the value of the trade imbalances the administration is seeking to address.

## **What to Expect**

*Kiplinger*, and a host of other analysts, are forecasting slower economic growth and higher inflation.

They anticipate inflation may rise as high as 5%, up from 2.8% today.

Consumer spending, which represents about 70% of US GDP, is likely to suffer. The US economy has been on solid ground. Recession doesn't appear imminent, but risks have risen with the prospect of slower growth.

The Fed is in a tight spot. There will be pressure to keep rates high to combat inflation. Alternatively, there may also be pressure to cut rates to boost growth.

## **What to Do – Timeless Wisdom**

As we endure this most unpleasant stretch in the markets, it is a good time to remind ourselves that the key tenets for successful long-term investing have not changed.

For most of us, our investment time horizon is the rest of our lives and portfolios should be constructed accordingly. Liquidity and cash flow needs must be addressed from the outset.

Beyond that, a well-conceived mix of bonds and stocks provides the potential for achieving adequate returns to accomplish long-term goals while dampening the effects of short-term volatility.

The real enemy in the long run is the rising cost of living, not short-term volatility. We believe the best investors think in terms of 5 years and beyond.

Markets fall faster than they rise because fear is a stronger emotion than greed. Sharp declines are never fun, but they have happened before and will happen again.

As equity investors, we must persevere through market corrections to participate in attractive long-term returns.

We believe the key is to allocate your investments in a balanced fashion such that you can stay the course even in the face of difficult markets. The return you experience as an investor is a function of the results your investments

deliver and your own behavior. A pattern of exiting markets in the midst of a downturn and failing to get back in is a recipe for poor returns.

**Patience** is perhaps the most important quality exhibited by successful investors. In the short-term markets fluctuate greatly driven by emotion. In the long-term markets rise, reflecting the true value of underlying businesses.

Even if you are in the distribution phase with your portfolio, periodic withdrawals at a sustainable rate will serve to diminish the impact of short-term market volatility.

Our advice is to invest in quality, stay diversified and be patient.

Our commitment is to do everything in our power to keep you on track to achieve your long-term goals. We'll be monitoring events carefully and won't hesitate to "adjust the sails" should conditions warrant.

## **Community Spotlight & MCM Notes**

This past quarter has been a mix of adventures for **Orlando**. He kicked off 2025 with a trip to Cuernavaca, Mexico for a wedding, mixing in historical pyramid sights with the beautiful wedding celebration. Not long after, he switched gears and found his way to the Rocky Mountains, specifically Keystone, Colorado, where he enjoyed 4 fresh feet of powder over the week trip! Back at home, Orlando has been powering through the ups and downs of the ongoing NYR season (mostly downs, let's be honest). Now, with warmer weather on the horizon, he is looking forward to getting back on the golf course and trading in the treadmill for the more enjoyable outdoor running paths. For the first time in a while, Orlando doesn't have any trips on the calendar, and he is open to suggestions!

**Dan**

**Kerry** and family experienced a most enjoyable family vacation in San Diego. The change of scenery, beautiful coasts & sunsets, Zoo, Sea World, and action parks were simply amazing! Priority on vacation for Gavin, age 10, is roller coasters and San Diego did not disappoint! It has been productive time in the office as well. Maximizing retirement account contributions and refining strategies for retired clients have been tax season priorities. We affectionately refer to Kerry as the queen of the Roth IRA. She considers all the angles and opportunities for MCM clients!

We begin 2025 with some exciting news! **Bob** & wife, Maureen, are thrilled to announce the engagement of son, James, to longtime girlfriend and college sweetheart, Hannah Wilcox. They met at Boston University where James played varsity lacrosse and Hannah captained a Patriot League championship women's soccer team. Congratulations James and Hannah! Daughter, Erin, continues to thrive in Charlotte, Bob & Maureen visited for a fun filled weekend of pickleball, craft breweries and southern barbeque. Son, Matt, has launched a career in finance at Peapack-Gladstone Bank. Away from the office he has been training for his first marathon which he will run in April. Good Luck Matt!

**Bill** has traveled widely in recent weeks. Client visits throughout Florida and in Scottsdale, Arizona proved enjoyable and rewarding. A Raymond James Leadership Council trip to Rancho Mirage, California was great fun and presented an opportunity to reconnect with friends who are among the most accomplished advisors in the country.

We have wonderful news from our retired colleague, **Hilary Fagnani**. A blessed event! Daughter Kara, and her husband Peter, welcomed baby Julia into the world on March 22. After a slight delay the happy family is home at last!

The **Connie Dwyer Breast Cancer Foundation** is dedicated to providing critical funding and resources for underserved women battling breast cancer. Their **Spring 2025 Fundraising Event** was a premier fundraising gathering that brought together supporters to advance the foundation's mission of ensuring access to top-quality breast health services. Featuring Lori Weitzner's "Ode to Color," we learned about the tremendous impact colors can have on the way we feel and interact with the world around us!

The MCM team supported in numbers at the **Cornerstone Family Programs 2025 Spring Gala "An Evening in Paris."** As Cornerstone Family Programs and Morristown Neighborhood House's signature event, the gala raises funds to support various community initiatives in the Morristown area. The success of the 2025 Spring Gala continues this tradition, providing essential resources for programs that positively impact the lives of children, teens, adults, and seniors in the community.

There is also some fun news to share in the midst of all this uncertainty. It's time to mark your calendar. The annual **MCM Client Appreciation Happy Hour** is set for **Thursday, June 12** at the Park Avenue Club! We look forward to seeing you for an evening of food, beverages, music and fun!

Our practice continues to grow, in large part from referrals from our valued clients. We would be honored to take care of a friend, colleague, or family member in the same fashion we have served you.

Thank you for your continued trust and support.

Sincerely,



William F. Burke, Jr.  
President, Mendham Capital Management  
Registered Principal, RJFS

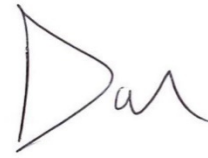


Robert J. Burke  
Vice President, Mendham Capital Management  
Investment Consultant, RJFS





Kerry Mellott  
Vice President, Mendham Capital Management  
Financial Planner, RJFS



Daniel Long  
Vice President, Mendham Capital Management  
Wealth Planner, RJFS



Orlando Diaz, Jr.  
Associate, Mendham Capital Management  
Financial Planner, RJFS

*The information contained in this report does not purport to be a complete description of the securities, markets or developments referred to in this material. Any information is not a complete summary or statement of all available data necessary for making an investment decision and does not constitute a recommendation. The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate and complete. There is no guarantee that these statements, opinions, or forecasts provided herein will prove to be correct. Rebalancing a non-retirement account could be a taxable event that may increase your liability. Any opinions are those of William F. Burke, Robert J. Burke, Kerry Mellott, or Dan Long and not necessarily those of RJFS or Raymond James. Expressions of opinion are as of this date and are subject to change without notice. Investments mentioned may not be suitable for all investors. Past performance is not indicative of future results. There is an inverse relationship between interest rate movements and bond prices. Generally, when interest rates rise, bond prices fall and when interest rates fall, bond prices generally rise. Dividends are subject to change and are not guaranteed. U.S. government bonds and Treasury bills are guaranteed by the U.S. government and, if held to maturity, offer a fixed rate of return and guaranteed principal value. Holding investments for the long term does not insure a profitable outcome. Investing involves risk and you may incur a profit or loss regardless of strategy selected. International investing involves special risks, including currency fluctuations, differing financial accounting standards, and possible political and economic volatility. Investing in emerging markets can be riskier than investing in well-established foreign markets. Diversification does not ensure a profit or guarantee against a loss. Mendham Capital Management is not a registered broker/dealer and is independent of Raymond James Financial Services. Investment advisory services are offered through Raymond James Financial Services Advisors, Inc. and Mendham Capital Management. Please note, changes in tax laws may occur at any time and could have a substantial impact upon each person's situation. While we are familiar with the tax provisions of the issues presented herein, as Financial Advisors of RJFS, we are not qualified to render advice on tax or legal matters. You should discuss tax or legal matters with the appropriate professional. RMD's are generally subject to federal income tax and may be subject to state taxes. Consult your tax advisor to assess your situation. Certified Financial Planner Board of Standards Inc. (CFP Board) owns the certification marks CFP®, CERTIFIED FINANCIAL PLANNER™, CFP® (with plaque design), and CFP® (with flame design) in the U.S., which it authorizes use of by individuals who successfully complete CFP Board's initial and ongoing certification requirements. Securities offered through Raymond James Financial Services, Inc. member FINRA/SIPC.*