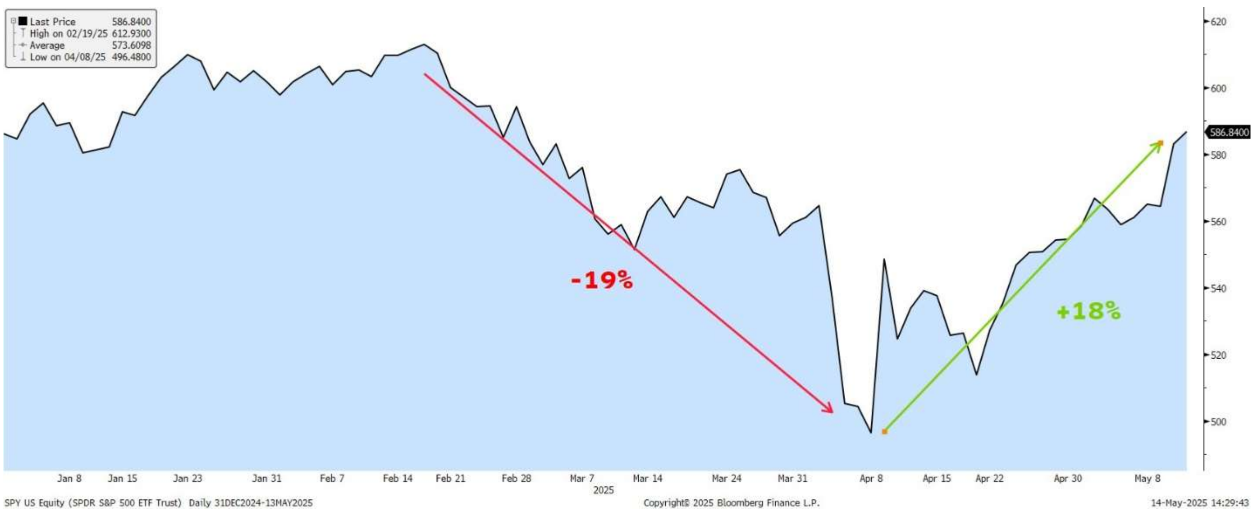
Seelaus Asset Management
Equity Market Commentary

May 14, 2025

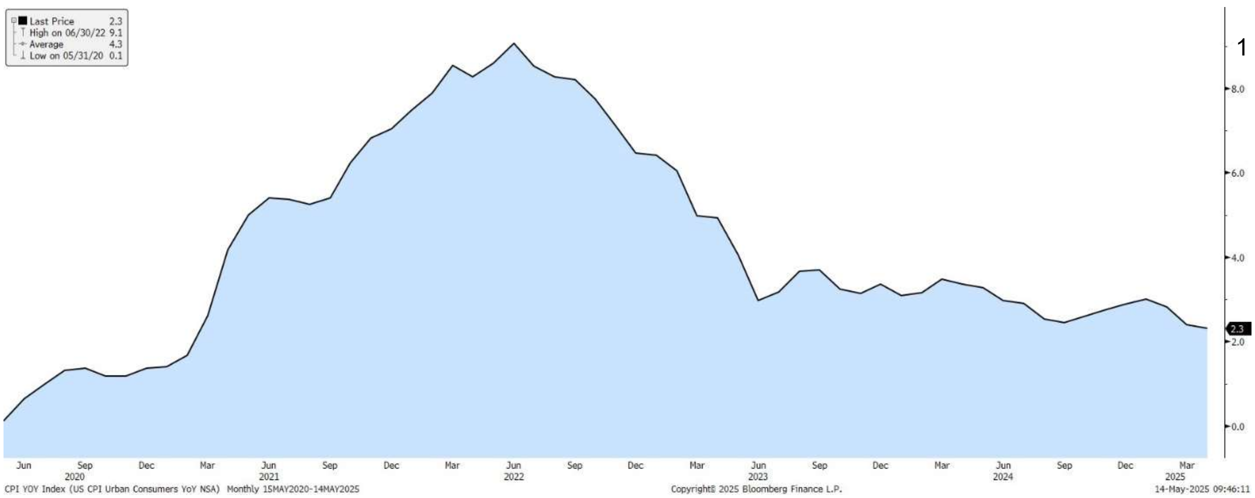
Over the last few weeks, the S&P 500 has staged a remarkable comeback, recouping all the losses from the dramatic plunge after the April 2 Liberation Day tariff announcement and turning slightly positive for the year. According to Bespoke Research, “The S&P 500’s move back into positive territory marks just the ninth time since WWII that the index has been down 10%+ YTD and climbed out of that hole and back into positive territory before year end.” The rebound from the April bottom coincided with an ongoing easing of tariffs from the initial extreme levels for most countries, the first agreed-upon framework for a trade deal with the UK, and a temporary 90-day rollback of levies between the US and China, which was announced earlier this week. After trading activity between the U.S. and China collapsed over the last few weeks, companies have not wasted any time taking advantage of tariff reprieves. The CEO of Germany-based Hapag-Lloyd AG, the 5th largest container carrier, estimated that demand has jumped 50% over the last few days compared with recent weeks.

<u>S&P 500 year-to-date shows one of the fastest drops leads to one of the fastest recoveries</u>



Corporate earnings results for the first quarter have also improved investor sentiment. According to Factset, S&P 500 companies are on track to deliver earnings growth of over 13% year-over-year for the first quarter, driven by sales growth of 4.8%. Accordingly, economic activity remained healthy before the ratcheting up of tariffs, while inflation data continued to improve. The Consumer Price Index for April came in better than expected at 2.3% on an annual basis, the lowest level since February of 2021.

The Consumer Price Index at the lowest level since February 2021



Yet, this is backward-looking data, and while the extreme scenarios have been taken off the table, tariff rates are still likely to be substantially higher going forward, with an average effective tariff rate in the low teens, up from 3-4% over the last four years. Starting in June or July, we expect we could see some of the impact of tariffs on consumption and inflation data, potentially causing some market jitters. Moreover, at current levels, valuations on the broader indexes (the S&P 500 forward P/E multiple is back to 21.5x) look full again. Accordingly, we expect at least some consolidation around current levels after the recent rebound, and another dip would not be surprising. Looking further out, we continue to remain more constructive as we should have additional clarity on tariffs (more deals are likely to be struck with other countries, including Japan and South Korea), and more market-friendly policy initiatives (tax cuts/incentives and deregulation) are likely to move to the forefront. Still, uncertainty and policy risk remain high with a permanent deal with China yet to be reached and a lot of complex negotiations ahead. In addition, there is always the possibility of a wayward social media post reversing the recent improvement in sentiment. Thus, while we remain focused on the long-term, we are using the recent reprieve to prepare for another potential bout of volatility.

Jed Glick, CFA, Portfolio Manager – U.S. Equities

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To be a best-in-class asset manager that leads with value in a client driven, partnership model.

Our Values

- *Innovative*
- *Diverse Perspective*
- *Impactful*
- *Authentic*

Our Mission

To be an agent for change in the finance industry by demonstrating a straight line between the support we receive as a women-owned firm and the support we provide to women in the industry and in the community.

To learn more about our investment offerings, please call 212-935-0755, email ir@seelausam.com or visit https://www.rseelaus.com/asset-management/

26 Main Street, Suite 304, Chatham, NJ 07928

Tel: 212-935-0755 Fax 888-901-4201

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ASSET MANAGEMENT

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