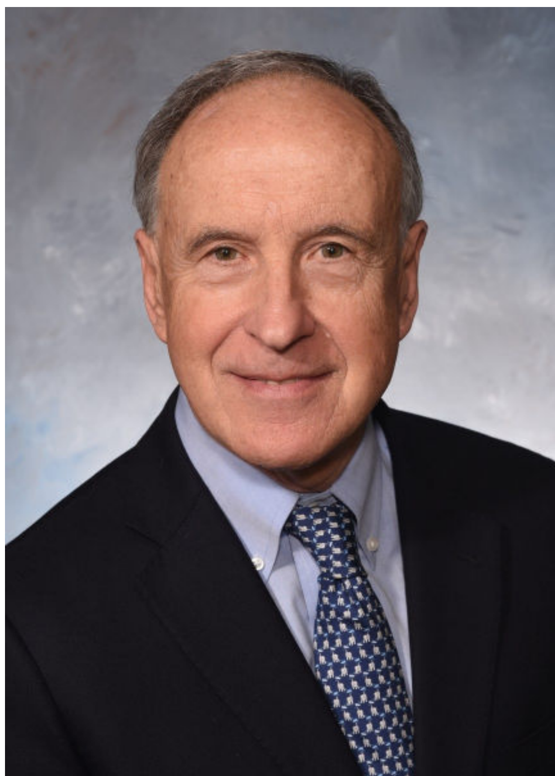
CHASE INVESTMENT COUNSEL
CORPORATION
PRESERVING & GROWING WEALTH
Since 1957

March 2025
REVIEW & COMMENTARY

PETER W. TUZ, CFA, CFP®
PRESIDENT & PORTFOLIO MANAGER

March 17, 2025



Peter W. Tuz, CFA, CFP®
President & Portfolio Manager

Accomplishing something worthwhile often causes some pain elsewhere. In short, it is as good a metaphor for today's equity market as any out there now.

You cannot make an omelet without breaking eggs

If you can afford them, that is. The quote above Is attributed to Robert Louis Stevenson. The meaning is obvious: accomplishing something worthwhile often causes some pain elsewhere. In short, it is as good a metaphor for today's equity market as any out there now.

With two weeks to go in Q12025, most of you know that U.S. equity markets have turned around after reaching record highs in mid-February. As of March 14, the S&P 500 Index ("S&P 500") was 5,638.92, an 8.3% drop from the Feb. 19 high and a 4.1% drop from year-end 2024. The growthier Russell 1000® Growth index is down 8.0% from December 31st while the less-growthier Dow Jones Industrial Index has fallen 2.1% since then. Smaller-cap stocks have suffered more than their larger brethren with the S&P Mid-Cap Index (MID) down 5.9% and the S&P Small-Cap 600 Index down 9.1%.

If there were a single word to describe the reason for the decline, it would probably be "uncertainty." A well-known Wall Street adage is that markets hate uncertainty and since the start of the Trump administration in late January, uncertainty has been the word of the day.

Much of the uncertainty is due to the changes the new Trump administration wants to make on global trade and economics. Some of the uncertainty has to do with the direction of inflation, interest rates and the U.S. economy and whether there will be another government shutdown in March. Some more of the uncertainty probably has to do with a heightened level of global turmoil ranging from the serious issue of how to end the Russia-Ukraine war, and bring stability to the Mid-East, to the less serious issues regarding taking over Canada, Greenland and the Panama Canal.

In the past few weeks, we have seen the beginnings of trade wars following the implementation of tariffs on several countries. First there were 25% tariffs on some goods from Mexico and Canada. Second there were tariffs placed on goods imported from China. Lastly there are now proposed tariffs on many goods coming from Europe.

Then the affected countries imposed tariffs on products coming from the United States. Then some of the tariffs were walked back a bit. In all, tariffs are now a front-burner issue facing equity markets and the economy as a whole and it has led to a bout of market weakness.

Where it stops, nobody knows. There are a multitude of mixed signals now regarding inflation and consumer spending. Both February's Consumer Price Index (CPI) and Producer Price Index (PPI) show that inflation has dropped considerably from earlier levels. However, many economists expect tariffs to boost prices going forward. In addition, executives with a fairly broad variety of consumer-oriented companies, including Delta Airlines, Walmart and Costco, mention that they have seen a slowdown in spending among their customers.

It is helpful to put things in perspective.

PRESERVING & GROWING WEALTH
Since 1957

After two exceptionally strong years for the markets, which saw the S&P 500 rise more than 57%, having a down year shouldn't be that unexpected. This is especially true given the stock market's extreme valuation at year-end 2024. At the beginning of this year, analysts expected S&P 500 companies to earn $270 per share in aggregate this year, up from about $240 per share in 2024. This put the S&P 500 at 21.7x estimated earnings, a lofty valuation compared to historical five and 10-year norms. Moreover, $270 per share represented growth of 12.5% in earnings over 2024 levels. This is growth that is rarely seen except when coming out of recessionary periods and it is almost certain that the $270 number will be revised lower as the year proceeds.

The first years of new presidential terms historically are the weakest in the four-year presidential cycle. The reason is that the new administration tries to get the pain over early in its term to set up better results as reelection approaches later in the term. According to the Stock Trader's Almanac, the average gain of the Dow Jones Industrial Index in the first year of a new presidential term is 3.3%, the weakest of the four-year term. Moreover, in the 47 first year presidential terms since 1833, markets were down 24 times and up 23 times.

Secondly, As of March 14, the S&P 500 is not even in "correction" territory yet. It is down 8.3% from its February peak, while the formal definition of a correction requires a drop of 10% from a previous high. Additionally, market drops of some magnitude are fairly common. The table below shows the past 25 years of returns for the S&P 500. The index rose in 20 of the 25. During the period, it had 14 drops of 10% or more and three more drops of between 9.0% and 10.0%. Nine of the big drops (9% or more) were in years that still ended up.

Year	S&P 500 Gain/Loss	Max Loss During Year
2000	-9.1%	-16.6%
2001	-11.9%	-29.1%
2002	-22.1%	-33.0%
2003	28.7%	-13.8%
2004	10.9%	-7.4%
2005	4.9%	-7.0%
2006	15.8%	-7.5%
2007	5.5%	-9.9%
2008	-37.0%	-47.7%
2009	26.5%	-27.2%
2010	15.1%	-15.6%
2011	2.1%	-18.6%
2012	16.0%	-9.6%
2013	32.4%	-5.6%
2014	13.7%	-7.3%
2015	1.4%	-12.0%
2016	12.0%	-10.3%
2017	21.8%	-2.6%
2018	-4.4%	-19.4%
2019	31.5%	-6.6%
2020	18.4%	-33.8%
2021	28.7%	-5.1%
2022	-18.1%	-24.5%
2023	26.3%	-9.9%
2024	25.0%	-8.4%
2025	-4.7%	-6.0%

For many of you, the good results in the past two years might mean that your portfolios are more heavily weighted in equities than you are comfortable with. If so, rebalancing is in order now, as is making sure you have enough liquid assets to ride out any sustained market weakness without needing to sell stocks.

As always, please feel free to reach out to any of us to discuss markets and your accounts.