

# Views From CoView Update

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## Dear Friend:

The U.S. economy presents a complex landscape influenced by recent policy changes and market dynamics. The imposition by President Trump of a minimum 10% tariff on all exporters to the US plus added duties on about 60 nations has created havoc in the financial markets. Our two biggest trade partners, Canada and Mexico, were left off the list, but still face existing 25% tariffs (with important carve outs). Additionally, certain goods unavailable in the US are spared - steel, aluminum, copper, pharmaceuticals, semiconductors, lumber articles, bullion, and energy materials.

President Trump framed his tariffs on foreign goods as measures to rectify trade imbalances and bolster domestic manufacturing. The administration aims to pressure foreign economies into accepting more US exports and encourage companies to relocate production domestically. While this approach may serve as an opening gambit in more protracted negotiations, it carries substantial economic risks. The president appears to have wagered the US economy and, with it, global growth. The potential for retaliatory measures by trading partners runs high - the average effective tariff rate on foreign goods will go up from 5% to around 25%.

These tariff increases likely lead to higher consumer prices, lower or even negative economic growth, and job losses in some sectors. While intended to address trade imbalances, the broader economic consequences could be - as the president likes to say - "huge." The US economy is already experiencing a slowdown characterized by persistent inflation, a decelerating job market, and declining consumer confidence. JPMorgan Chase CEO Jamie Dimon emphasized the urgency of resolving trade uncertainties swiftly to mitigate negative impacts on consumer confidence and corporate profits. Below is an overview of key economic indicators:

**Inflation** - The Consumer Price Index (CPI) increased by 0.4% in February 2025, contributing to a 12-month unadjusted inflation rate of 2.6%. However, recent tariff implementations are anticipated to exert upward pressure on inflation rates in the coming months

**Unemployment** - In March 2025, the unemployment rate edged up to 4.2% from 4.1% in February, with 232,000 individuals entering the labor force. Despite this slight increase, the labor market remains relatively robust.

**Housing Starts and New Mortgages** - Housing starts experienced a rebound in February, rising 11.2% to a seasonally adjusted annual rate of 1.501 million units. This increase follows a decline in January. Mortgage applications, however, decreased by 2.0% for the week ending March 21, 2025, reflecting a slowdown in mortgage activity. Concurrently, the average interest rate for a 30-year fixed-rate mortgage stood at 6.569% as of March 25, 2025.

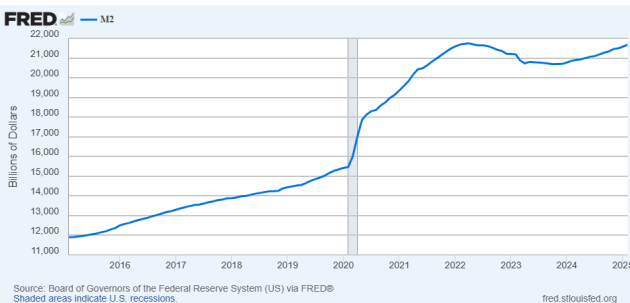
**New Motor Vehicle Sales** - March 2025 saw robust performance in the automotive sector. Hyundai Motor America reported record-breaking total sales of 87,019 units, a 13% increase compared to the previous year. Similarly, Toyota Motor North America achieved strong sales results, with electrified vehicles comprising over 50% of total sales

volume Analysts express concerns that tariffs may lead to significant price increases for new cars, potentially raising costs by approximately \$6,400 per vehicle. This could dampen consumer demand and adversely affect the auto industry.

**Consumer Confidence** - Consumer confidence declined for the fourth consecutive month in March 2025, falling below the range that had prevailed since 2022. This decline reflects consumers' growing concerns about current business conditions and the economic outlook.

**Manufacturing Activity** - The Institute for Supply Management's (ISM) manufacturing PMI dropped to 49.0 from 50.3 in February, indicating a downturn after two months of growth. Rising concerns over tariffs have contributed to this decline, with inflation at the factory gate reaching a three-year high.

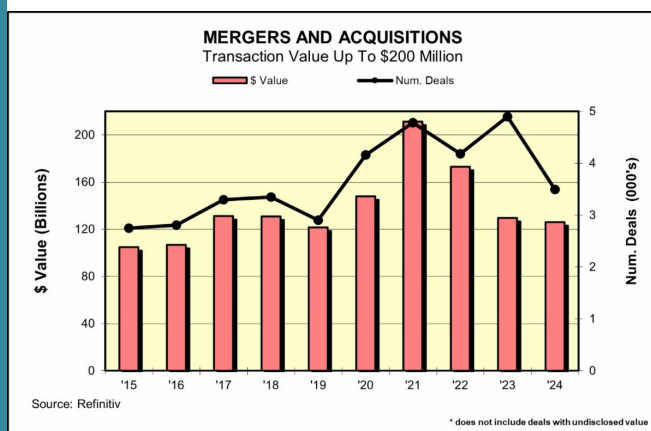
## Money Supply Begins to Tick Back Up



As seen on the graph at left, the money supply ticked back up to \$21.7 trillion after dropping to \$20.7 trillion in October of 2023. Often an increase in the money supply portends future inflation.

As of March 2025, a record \$7.01 trillion in investor funds were parked in money market accounts as investors were seeking safe havens amid financial market volatility and uncertainties in economic and trade policies leaving much dry powder should investors wish to employ capital.

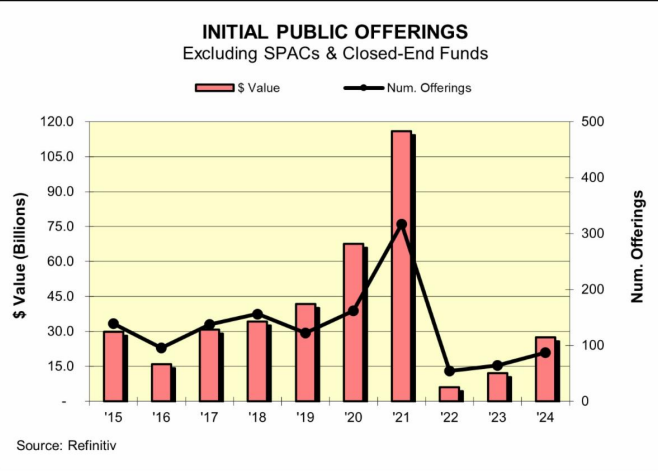
## M&A Market Activity



The overall number of middle market deals dropped in 2024 although the aggregate value of M&A transactions remained fairly constant. 2025 is showing more of the same as sellers contemplate whether profitability will increase over the near term, and hence business valuations will increase, or whether an uncertain future motivates sellers to act now. Predictions aside, the market today is flooded with buyers looking to acquire businesses, and from a demand perspective, it is a good time for business owners looking to sell!

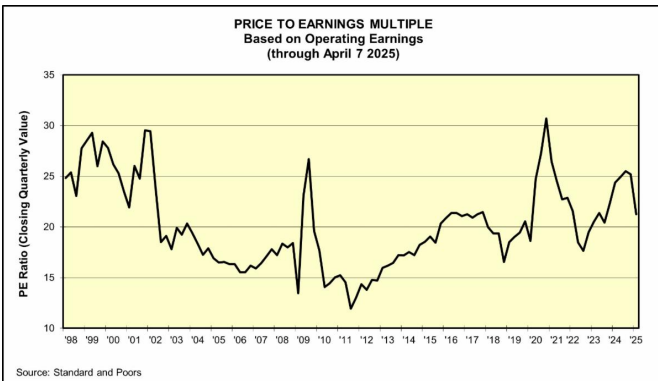
## IPO Activity

IPO activity in 2024 showed a modest rebound from 2023, and the first quarter of 2025, was relatively active



with 55 IPOs. A volatile stock market and concerns over how recently imposed tariffs play out, will likely dampen investor appetite for new offerings.

## Valuation Perspective: P/E Ratios



The chart on the left shows historical P/E ratios thru the first few days of April, with ratios beginning to contract in 2025. Current operating P/E ratios are in the neighborhood of 21.3x, above the 30-year average of 19.4x, but below the recent 2024 peak of 25.5x. The drop indicates a weakening of investor enthusiasm and concerns over the economy..

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