



April 3, 2025

Economic Update

Since the beginning of 2025, we have watched the stock market rise and fall with continued volatility. Today, that trend continues as we are now facing a market downturn due to the recently imposed tariffs.

The U.S. economy is facing mounting pressures as consumer and business confidence deteriorates, economic growth contracts, and tariffs add further uncertainty to the outlook. Additionally, the current administration is rolling out myriads of changes at a rapid pace that will affect the landscape of the economy going forward.

Recently, some concerns were noted in the Dallas Fed Services:

- 1) Number of federal projects (large and small) on hold or canceled
- 2) Cuts in federal agencies
- 3) Slowdowns in transactions, particularly bank lending
- 4) Real estate markets not recovering as expected
- 5) Growth has not materialized as anticipated during the first quarter of 2025

Economic contraction has become a reality, as indicated by the Atlanta Federal Reserve's GDPNow model. The latest estimate for Q1 2025 GDP growth is -3.7% as of April 1, down from -2.8% on March 28. This downward revision signals a deepening slowdown, with trade policies and tightening financial conditions weighing on economic activity. The recent escalation in tariffs has contributed to growing unease across industries, leading to reduced business investment and rising costs for both consumers and producers. Because of the uncertainty of the direction these new tariffs pose, the lasting effects remain to be seen.

With GDP contracting, confidence metrics sinking, and uncertainty surrounding tariffs, we feel safety of principal is our top priority, especially during these tumultuous times. Most of you have holdings in US Treasury Bills, which are still considered to be the safest investment. In addition, the gold and silver allocations have been proven to be a growth factor in the portfolios. As you know, gold and silver do fluctuate in value, but will never decline to \$0, because there is an intrinsic value associated with these metals. Any other type of investment will fluctuate with the stock market. We are maintaining this cautious and conservative approach as we ensure the safety of your assets is our top concern.

As always, we at Kapusta Financial Group, would like to thank you for the trust and confidence you place in our team.

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