Economic Update Report 4.18.2025

Investors are scrambling, treasury yields saw sudden spikes, and tangible asset prices are surging due to economic uncertainty

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10 Year Treasury Yield

It is important to understand that "10year rate goes up, stocks go down" is a flawed way of thinking. Rather it is better understood as a measure of confidence in an investor's ability to turn a profit in the markets. That confidence can be called the 'risk free rate' which is also included in our DCF models and is a very important metric in financial markets.

Data from Federal Reserve Bank of St. Louis a/o 4/17/2025

The 10year treasury rate is considered the safest investment in the US, which is why it is the benchmark for every equity. When more bonds are bought, it drives yields down, and vice versa. That is why we see the yield dip during pandemic years, because people were worried and wanted safety. Now we see it close to it's peak in the past few years. This might reflect investors being nervous about their assets and are liquidating, which is a valuable fear indicator and says a lot of investor sentiment.

S&P YTD Performance

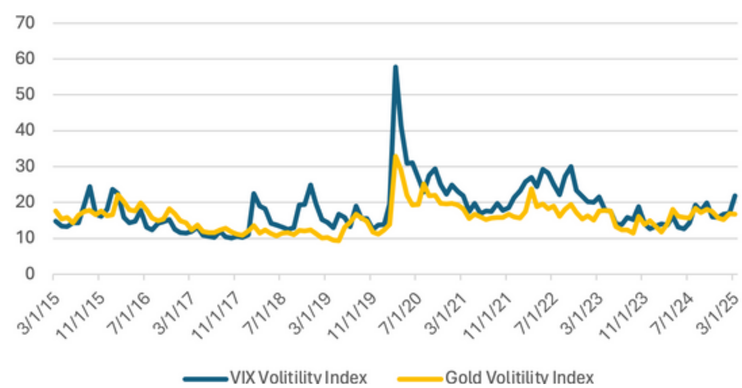
Key Indices	4/17 Close	4/1 Close	% Change
S&P 500	5,282.70	5,633.07	(6.22%)
Nasdaq	16,286.45	17,449.89	(6.67%)
Dow Jones	39,142.23	41,989.96	(6.78%)

Data from Yahoo Finance a/o 4/17/2025

Gold

Historically, gold is used as a haven for liquid assets (cash) when times are more uncertain. We learned last week that the VIX index reflects the volatility of the S&P 500. And the graph here backs up the concept that during market volatility, safer assets like gold see an increase in their valuation especially during sudden and sharp influxes of uncertainty.

Gold and Volatility Index



Data from Federal Reserve Bank of St. Louis a/o 4/17/2025

We argue that when sudden crisis like COVID, where severe information can't be processed fast enough, investing into tangible assets like gold seems like the best option during those times. We are making that assumption today with trade war worries spreading like a wildfire. Gold has enjoyed a 27.19% return YTD a/o 4.17.25.

Why is this important?

Very similar theme to last week's volatility, and more reassurance on a possibly undervalued market. We were fortunate to have a rally on the 10th when the tariffs were paused, and we in the Macro team believe there will be little to no growth and market indices will stay stagnant until more news comes out.

Fun Fact

Just last week on April 16th, Gold broke past its highest value. As we mentioned in the above text gold has been one of the best-performing assets YTD this year. Other assets like precious metals are also seeing big jumps.