Taming Market Uncertainty: The Power of Boring Investments
[Matt's Minutes April 2025]
"Closed Captions"

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Hey everyone, this is Matt Curfman with the Richmond Brothers here for an April edition of Matt's Minutes. And really, I want to touch on some topics for the whole first quarter of 2025. I'm here with my little sidekick, Mr. Oliver. He's very excited to hear about economic updates and trade wars and tariffs and how that affects consumer pricing and all of us. Kidding, of course. But he likes to show his face whenever he sees the camera. Come on. So, I'm going to just take a little bit of a different approach and just broadly educate on where we're at and I want to just talk about anything I say in this video is obviously not a recommendation to you.

We would need to sit down and talk to you individually about your own circumstances, your own accounts, your own goals. But I would just want to paint some broad-brush strokes for information purposes. So, I wanted to show you all first. Here is a document with the S&P 500, the Dow Jones, the NASDAQ, Bonds, and then equal weight.

This is January 1st through March 31st of 2025. And you can see the only thing that is positive is the green line, and that is US aggregate bonds, so fixed income. According to this, the equal weight S&P 500 is down 1%. The Dow is down 1.27. The S&P 500 is down 4.59, almost 4.6, and then the NASDAQ's down 10 and almost a half percent, just since January 1st. A lot of this started happening in late February and into March. And bonds have actually held very stable.

The other thing I wanted to point out is this is the response of how the market is responding to the headlines. Markets don't like uncertainty, so the question is, we look into your portfolio and as you look into your portfolio, what, if any, safety nets do you have in place? So sometimes having boring assets could be cash in the bank, could be a CD, could be a fixed annuity, could be an indexed annuity, could be some bonds or treasury assets. Those could be under this boring category. And boring isn't bad, it's just you don't really have extremes on those typically. Are really good softeners to what we're seeing here on the screen.

The other thing I wanted to point out is having bonds as part of your portfolio. For those of you that are using our Smoother Ride strategies and series where some safety nets and algorithms go into play if the markets drop too much, and again, not giving a specific recommendation, but as we've shifted out of some equities this year and into bonds, bonds are doing well. So, it's actually working the way it's designed to work as far as the environment. If you don't have or you're not using the Smoother Ride series these are options available to nearly every client, every investor that we work with. If you are watching this and this is unfamiliar to you or you want to share this information, feel free to pass it along and send us an email at questions@richmondbrothers.com if you would like more information.

The other thing I wanted to point out is equal weight. Two of the three strategies we use through our Smoother Ride are equal weight, and I'm going to show you what that means here and then I'm going to reference this chart. So, here's a pie chart of the S&P 500, just the market. It’s a cap weighted market. There are 11 sectors from technology down to materials, and this is literally what the pie looks like. So, it's uneven slices with blue here, the biggest one being technology. So, what cap weighted means is the bigger you are, the more important you are in the market. The smaller you are, the less important or the less weight that you carry.

This is what the S&P 500 looks like, so it's not as diverse as you'd think. It's pretty concentrated in technology. So, one of our strategies, we basically mash up all of those slices of the pie and we recut the pie 11 equal ways with the same 11 sectors. Then there's some safety nets that can go with us.

So, this is now what the pie looks like compared to this unequal heavier concentrated slice. And then 3.0 is a similar strategy with all 11 slices, and rather than being fully invested or fully defensive, like 2.0, this can individually - slices can move away from the pie and go defensive.

When I say move away, there's a formula that's used and updated daily where if these sectors drop enough, they can go defensive and going defensive means selling the equity, buying a bond, or buying a bond fund. And so just in general this is another strategy that has been very helpful this year.

And last but not least, this is a technology centered focus strategy that's half of the S&P 500. So, remember our first pie chart, cap weighted, and then half the Nasdaq, which is much more technology driven. Technology in red has gone defensive and this has stayed invested. So again, I'm not making any recommendations here, but I do want for those of you who are utilizing Smoother Ride strategies to just give you a little more insight into how they're working.

Those of you who are not using it, we do think it's a really great option for this year because in general markets do not like uncertainty and there's a lot of uncertainty and the T words, we don't know exactly where President Trump is going with tariffs yet. It hasn't been made clear. There's another word, tariffs, trade war, and all this affects you and I and consumers and businesses and prices and we certainly all feel the effects and impact of inflation; products going up, costs going up.

And so, if we have roughly the same income that's eating into our purchasing power. So that could eventually lead to a slowdown in the economy. Again, it's unknown at this stage. One, we're here to help guide you, to help educate you and support you no matter what the world throws in your path. We want to try to help bring solutions to you that can help get you to and through your retirement, and we are honored to be here to have that opportunity.

If you have any specific questions or you would like to connect, please just reach out to questions@richmondbrothers.com. Thank you so much for tuning in and thank you for being part of our Richmond Brothers family.

Sources:

https://www.cnbc.com/2025/03/07/trump-tariffs-expect-more-volatility-strategists-warn.html
YCharts
Research Reports

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