

# Volatility, the Economy, and the Markets

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The first two and a half months of 2025 have been a whirlwind for the financial markets, with significant movements in stocks, bonds, and economic data. The volume of information can be overwhelming as the media rapidly updates investors about even the slightest change in expectations. Words like “Recession” and “Trade War” are being published regularly. What does this mean for investors?

First, volatility in the markets is common. In fact, trading days where the stock market is up or down more than 2% occur about 20 days a year on average; In some years it has been nearly 40 days a year. The point is that volatility alone is not a cause for concern. The worst action investors can take during times of volatility is to try to time the market swings. Staying invested has proven to deliver better returns.

Secondly, how is the economy doing? While it is true that growth has slowed from 2024 numbers, that was somewhat expected as the Federal Reserve held interest rates higher into 2025 to keep inflation at lower levels and stabilize prices. Even with the recent projections, unemployment is hovering at a healthy 4%. Inflation, while still present, has come down from 9% in 2022 to 2.8% in the most recent posting.

That doesn’t mean there aren’t concerns. The current tariff situation could result in more persistent inflation and force the Fed to hold rates steady for longer. There

could also be some weakness in growth as consumers and companies adjust to changes in the economic landscape. Recessions can happen, but investors that have been disciplined have been rewarded.

Lastly, while major stock indexes like the S&P 500 and the Nasdaq are showing losses for the year, diversified investors are fairing much better. For example, International stocks are up over 6% in 2025, and Intermediate bonds are up 2.25%. This is why we believe a globally diversified portfolio is important and necessary for investors to achieve their goals and objectives over the long term.

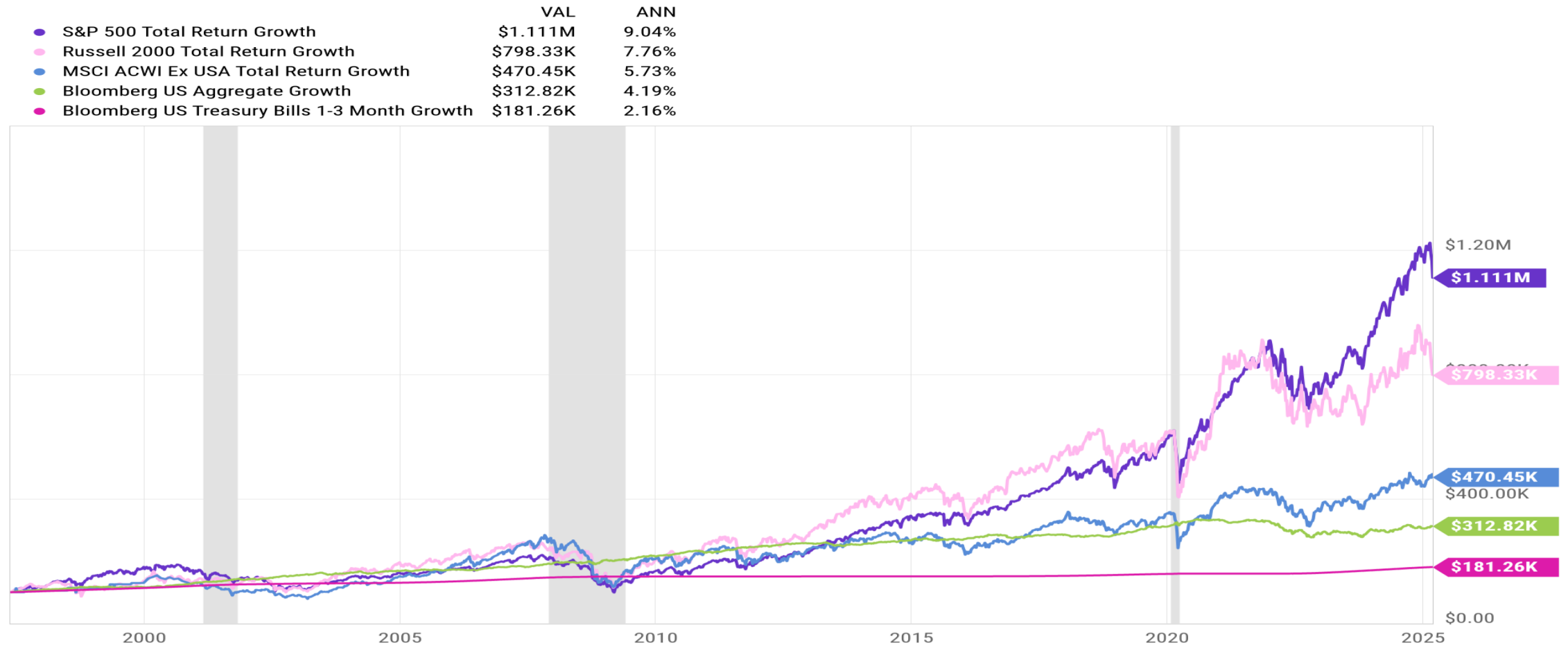
As always, we will continue to monitor the markets and communicate any changes we feel are needed.

Sincerely,

The Verus Team

Over time, investing outperforms cash savings, especially after inflation.

### The Long-Term Power of Markets



Date Range: 05/19/1997 - 03/11/2025

Gray = US Recessions; Initial Investment: \$100,000. Past performance is no guarantee of future results. You cannot invest directly in an index