ROAN CAPITAL PARTNERS

JOHNSON CITY, TN

Market Update

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Tariffs

On Friday, Trump signed his "reciprocal tariffs" plan on foreign nations. The plan calls for imposing levies on nations that "charge us a tax or tariff," Trump said from the Oval Office. This means things like value-added taxes (VATs), and other trade policies that the U.S. deems unfair. The reciprocal tariffs aren't expected to take effect for at least a month and a half, once officials have determined what tariff level is appropriate for each impacted country. (Salinas, 2025)

Fed Policy

Investors feel less confident that the Federal Reserve will resume its interest rate-cutting campaign soon. After Wednesday's CPI reading, futures markets shifted from anticipating a cut in June to expecting a cut in September. The CPI report showed little progress toward the Fed's goal of 2% inflation. Fed Chair Jerome Powell told the House Financial Services Committee that the central bank had made "great progress" on inflation, "but we're not quite there yet. So, we want to keep policy restrictive for now." (Luhn, 2025)

	02/17/2024	1/1/2025	02/17/2025	12 MO ROR	YTD ROR
DOW	38,425	42,544	44,546	15.93%	4.71%
S&P 500	5,001	5,881.63	6,115	22.28%	3.96%
NASDAQ	15,859	19,310.79	20,027	26.28%	3.71%

CPI

Last Wednesday, the consumer price index (CPI) jumped more than expected in the January report. The CPI rose a seasonally adjusted 0.5% for the month, putting the annual inflation rate at 3%. The 10-year Treasury yield, in response, rose to a session high of 4.66%. (Luhn, 2025)

Retail Sales Pull Back in January

U.S. retail sales contracted in January when that data was released by the Census Bureau on Friday. Economists surveyed by The Wall Street Journal and Dow Jones Newswires forecasted that consumers would decrease their spending by 0.2%, down from the 0.4% increase registered in December. (Lane, 2025)

This represents the largest decline in retail sales in nearly two years, likely weighed down by frigid temperatures, wildfires and motor vehicle shortages, suggesting a sharp slowdown in economic growth early in the first quarter. But the decline in retail sales reported probably does not reflect a material shift in consumer spending as it also followed four straight months of hefty increases. (Mutikani, 2025)

U.S. Treasury Bond Yields

as of 02/16/2025

US1MO	4.33%
US3MO	4.33
US6MO	4.36
US1Y	4.23
US2Y	4.26
US3Y	4.27
US5Y	4.33
US10Y	4.48
US30Y	4.70

We don't have any significant market-moving catalysts until NVIDIA earnings on Feb 26th or personal consumption expenditures (PCE) on Feb. 28th in my view, and we only have a four-day trading week since markets are closed on Monday in honor of Presidents' Day. Lastly, bond yields have been very cooperative, which could be bullish for stocks if they continue to ease next week. I understand we are in an environment which entails higher headline risk, but net-net the setup looks favorable to the bulls next week, though I don't think stocks are going to necessarily race higher. (Peterson, 2025)

As you can see from the news recap, we are entering a phase in the market of higher concern and corresponding volatility. The rapid-fire release of information from the White House is increasing concerns, as trade policy, foreign policy and domestic policy changes continue to fly into the newsfeed on a minute-by=minute basis. The markets (stocks, bonds, currencies and internationals) are attempting to keep up and digest the new information as quickly as we all are. So, be prepared over the coming weeks to see complacency, reaction and overreaction continue to dictate day to day market fluctuations.

How We are Responding

In response to what we’ve seen over the first three weeks of the Trump administration’s efforts to instill new priorities, we’ve taken action to reduce volatility in our portfolios and protect from the potential over-reaction. We began rebalances last week that will increase our allocation to alternative asset classes and investments, increasing holdings in gold and energy, as well as adding a managed futures fund to introduce extra asset classes like currencies and commodities to our models. Correspondingly we have slightly decreased our stock holdings.

Our bond holdings are also being rebalanced as we’ve seen technical movement toward shorter maturities and we have also (for the first time in a long time) included cash with our fixed income calculations. So, you will see a slightly higher cash allocation in your portfolio as well. As a matter of fact, the changes that you are seeing in our allocations are reflective of a change in our consideration of asset classes that we haven’t changed since early 2024. We are now including the alternative asset classes/investments with the calculation of our equities, and cash with the calculation of fixed income. I know that doesn’t sound like a big deal, but it is a significant change, since we’ve had static allocations to cash and alternatives for almost two years.

In summary, our path hasn't changed, but the road has gotten a little bumpier. For our long-term clients we are adding some extra shock absorbers to make sure that our ride is still comfortable. For our newer clients we will be contacting you and will set up a time to review your allocation and make changes that are deemed needed.

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