State of the Economy

April 16, 2025

Revised: April 11, 2025

GODSEY & GIBB
WEALTH MANAGEMENT

Disclosure

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TODAY'S AGENDA

FISCAL POLICY IS BECOMING RESTRICTIVE

- Tariff policy is creating uncertainty
- Government spending cuts are impacting confidence (deficit reduction, DOGE)
- Potential offsets to the negative impact of restrictive policy (tax cuts, deregulation)

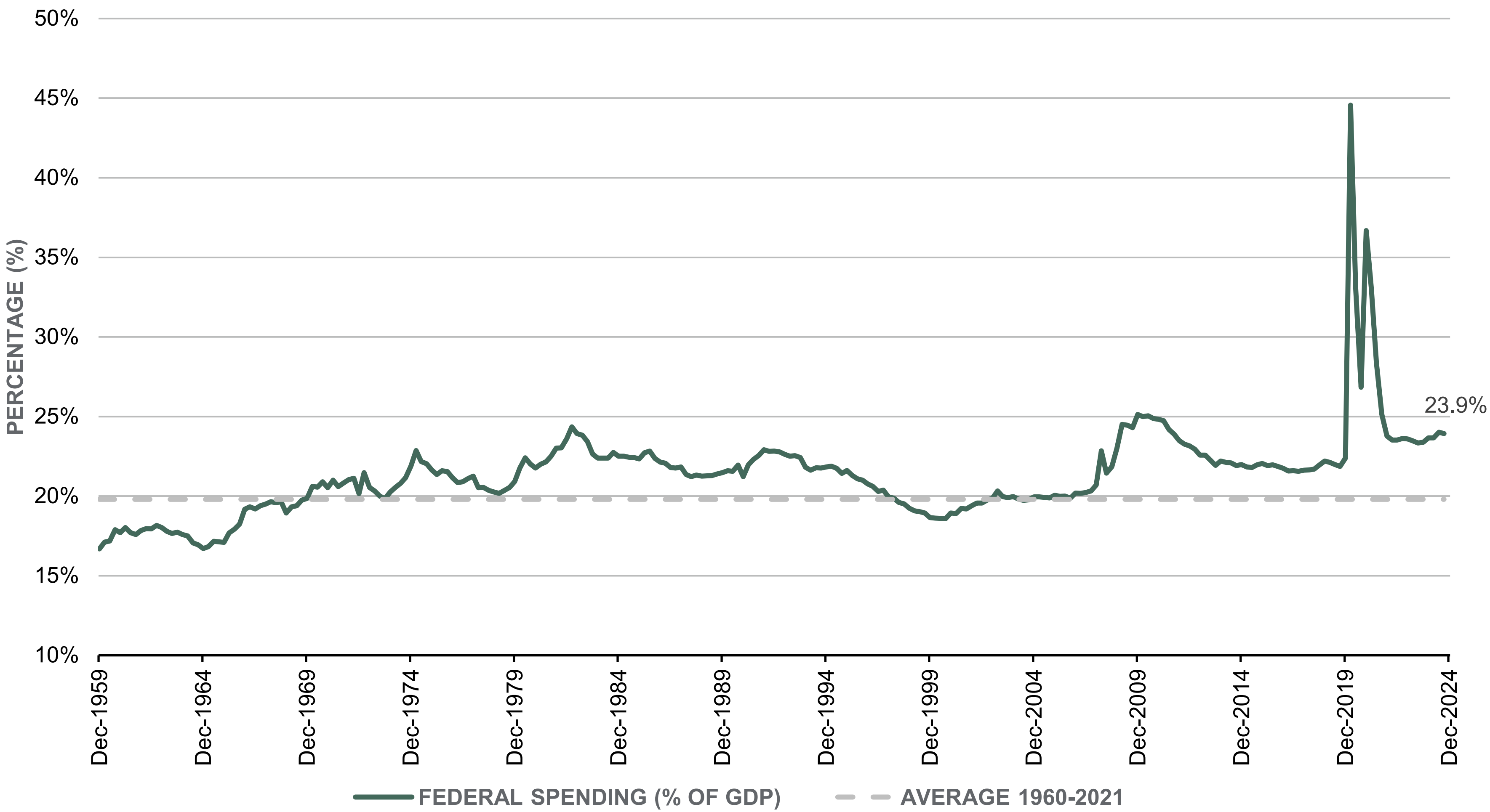
MONETARY POLICY REMAINS RESTRICTIVE

- Tariff impact on growth and inflation
- The bond market versus the Fed

NAVIGATING ECONOMIC AND MARKET UNCERTAINTY

- Key data impacting the economic outlook
- Market volatility and outlook

REDUCING THE DEFICIT WILL REQUIRE SPENDING DISCIPLINE



Source: Godsey & Gibb Research, Bloomberg

FISCAL POLICY IS CREATING UNCERTAINTY

TAX POLICY AGENDA

- Extension of TCJA (plus no tax on tips, overtime, or Social Security)
- Extension of tax provisions for small business
- Affordable Care Act subsidies
- Global minimum tax
- Inflation Reduction Act energy tax provisions
- Housing tax provisions
- Cryptocurrency tax policy

ENERGY POLICY

- Increase domestic production
- Increase exports including liquified natural gas (LNG)

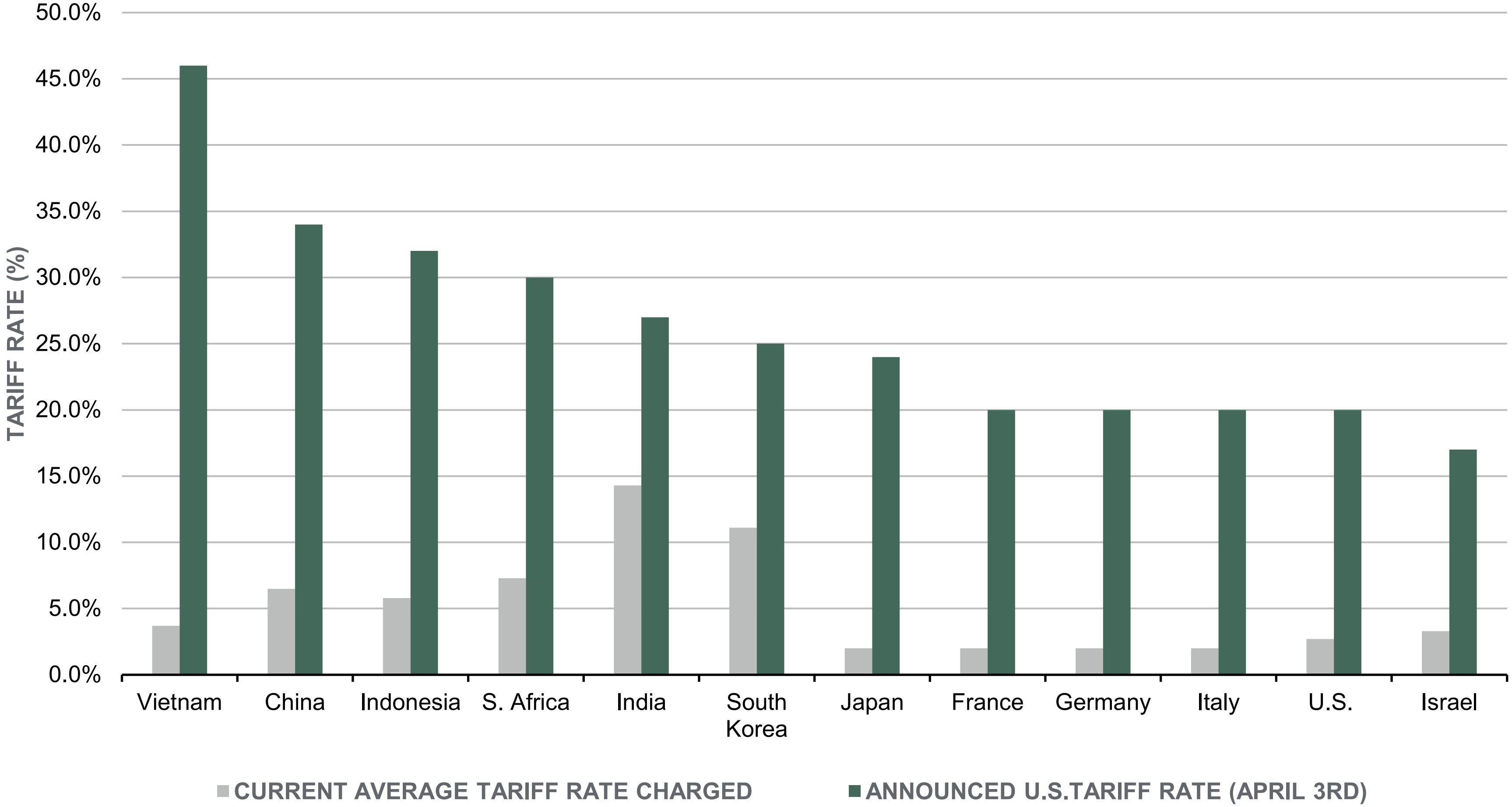
TRADE POLICY

- Change behavior
- Reduce the trade deficit
- Level the playing field

KEY DATES FOR CONGRESS

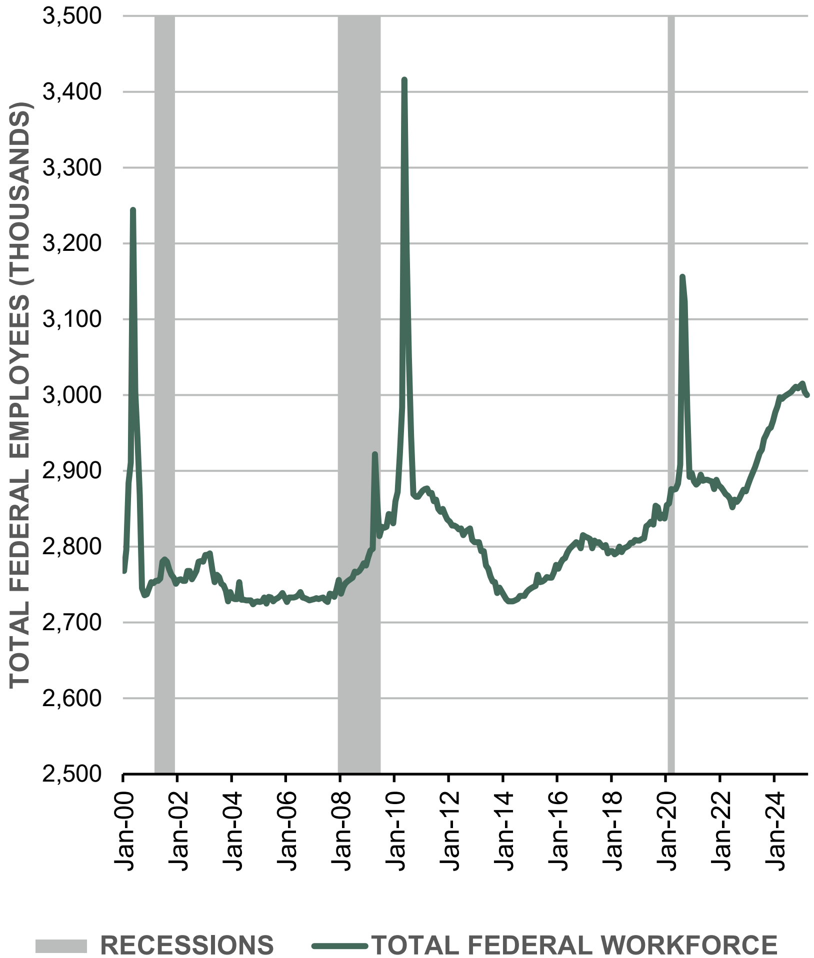
- Debt ceiling will need to be raised by mid-August
- Provisions of the TCJA expire on December 31st

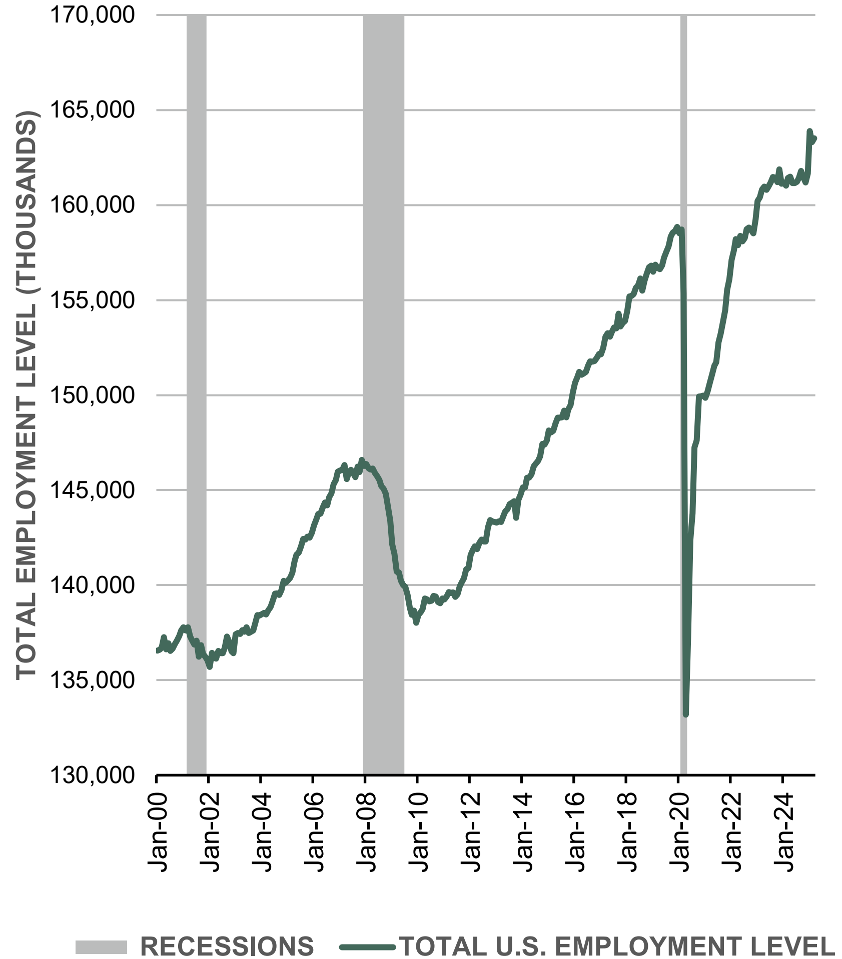
TRADE DEFICIT ADJUSTMENTS LED TO LARGER THAN EXPECTED TARIFF RATES



Source: Strategas Research Partners

WILL GOVERNMENT LAYOFFS LEAD TO BROADER LAYOFFS?



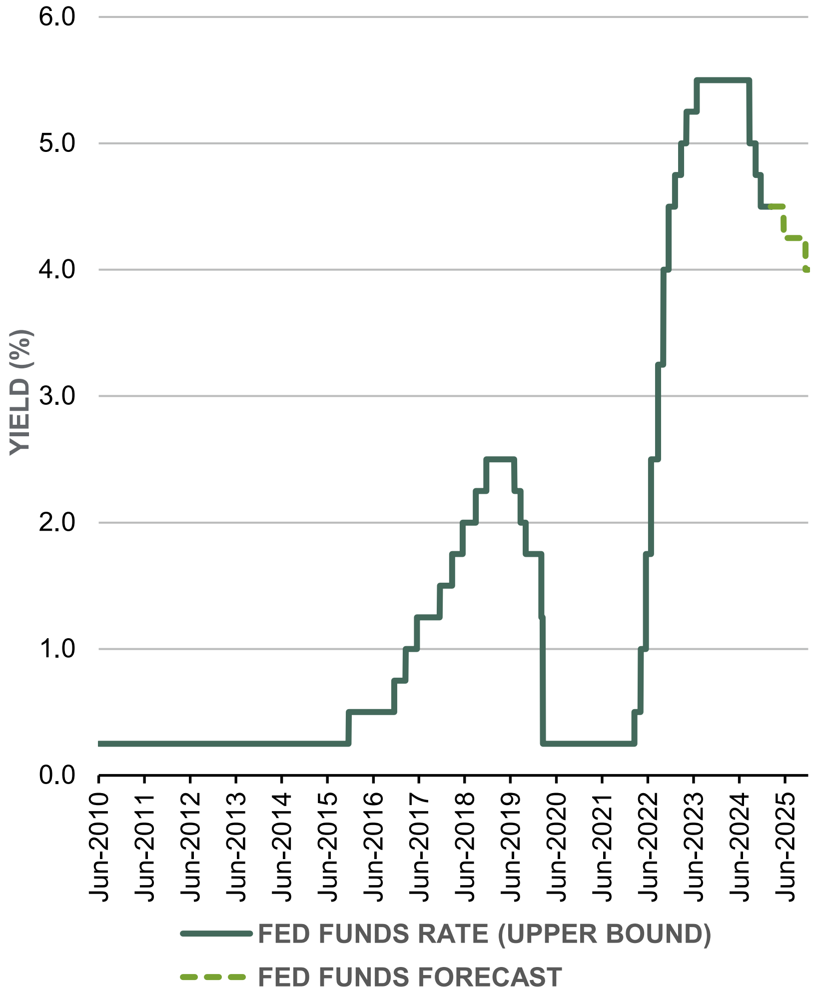


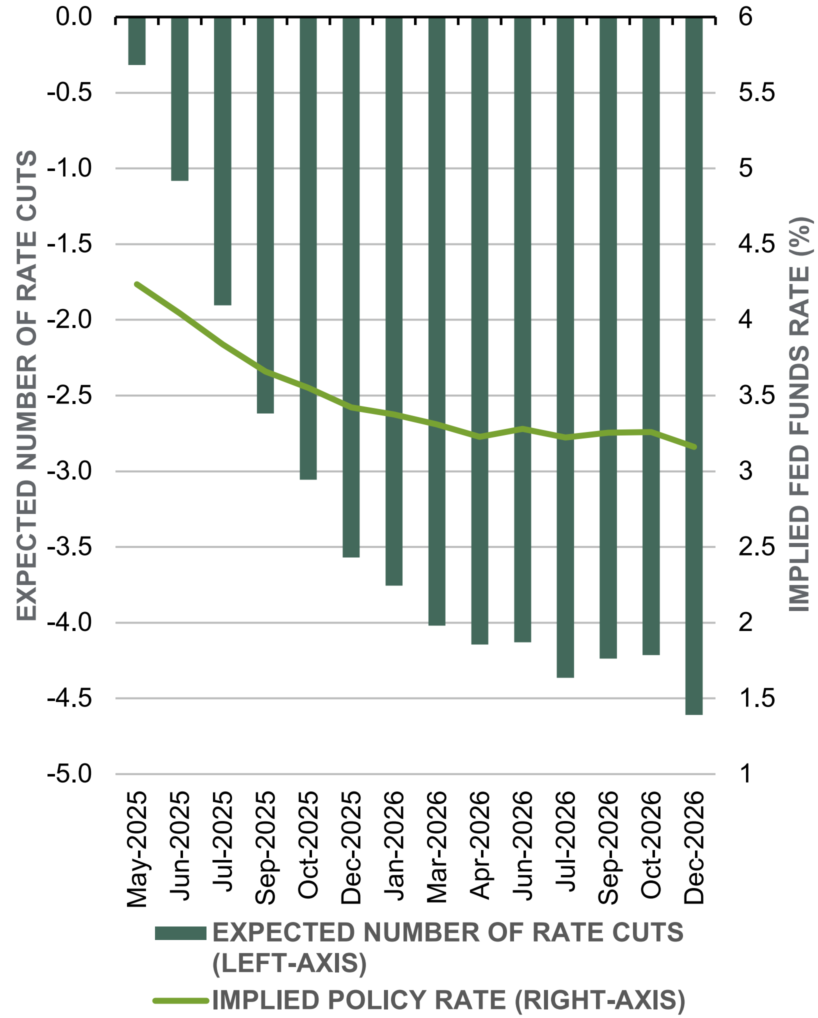
Source: Godsey & Gibb Research, Bloomberg

POLICY UNCERTAINTY IS WEIGHING ON CONFIDENCE

Source: Godsey & Gibb Research, Bloomberg

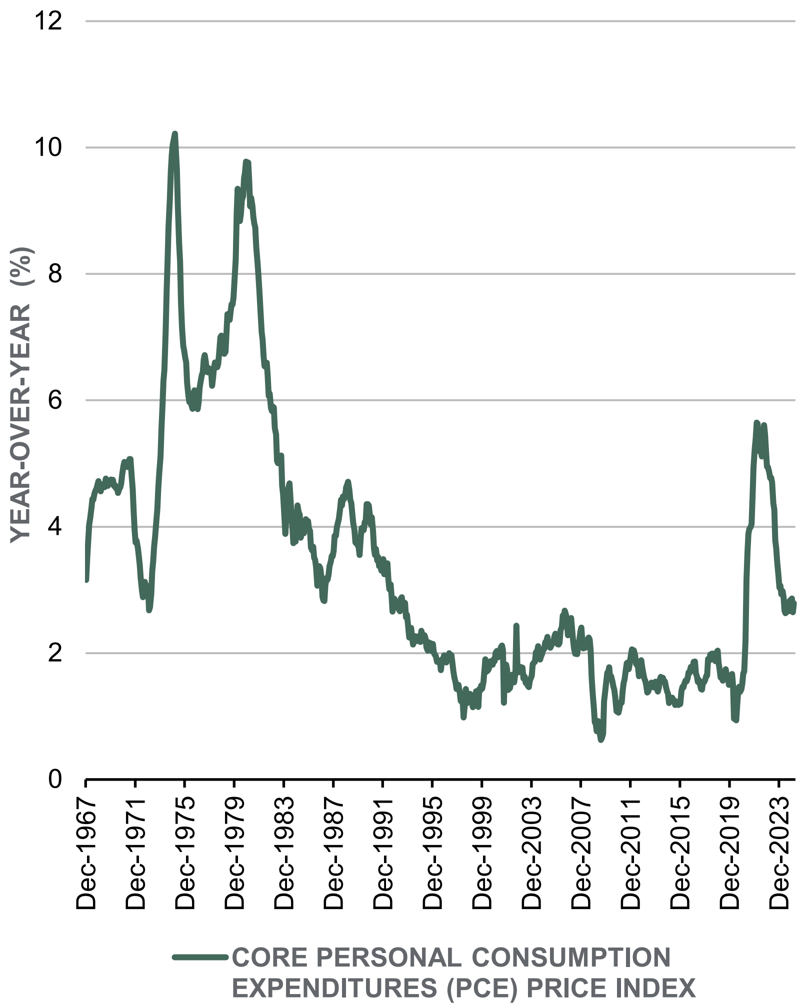
THE MARKET BELIEVES THE FED IS BEHIND THE CURVE

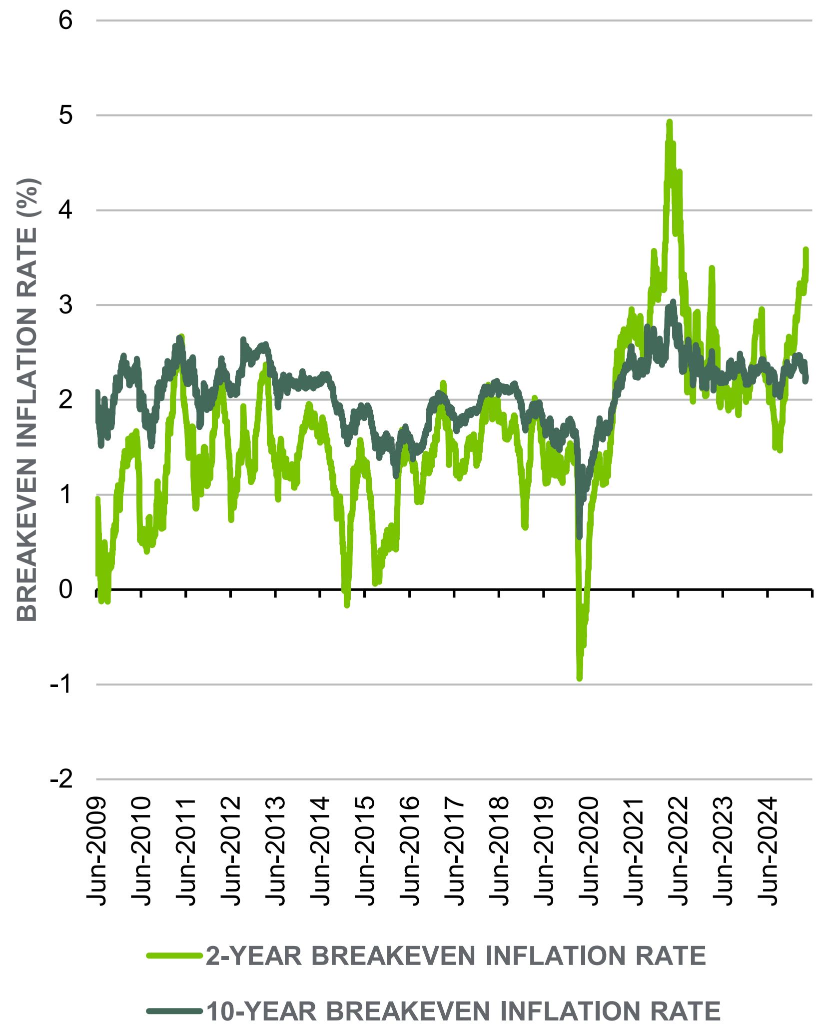




Source: Godsey & Gibb Research, Bloomberg, Federal Reserve Bank

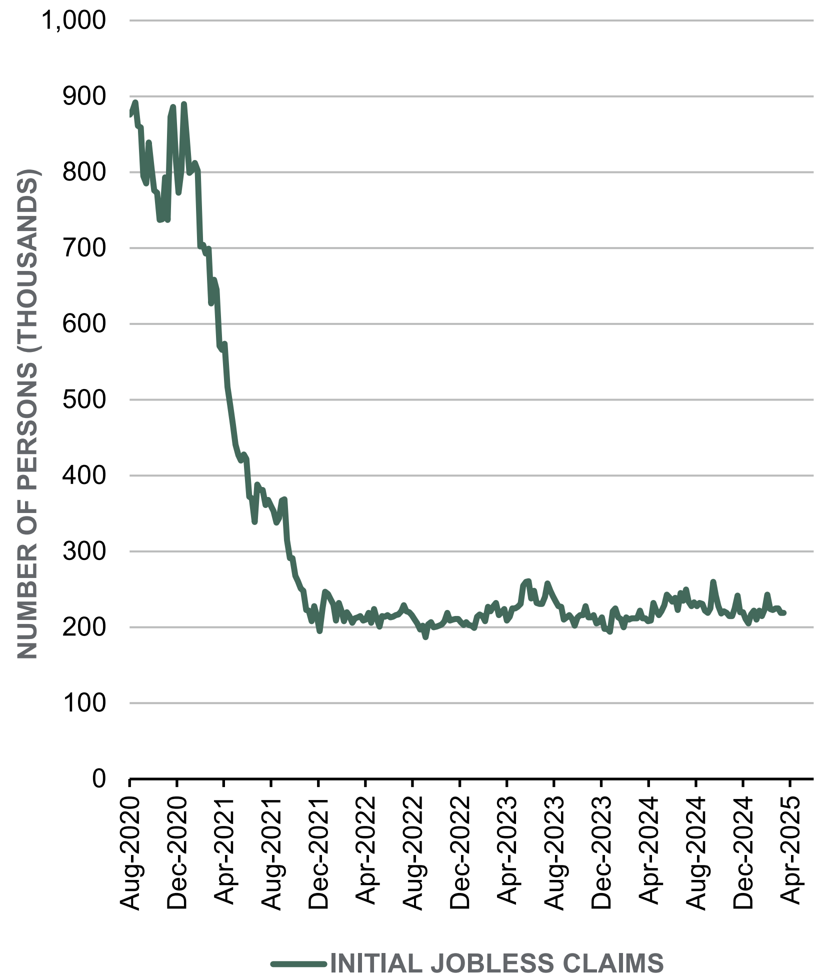
INFLATION HAS MODERATED, BUT EXPECTATIONS ARE RISING





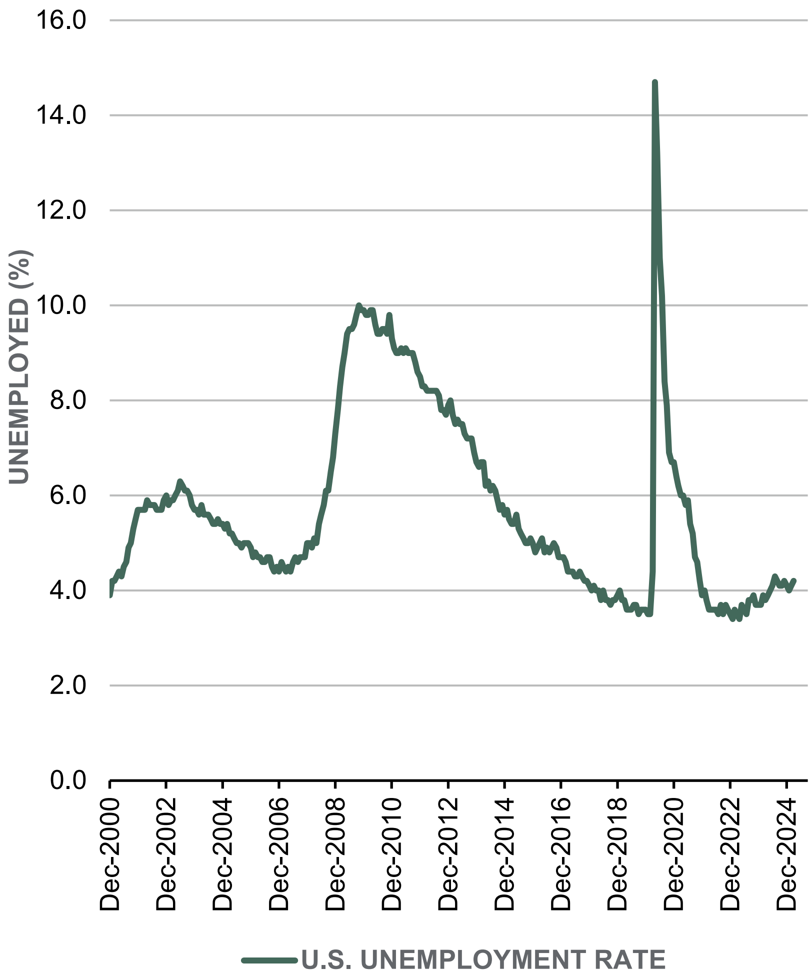
Source: Godsey & Gibb Research, Bloomberg

UNEMPLOYMENT CLAIMS POINT TO A HEALTHY LABOR MARKET



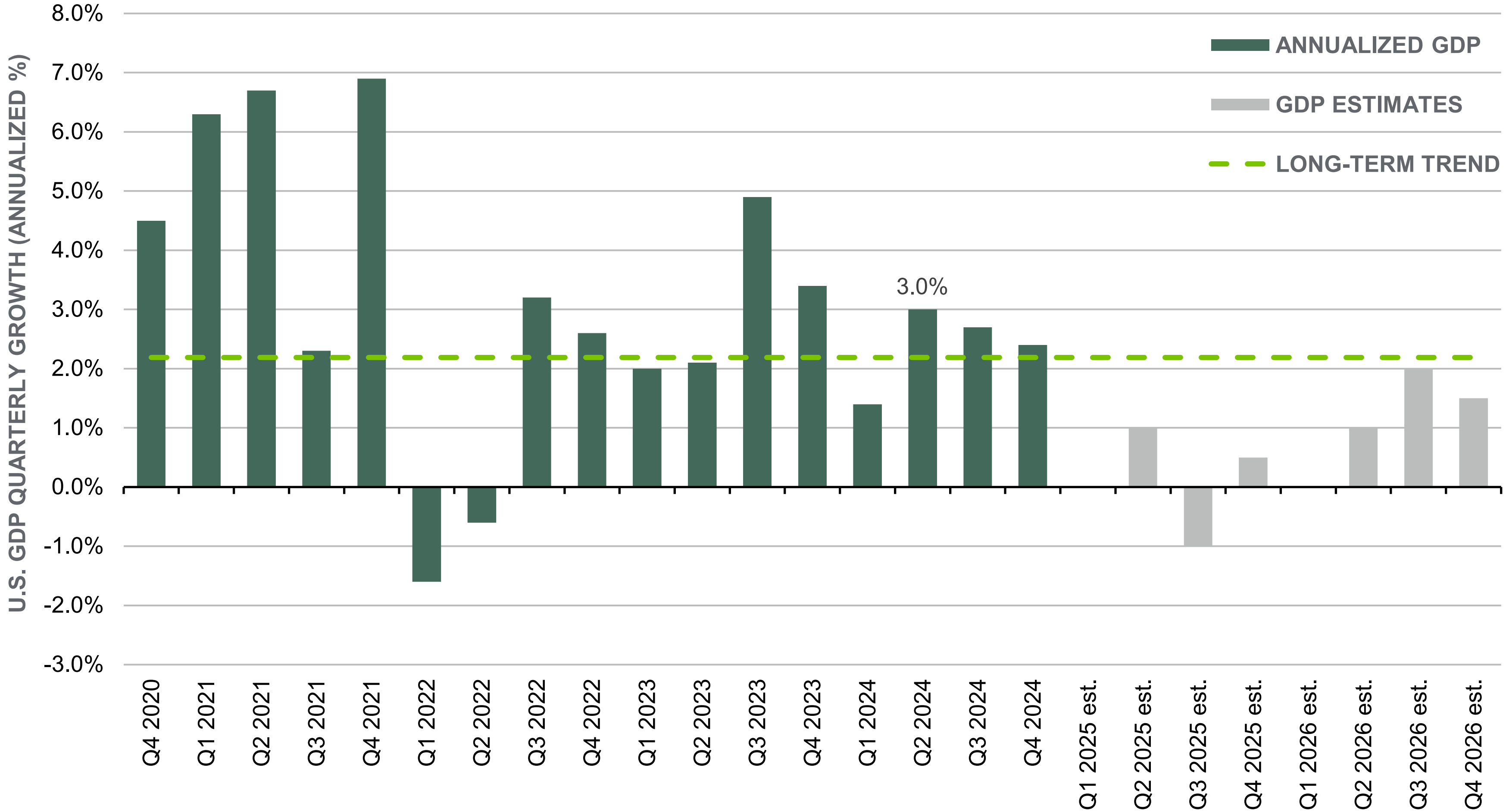
Source: Godsey & Gibb Research, Bloomberg

THE LABOR MARKET IS CRITICAL TO CONSUMER BEHAVIOR



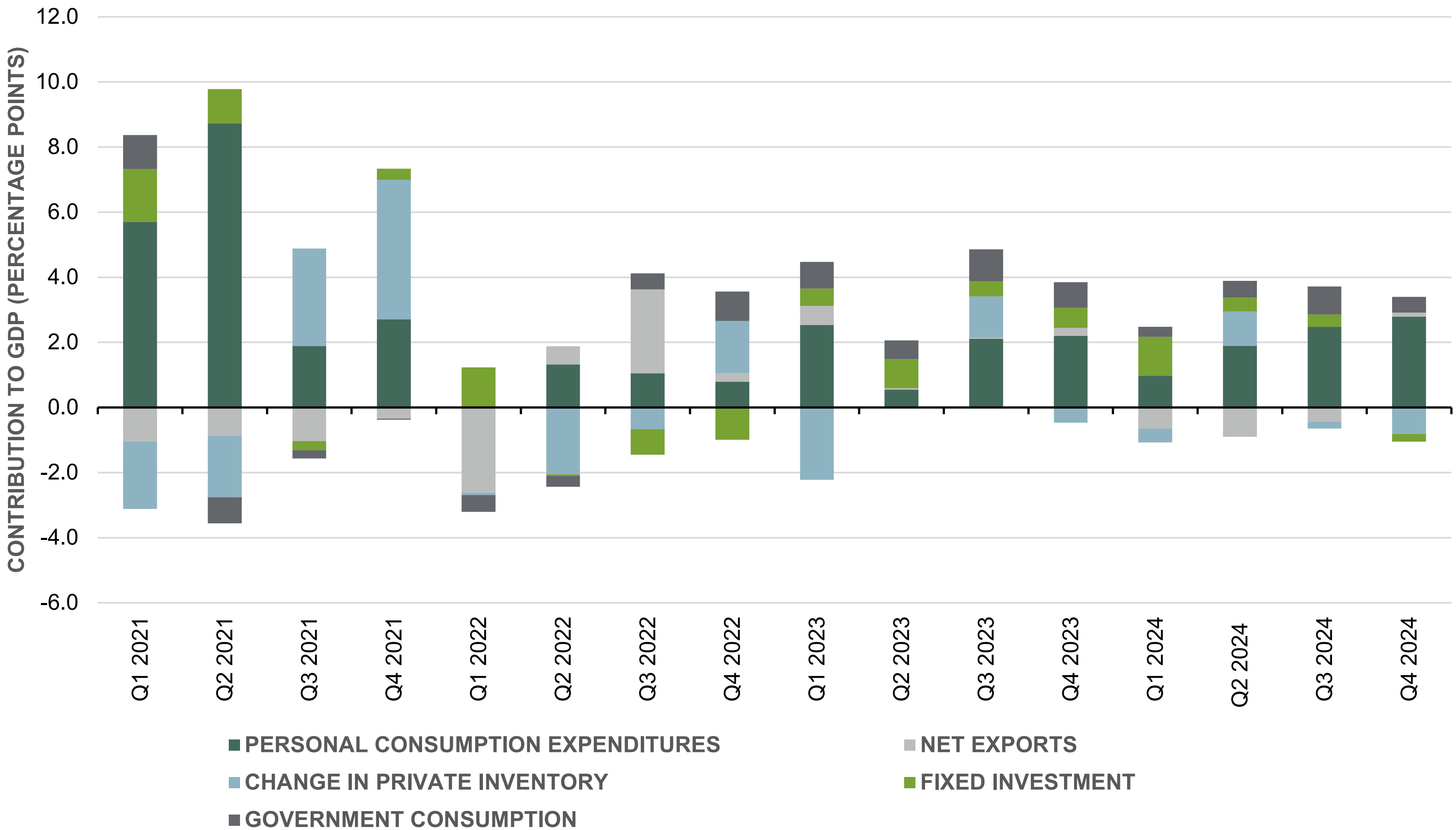
Source: Godsey & Gibb Research, Bloomberg, Atlanta Federal Reserve Bank

ECONOMIC GROWTH IS SLOWING AND RECESSION RISK IS RISING



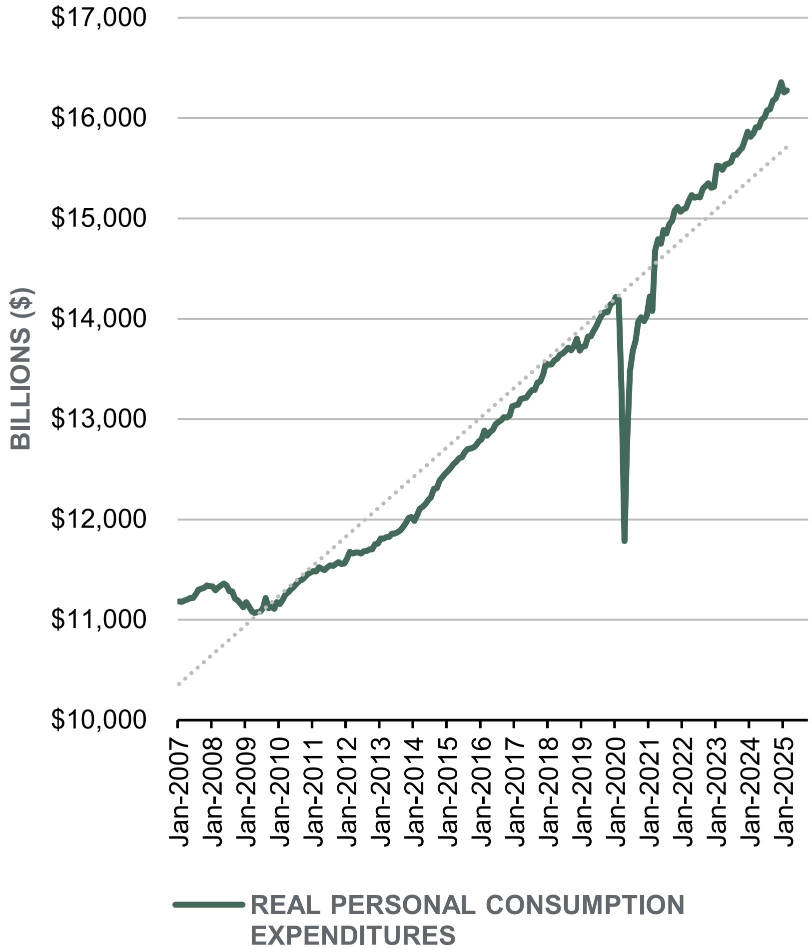
Source: Godsey & Gibb Research, Bloomberg, Strategas

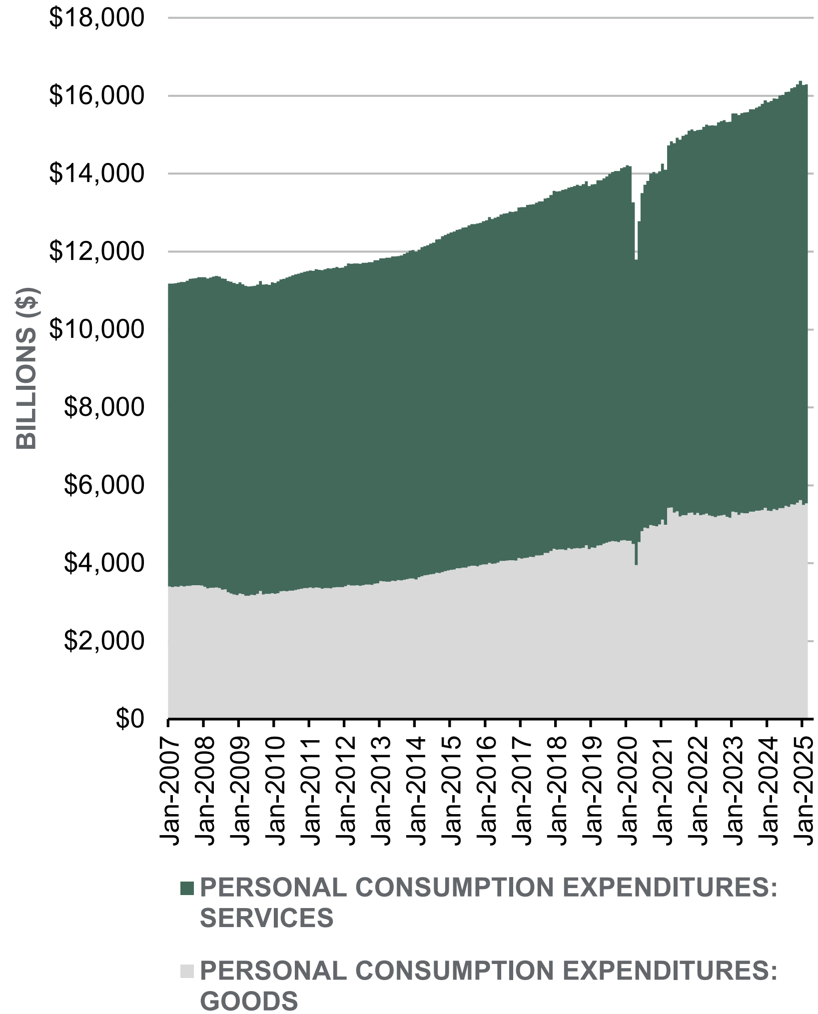
THE HEALTH OF THE CONSUMER IS KEY TO CONTINUED GROWTH



Source: Godsey & Gibb Research, Bloomberg

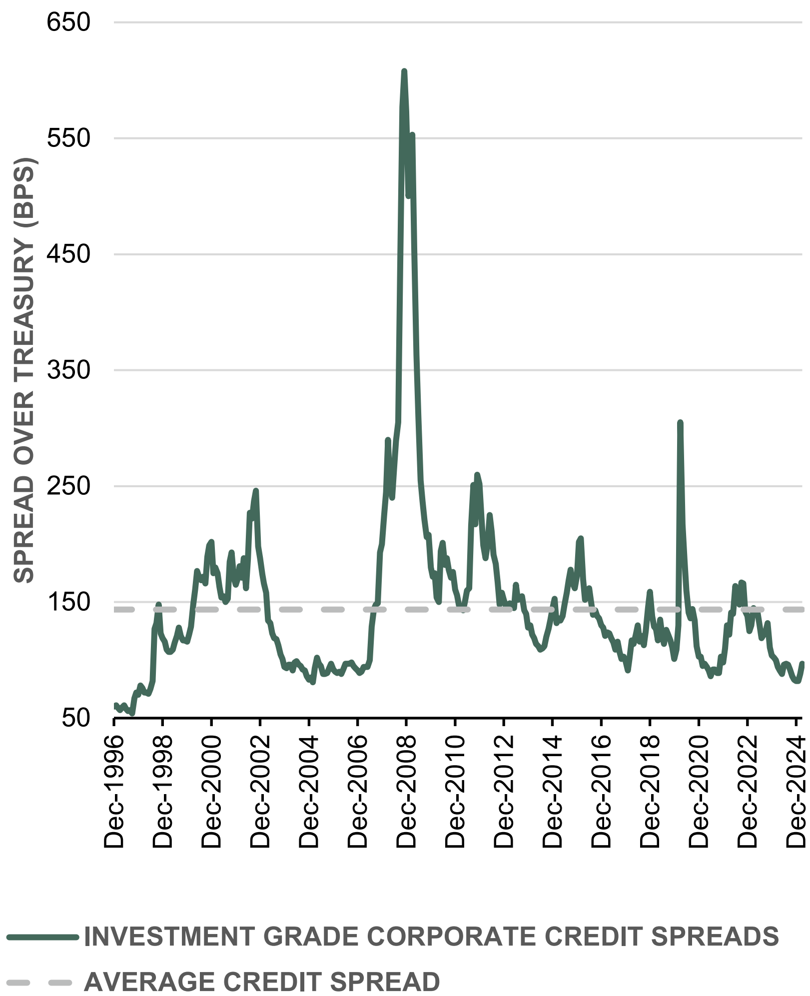
NEAR-TERM UNCERTAINTY MAY IMPACT CONSUMER SPENDING

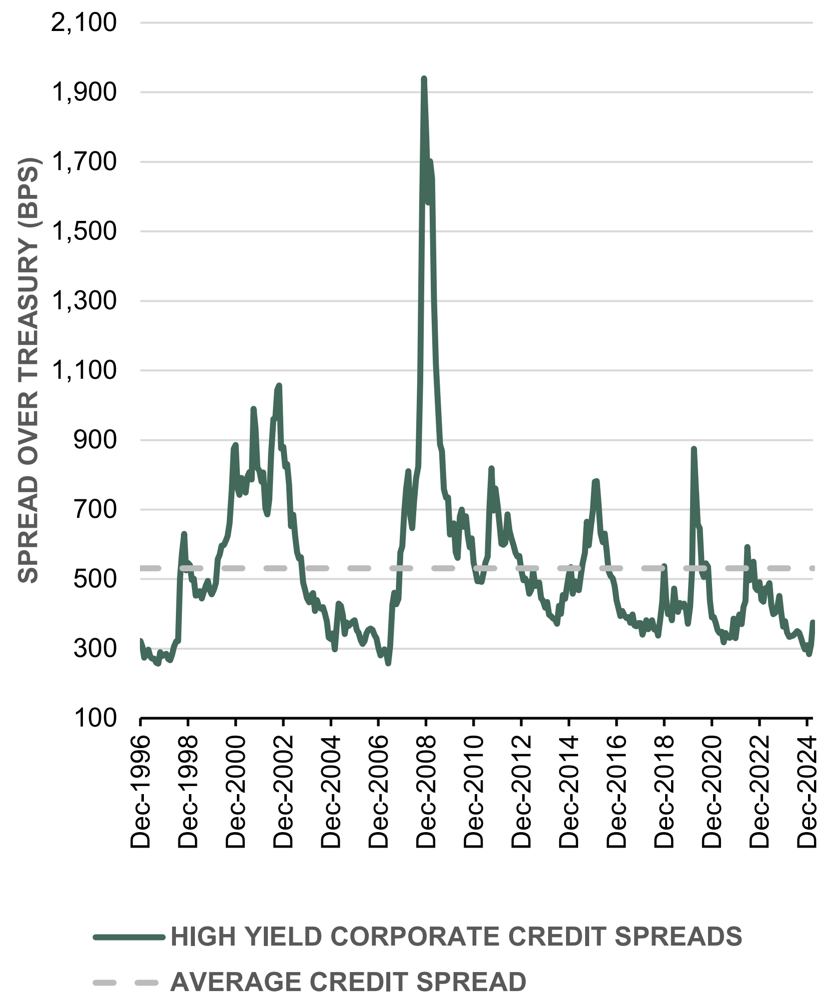




Source: Godsey & Gibb Research, Bloomberg

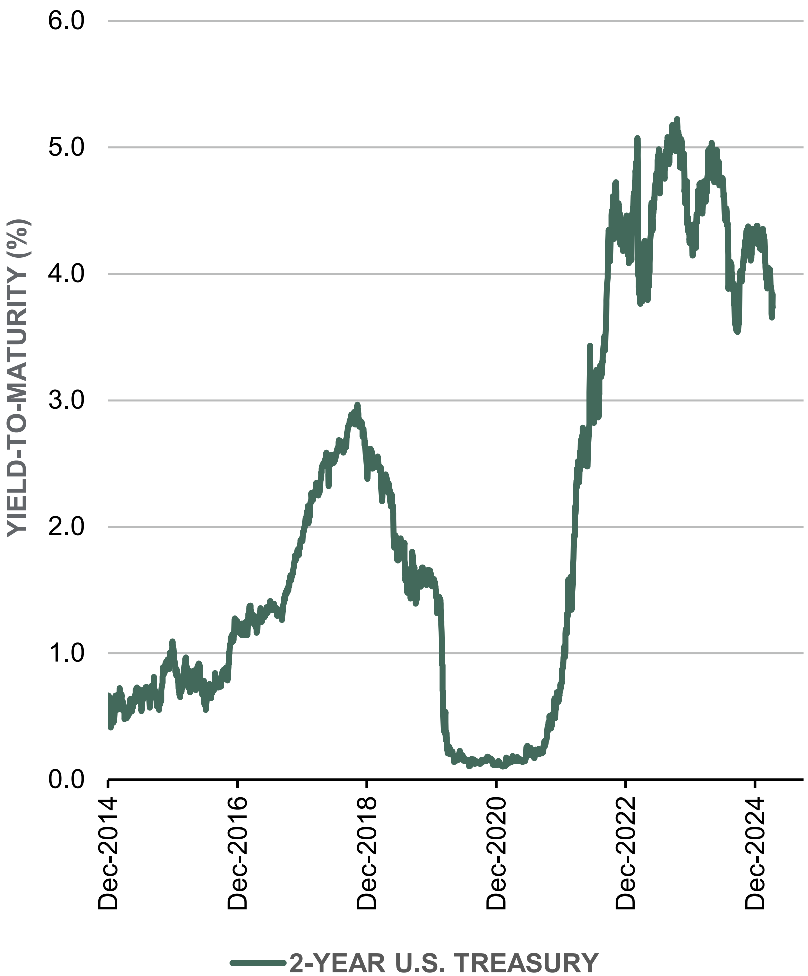
U.S. CREDIT SPREADS DO NOT SHOW SIGNS OF ECONOMIC STRESS





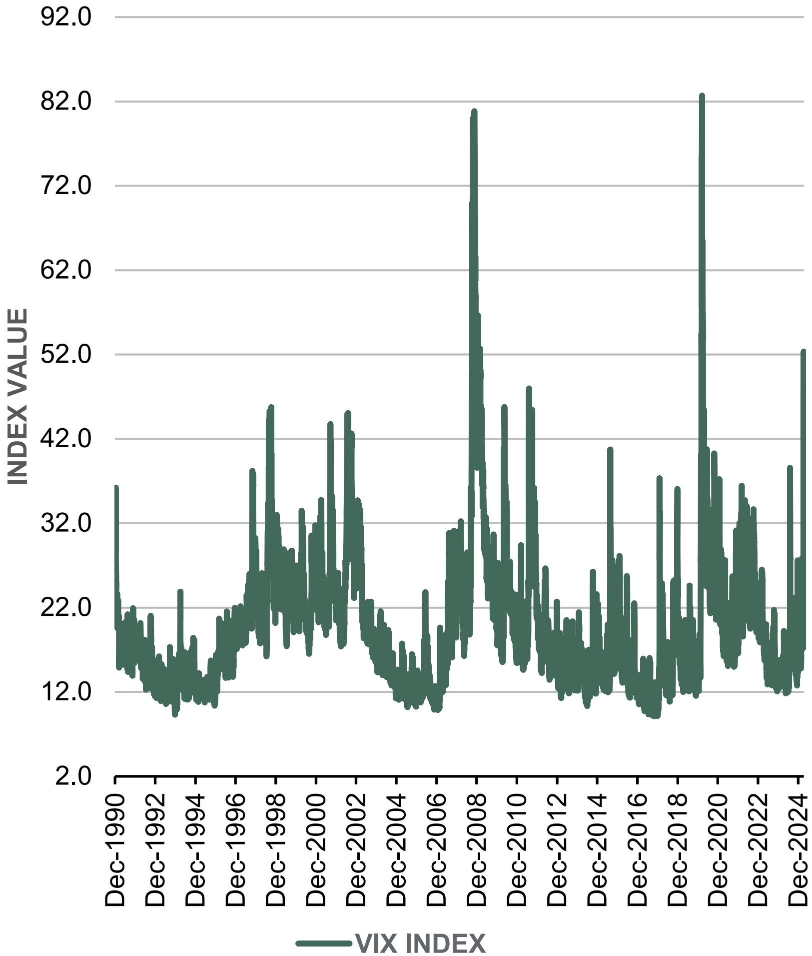
Source: Godsey & Gibb Research, Bloomberg

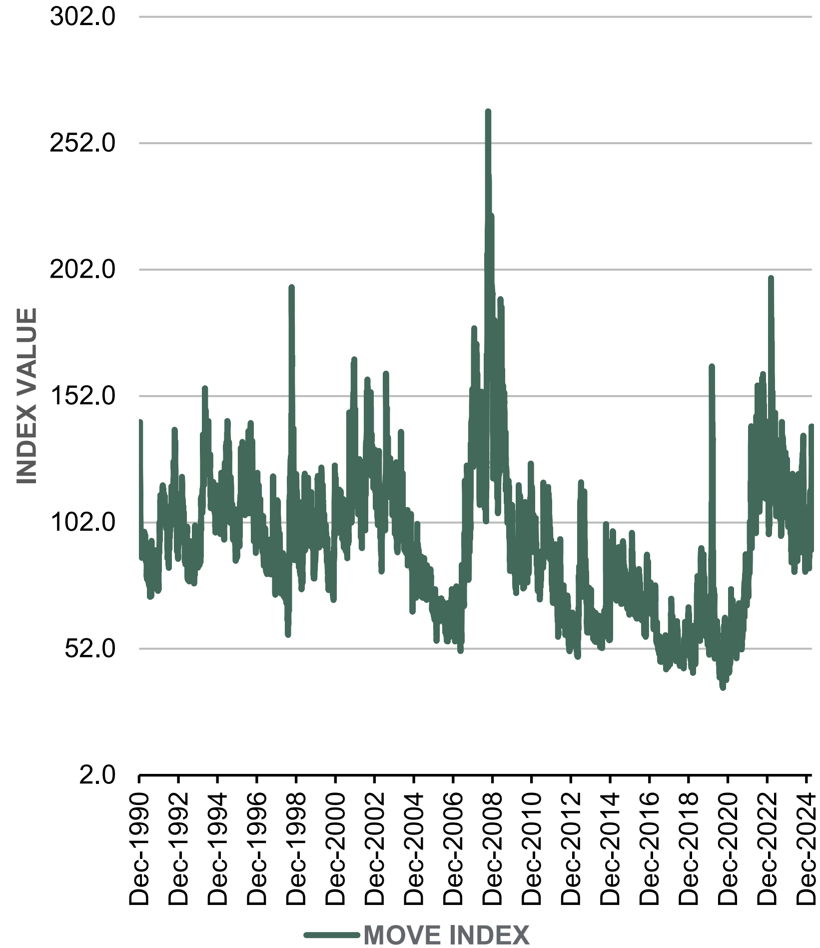
SUSTAINED DECLINES IN INTEREST RATES CAN HAVE MULTIPLE BENFITS



Source: Godsey & Gibb Research, Bloomberg

UNCERTAINTY IS EVIDENT IN EQUITY AND BOND MARKET VOLATILITY MEASURES





Source: Godsey & Gibb Research, Bloomberg

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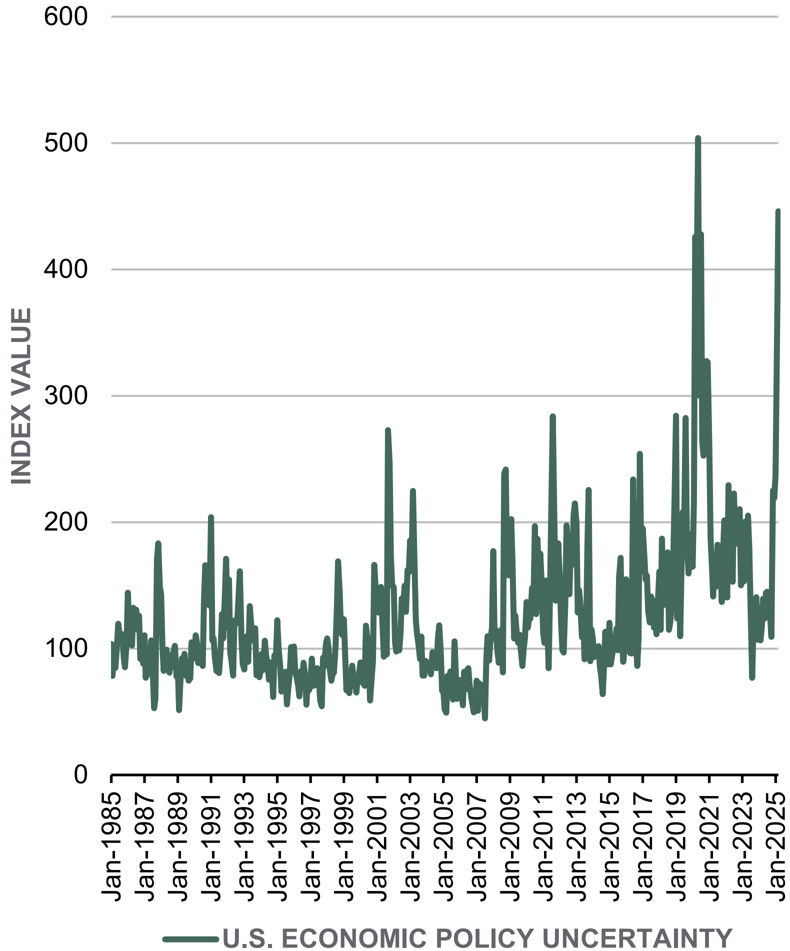
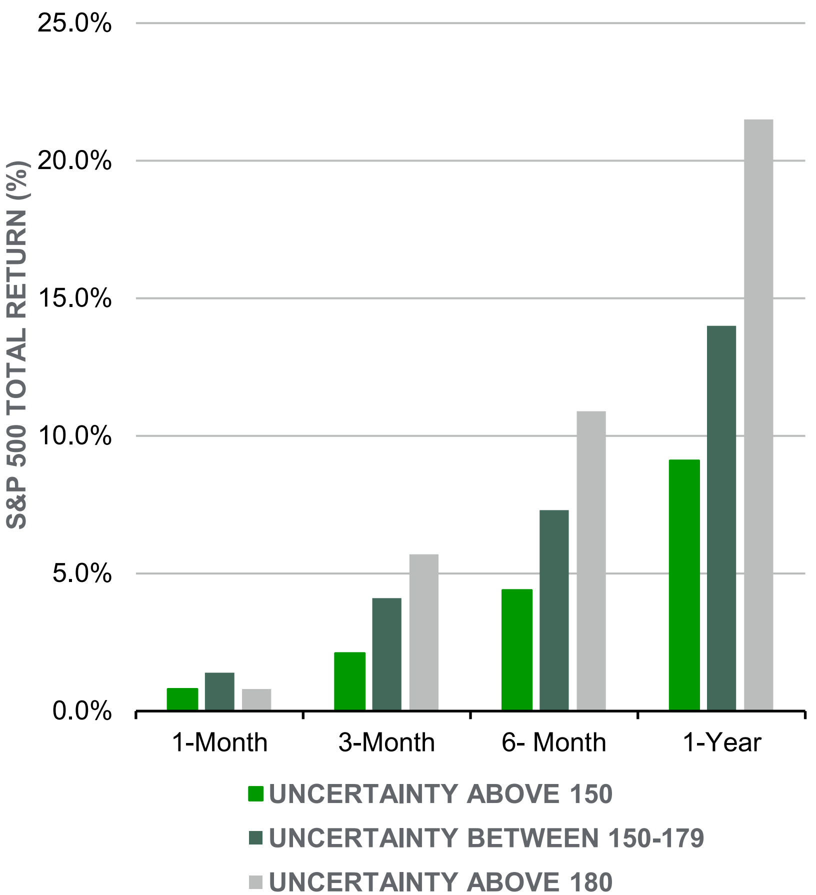
ECONOMIC POLICY UNCERTAINTY IS VERY HIGH

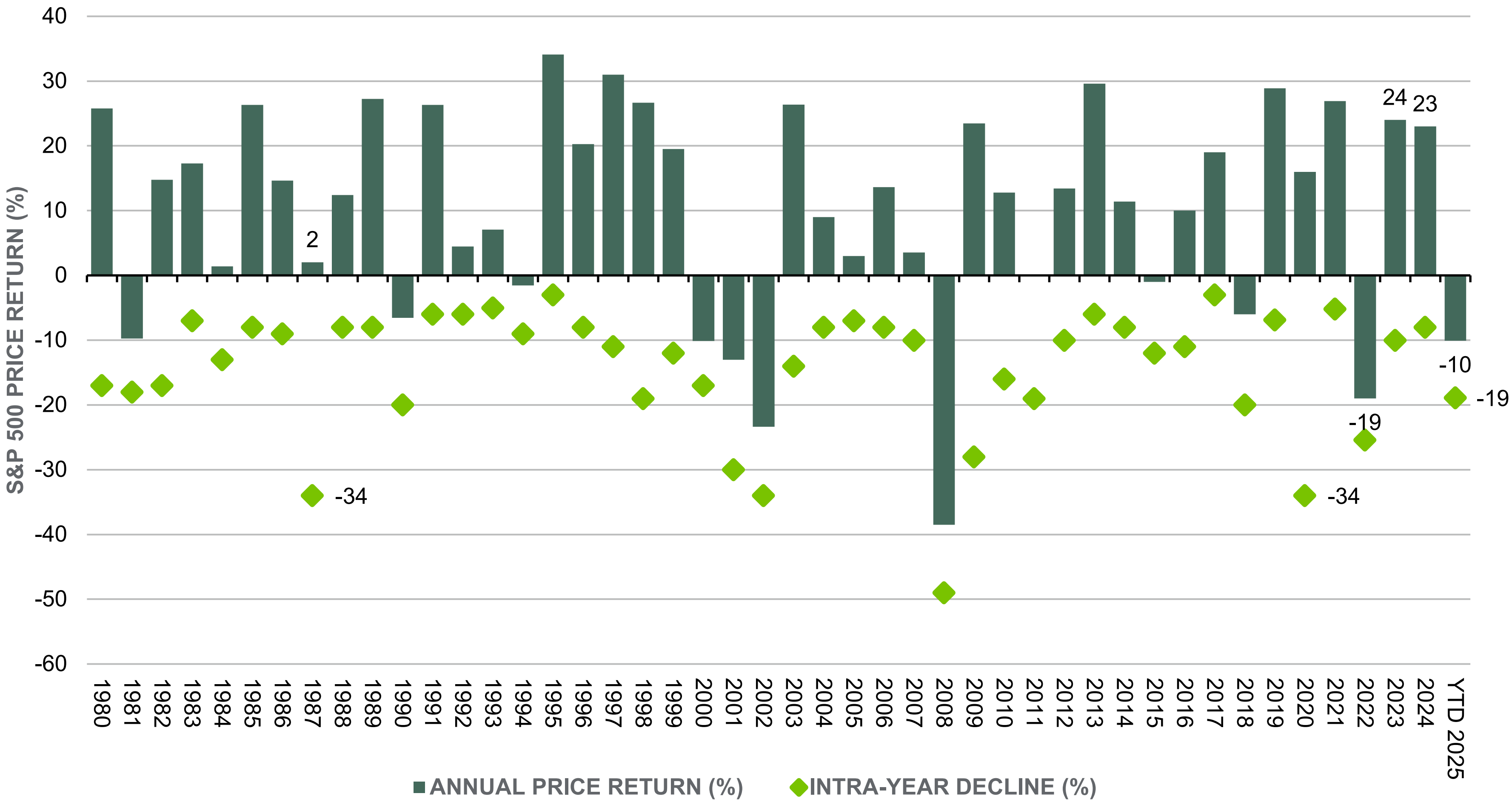


AVERAGE S&P 500 RETURN POST SPIKES IN VOLATILITY
(JANUARY 1985 – MARCH 2025)



Source: Godsey & Gibb Research, Strategas, PolicyUncertainty.com

HIGHER MARKET VOLATILTY DOES NOT MEAN NEGATIVE RETURNS



Source: Godsey & Gibb Research, Bloomberg, J.P. Morgan Asset Management

Questions?

Please reach out to your advisor if you have any questions or would like additional information.

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