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Tariff Plan Triggers Market Selloff

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At the beginning of April, the White House announced a comprehensive tariff plan that alarmed investors and led to a swift market decline. Headline news surrounding the implementation of broader tariffs, along with the uncertain business environment and lower consumer sentiment, has increased market volatility. In the first quarter of 2025, U.S. stocks, as measured by the S&P 500 Index, had already declined 5%. By the end of the first week in April, the S&P 500's year-to-date loss quickly increased to 13% through April 4th.

Volatility rose in 2025, as daily +1/-1% price movements of the S&P 500 occurred on 23 out of 64 trading days through the first week of April.

This year, Information Technology and Consumer Discretionary were the worst-performing S&P 500 sectors, both falling more than 20% through the first week in April. It is notable that while the tech-related "Magnificent Seven" (Alphabet, Amazon.com, Apple, Meta, Microsoft, NVIDIA and Tesla) contributed over 50% of the S&P 500's double-digit return in 2024, this year, these companies declined more than 16% on average through the first week of April and accounted for over 100% of the market's decline in the first quarter.

The tech sector faced challenges as investors grew concerned over artificial intelligence (AI) spending, especially following Chinese AI upstart DeepSeek's news that its AI model was more sophisticated and less expensive than other advanced models.

The broader stock market struggled in the latter half of the quarter due to headline news about tariff uncertainty, weakening economic data and lower sentiment and then fell sharply on the announcement of the magnitude of global tariffs.

As volatility in the markets increased, investors gravitated to more defensive areas of the market that are not as sensitive to economic cycles. Consumer Staples, Utilities and Health Care were the best-performing S&P 500 sectors and were essentially flat on a year-to-date basis through April 4, 2025.

While it may be challenging to remain invested in uncertain times, consider this fact: Since 1980, the average decline for the S&P 500 Index within a single year has averaged 14%. Yet, in 34 out of those 45 years—75% of the time—the market posted a positive annual return.[1]

Also consider the market rally on April 9, 2025. With news of a temporary pause on some tariffs, the S&P 500 Index jumped 9.5%. Had an investor sold out of stocks at the beginning of April, they would have missed the market's largest one-day gain since 2008 and may have impacted their long-term portfolio.

Short-term market downturns and heightened volatility are a normal part of investing. The key to building wealth over time is to stay invested and not try to time when to get in and out of the market.

A Buska Financial Advisor can work with you to develop a long-term investment strategy that will help you stay the course when markets experience a short-term decline.

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1 JPMorgan Guide to the Markets, March 2025.