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ASPIRIANT INSIGHTS

SECOND QUARTER 2025 INSIGHT

Investing Outlook

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In this Issue

Investment Strategy & Research Highlights

- **Global Trade Realignment Is Underway:** Rising protectionism and shifting alliances mark a sharp departure from decades of globalization, as policymakers prioritize domestic industry and supply chain resilience.
- **Policy Uncertainty Clouds Outlook:** Tariffs, fiscal debates and leadership uncertainty at the Federal Reserve continue to weigh on sentiment and complicate late-cycle economic interpretation.
- **Mixed Labor and Consumer Data Amid Diminishing Policy Flexibility:** While job market and household finance data continue to show signs of resilience, softening indicators and a historically large deficit raise concerns about fiscal flexibility in a downturn.
- **Past Performance May Mislead Future Expectations:** Strong equity performance over the past 15 years, fueled by an unusually favorable backdrop for investors, is unlikely to repeat.
- **Timing the Market Results in Persistent Shortfall:** Empirical data suggests investors who stayed fully invested outperformed those who reacted to volatility, reinforcing the long-term benefits of diversification and discipline.

Intro

Volatility continues to define the global economic environment in 2025, marked by sharp intraday swings and heightened sensitivity to shifting headlines and policy signals. A confluence of factors—including geopolitical tensions, evolving trade alliances, monetary policy uncertainty, and fiscal reform debates—fuels this instability, creating a reactive market environment with limited visibility into the near-term trajectory.

Behind these abrupt market moves, a broader transition in the global economic order is underway. In the U.S., a shift toward more protectionist trade policies reflects growing concern over supply chain resilience and its strategic capabilities. This reorientation creates an additional complication for central banks striving to contain persistent inflation and support stable employment. Compounding these changes, governments globally are grappling with rising debt levels and diminishing fiscal flexibility. Together, these forces are reshaping the investment landscape in ways that diverge meaningfully from the past decade.

As conditions develop, maintaining perspective is critical to re-anchoring expectations and investment strategies accordingly. In this Insight, we examine the drivers behind today's market dynamics in detail, explore the implications for long-term portfolios and reiterate the core principles that continue to guide our investment philosophy.

The Reordering of Trade and Globalization

Understanding the current evolution in trade policy requires a broader view of the forces that shaped U.S. consumption, production and global integration. Among the most important considerations is that the U.S. is the wealthiest country in the world. That wealth fueled consumption that far exceeds our domestic manufacturing capacity and increased our reliance on globalization to meet demand.

Beyond global trade dynamics, automation and technological advancement set in motion structural changes that continue to shape domestic labor markets. Since 1980, the U.S. lost an estimated 6.5 million manufacturing jobs, in part due to the adoption of robotics and artificial intelligence (AI) across industrial settings. Looking ahead, the impact is expected to extend beyond manufacturing, as routine and lower-skilled service-sector roles face growing exposure to both automation and global competition.

Yet some areas of the economy experienced more disruption than others. Rather than competing on labor and manufacturing costs, many U.S. firms shifted their focus to high-value sectors such as pharmaceuticals, biotechnology, media, professional services and technology. This strategic pivot propelled U.S. corporations to global leadership in these industries—a strength now reflected in their outsized share of global equity markets. Today, U.S. equities account for nearly two-thirds of global market capitalization, representing approximately $50 trillion in value.

However, increased specialization was accompanied by trade-offs. As production of critical goods like semiconductors and batteries moved offshore, the U.S. became more dependent on foreign partners—heightening its exposure to supply chain disruptions and foreign influence over strategic industries.

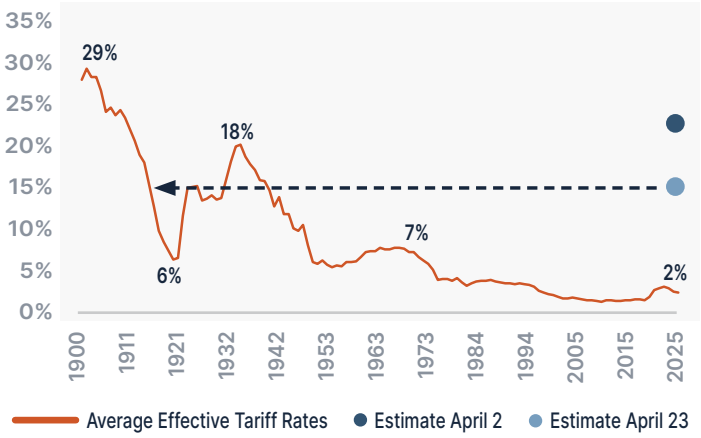
The culmination of these trade asymmetries is reflected in the U.S. trade deficit, which reached a record $918 billion in 2024. For decades, these deficits have been financed by steady foreign capital inflows. Currently, foreign investors hold roughly one-third of all outstanding U.S. Treasuries—about $9 trillion of the $27 trillion market. As reliance on global production deepens and external financing becomes more entrenched, concerns over economic sovereignty and strategic vulnerability are gaining prominence. These mounting pressures are fueling a renewed policy focus on strengthening domestic industry and reducing foreign dependence, a shift that now sits at the center of the evolving trade landscape.

Tariffs and the Politics of Protectionism

One of the clearest expressions of rising economic nationalism is the Trump administration's recently proposed tariff package. Initially announced in early April, the plan represented a dramatic escalation—a raise in the average effective tariff rate from 2.5% to between 20% and 25% across U.S. trading partners. In the weeks since, new developments and ongoing negotiations with more than 50 countries, including China, prompted a downward revision of that estimate to between 10% and 20%. While the increases would be significant by today's standards, **Figure 1**, on the following page,shows tariffs at or above these levels were once common in earlier chapters of U.S. trade history.

FIGURE 1

Imports: Average Effective Tariff Rates



Data as of 3/31/25. Source: Aspiriant analysis. Data from Bloomberg, Morningstar. Average Effective Tariff measures the weighted average tariff rate actually paid on imported goods, accounting for both tariff rates and the volume of trade. It reflects the real-world impact of tariffs on a country's overall import costs, rather than just statutory or headline rates.

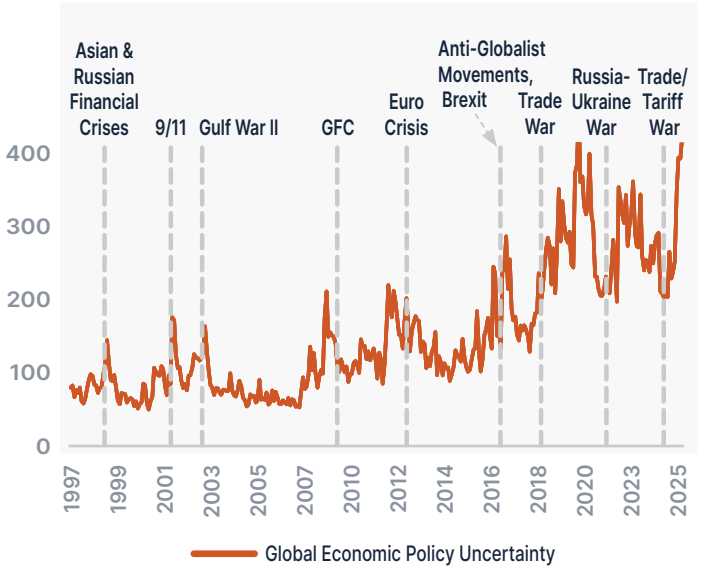
Nonetheless, it is important to recognize that we are still in the early stages of this trade restructuring. The ultimate impact will depend on how tariff costs are distributed across supply chains. For goods with acceptable substitutes, producers may be forced to lower prices or lose business. For essential or differentiated goods, consumers are more likely to bear the cost. In either case, higher barriers to trade tend to reduce transaction volume, dampen real economic growth and introduce new friction into an already complex global system.

Policy Uncertainty Weighs on Confidence

The recent escalation in trade tensions and accompanying policy shifts adds complexity to an already uncertain economic backdrop. While tariffs may be the most visible lever, broader questions around fiscal priorities, central bank leadership and recession risk are beginning to weigh on confidence. A clear signal of this unease, the Global Economic Policy Uncertainty Index, as shown in **Figure 2**, has risen sharply this year, driven largely by the ongoing trade disputes and geopolitical instability.

FIGURE 2

Global Economic Policy Uncertainty



Data as of 3/31/25. Source: Aspiriant analysis. Data from Bloomberg, Morningstar, U.S. International Trade Commission Office of Analysis and Research Services Office of Operations. The Global Economic Policy Uncertainty Index measures uncertainty based on the frequency of newspaper articles that contain terms related to the economy, policy, and uncertainty across a broad set of countries. The Asian & Russian Financial Crises (1997–1998) involved currency devaluations and debt defaults across emerging markets. The 9/11 attacks (2001) caused a spike in global uncertainty. Gulf War II (2003) began with the U.S.-led invasion of Iraq. The Global Financial Crisis (GFC) (2007–2009) stemmed from the U.S. housing market collapse and led to a global recession. The Euro Crisis (2010–2012) was driven by sovereign debt issues in several eurozone countries. In 2016, rising anti-globalist sentiment culminated in the U.K.'s Brexit vote. The U.S.-China Trade War (2018–2020) involved escalating tariffs and global trade tensions. The Russia–Ukraine War and global energy shock (2022) disrupted commodity markets and intensified inflation, prompting aggressive monetary tightening worldwide. The U.S. tariff escalation and trade tensions (2025) reignited fears of global stagflation and triggered sharp equity market declines.

Naturally, these crosscurrents raise questions about the outlook for growth—and whether the Fed should be doing more to support the economy. But the Fed's position is constrained by its dual mandate to balance price stability and full employment. With inflation near the 2.0% target and unemployment holding at 4.2%, policymakers chose to keep the federal funds rate steady at 4.5% in early 2025, following a 1.0% reduction over the course of last year. Federal Reserve Chair Jerome Powell noted in his April 2025 Outlook speech that persistent uncertainty—whether political, fiscal or global—can weigh on growth but also create inflationary forces, making it difficult to calibrate monetary policy with precision.

Further clouding the picture is the political scrutiny on the central bank itself. President Trump's public criticism of Powell, including calls for his removal, raised concerns about the independence of the Fed. Although the administration since softened its tone, Powell is widely expected to step down when his term ends in 2026. A search for a successor, likely someone more inclined to cut rates, is anticipated in the coming months.

While a change in Fed leadership may alter the future direction of policy, the effectiveness of current decisions can only be evaluated after their impact on the real economy takes shape. This lag complicates efforts to assess where we are in the cycle, resulting in mixed messages from widely followed market-based indicators.

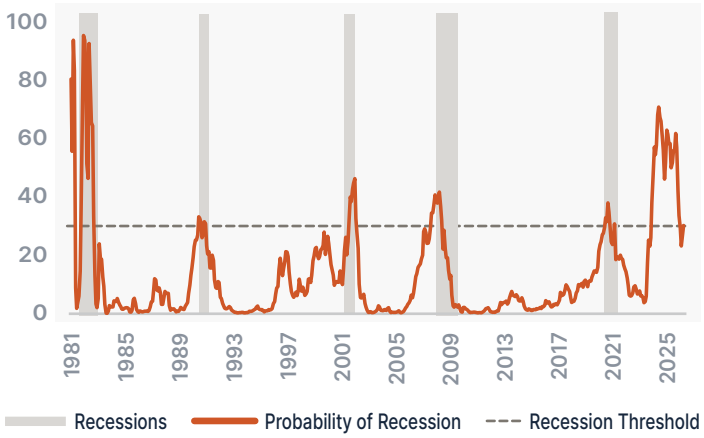
Among the most closely watched is the New York Fed's recession probability model, which uses the spread between 10-year and 3-month Treasury yields as its primary input. When this spread turns negative—meaning short-term rates exceed long-term rates—the yield curve becomes inverted, a historical precedent for recessions. As shown in **Figure 3**, the model's output recently surpassed the 30% threshold, a level frequently aligned with prior downturns. While not definitive, it reflects the ongoing tension between soft-landing hopes and more pessimistic macro signals.

Meanwhile, labor-market-based measures such as the Sahm Rule, which flags a recession when the unemployment rate rises by 0.5 percentage points or more from its recent low, show no clear inflection point. The cumulative effect of policy ambiguity and recession fears is starting to appear in softening consumer sentiment. The longer this climate persists, the more likely it is to influence economic behavior and investor positioning alike.

Even so, it is worth remembering that not every market correction leads to recession. As shown in **Figure 4**, history suggests a meaningful probability that the economy avoids a recession altogether—S&P 500 corrections were not followed by a recession within the next 12 months roughly 40% of the time. This historical context helps remind us that although short-term market moves can erode sentiment, they do not always translate into a broader economic contraction.

FIGURE 3

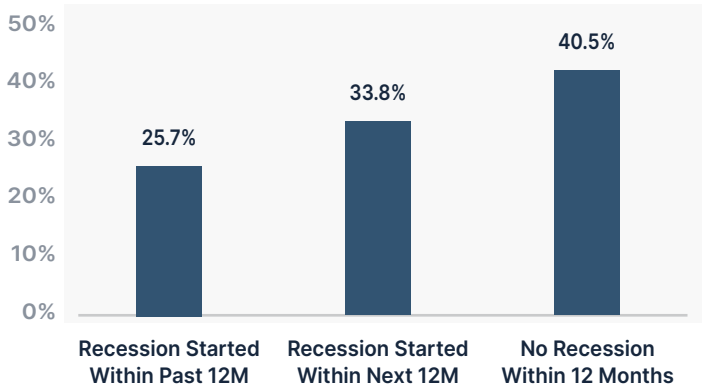
Federal Reserve Bank of New York Recession Probability in 12 Months



Data as of 3/31/25. Source: Aspiriant analysis. Data from Bloomberg, Federal Reserve Bank of New York. The Federal Reserve Bank of New York uses the yield curve as a leading indicator. This model uses the slope of the yield curve, or "term spread," to calculate the probability of a recession in the U.S. twelve months ahead. Here, the term spread is defined as the difference between 10-year and 3-month Treasury rates.

FIGURE 4

How Often S&P 500 Corrections Coincided with a Recession



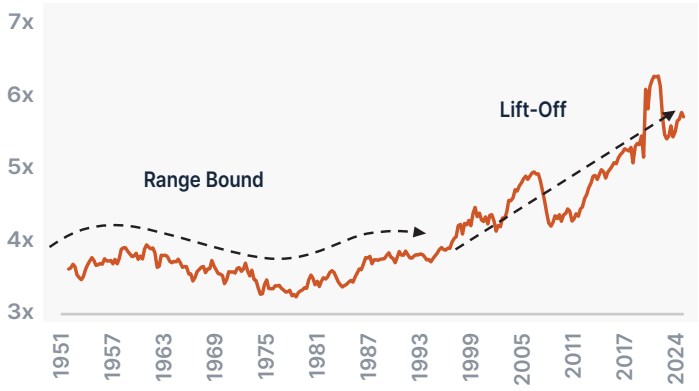
Data as of 3/31/25. Source: Aspiriant analysis. Data from Bloomberg, Federal Reserve Bank of New York. S&P 500 is a market-capitalization weighted index that includes the 500 most widely held companies chosen with respect to market size, liquidity and industry. Past performance is not an indication of future results. All investments can lose value. The performance and volatility of an investor's portfolio will not be the same as the index. Indices are unmanaged and have no fees. An investment may not be made directly in an index. This information alone is not sufficient and should not be used for the development or implementation of an investment strategy or be construed as investment advice. Correction definition used in analysis is a drawdown of at least -10% but less than -20%. According to this definition since 12/31/1927 there have been 56 correction periods.

Household Health Still a Source of Stability

Despite ongoing volatility in markets and shifting policy dynamics, the health of the U.S. consumer stands as a notable source of strength—particularly among higher-income households. Entering 2025, many consumers benefited from strong balance sheets, underpinned by gains in real estate and financial assets over the past decade. As shown in **Figure 5**, household net worth to gross domestic product (GDP)—which hovered between 3x and 4x GDP for much of the post-war era—now sits near 6x GDP, climbing sharply since the late 1990s and reinforcing key support for ongoing spending.

FIGURE 5

Household Net Worth to GDP



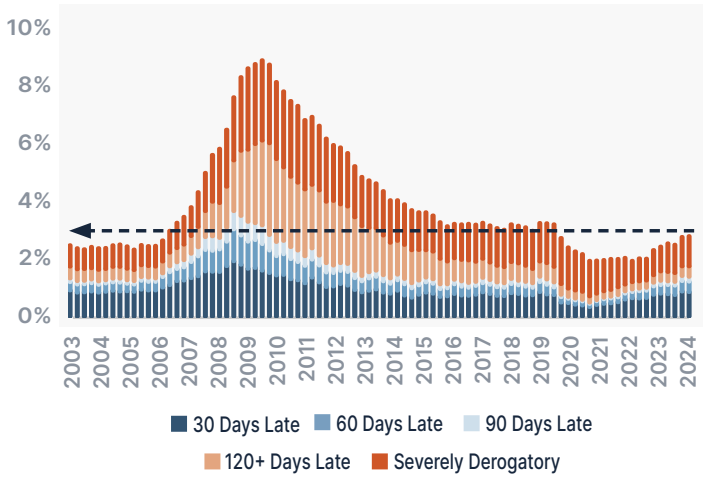
Data as of 12/31/24. Source: Aspiriant analysis. Data from Bloomberg, Morningstar, Federal Reserve Bank of New York. GDP stands for Gross Domestic Product. Nominal GDP is the total market value of all final goods and services produced within a country's borders in a given period, measured using current prices. Nominal GDP does not adjust for inflation. Household Net Worth to GDP measures the total net worth of U.S. households and nonprofit organizations as a percentage of Gross Domestic Product. It serves as a broad indicator of financial wealth relative to the size of the economy.

Encouragingly, consumer credit health remains strong. As illustrated in **Figure 6**, total U.S. debt delinquencies are still below pre-pandemic levels. However, disaggregated data reveals growing signs of strain in specific segments. Delinquencies in credit cards and auto loans—more common among lower-income households—are rising and now approach levels last seen in the early 2010s. While not yet alarming, the divergence points to uneven consumer strength.

FIGURE 6

Total U.S. Debt Balance by Delinquency Status

Percentage of GDP



Data as of 12/31/24. Source: Aspiriant analysis. Data from Bloomberg, Morningstar, Federal Reserve Bank of New York. GDP stands for Gross Domestic Product. Nominal GDP is the total market value of all final goods and services produced within a country's borders in a given period, measured using current prices. Total U.S. debt balance includes various types of consumer debt, such as mortgages, auto loans, credit cards, student loans, and home equity lines of credit (HELOCs). The measure excludes medical debts under $500, business loans, informal debts ad utility or telecom debts which are not reported to credit bureaus. Severely derogatory refers to credit accounts that are not only delinquent but also involve significant negative events such as repossession, foreclosure, or charge-off to bad debt.

This bifurcation—sometimes referred to as a K-shaped recovery, where higher-income groups rebound while others continue to struggle, matters. It leaves the broader economy more exposed to the behavior of affluent consumers, who tend to drive a disproportionate share of total spending. While these households continue to anchor consumption, potential policy changes—such as higher marginal tax rates—could begin to affect their sentiment and spending decisions. Although the materialization of such effects is not yet evident in the data, we continue to monitor developments as new information becomes available.

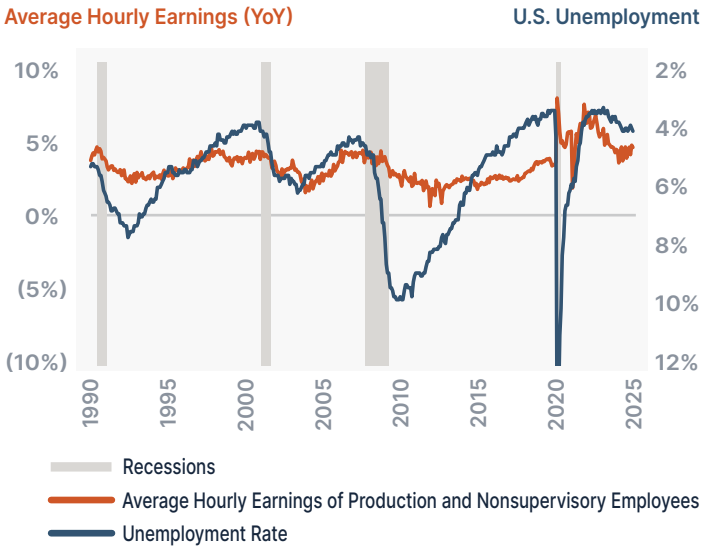
Labor and Fiscal Signals: Mixed but Manageable

Ongoing strength in the labor market continues to support consumer resilience and the broader economy. Wage growth moderated from its post-pandemic highs but stays firm by historical standards, averaging 4.2% over the past year compared to a 3% average in the three decades prior to 2020. Similarly, unemployment, while modestly higher than pre-COVID lows, continues to hover around 4.2%, consistent with a healthy, if gradually cooling, job market.

As shown in **Figure 7**, the inverse relationship between unemployment and wage growth appears intact, though recent data suggests some early signs of softening. Layoff activity is picking up, and the average duration of unemployment is trending slightly higher, pointing to a modest loosening in labor conditions. At the same time, the fiscal landscape continues to be highly accommodative. Despite a strong economy and low unemployment, the U.S. federal deficit sits above 6% of GDP—well above its long-term average of less than 3%.

FIGURE 7

U.S. Wage Growth & Unemployment Correlation = -0.4

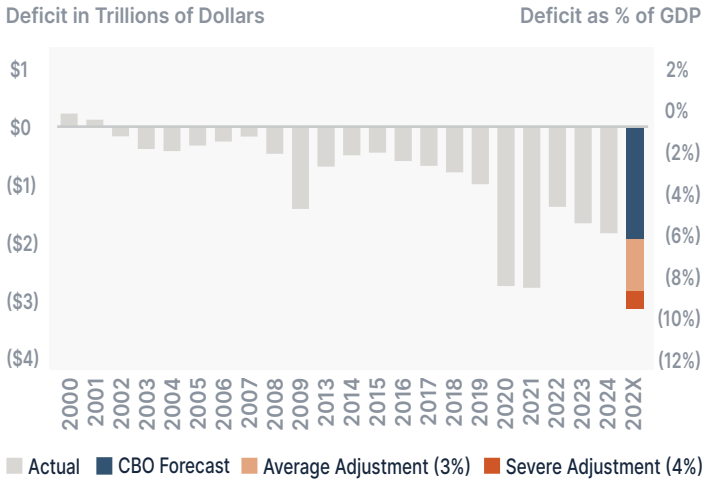


Data as of 3/31/25. Source: Aspiriant analysis. Data from Bloomberg, Morningstar, Bureau of Labor Statistics. Unemployment duration refers to the average length of the continuous period during which unemployed persons have been looking for work. Challenger Job Cuts Announcements refer to monthly reports published by Challenger, Gray & Christmas, which track planned workforce reductions announced by U.S.-based companies. The data serves as a leading indicator of labor market stress and corporate cost-cutting behavior.

Should the economy enter recession, history suggests deficits could expand by an additional 3% to 4% of GDP through automatic stabilizers and discretionary stimulus, as illustrated in **Figure 8**. That would push the total shortfall above 10%, approaching levels last seen during the pandemic. Although recent fiscal cost-cutting proposals made headlines, their projected impact was sharply revised downward and is unlikely to materially alter the near-term outlook of U.S. debt levels. With the national balance sheet already stretched, any fiscal response may prove more constrained in the next downturn than in prior cycles.

FIGURE 8

U.S. Budget Deficit % of GDP Recession Adjustment



Data as of 3/31/25. Source: Aspiriant analysis. Data from Bloomberg, Morningstar, Bureau of Labor Statistics. The U.S. budget deficit represents the annual difference between federal government spending and revenue. This chart includes actual historical deficits, projections from the Congressional Budget Office (CBO), and illustrative adjustments to reflect potential increases in the deficit during a recession. The "average adjustment" scenario assumes a 3% increase in the deficit as a percentage of GDP, consistent with the typical fiscal response during past downturns. The "severe adjustment" scenario reflects a larger 4% increase, representative of deeper recessions such as the Global Financial Crisis or the COVID-19 pandemic. Expressing the deficit as a percentage of GDP allows for meaningful comparison across different economic environments and time periods. GDP stands for Gross Domestic Product.

Recalibrating Expectations after Unprecedented Tailwinds

Perhaps what makes today's sense of dislocation feel especially acute is the unprecedented nature of the last 15 years. From 2010 through 2024, U.S. large-cap equities—as measured by the S&P 500—delivered the highest cumulative excess return over any 15-year period since 1950, surpassing the most optimistic investor expectations.

In **Figure 9**, the S&P 500's rolling 15-year returns above short-term government yields are shown, using the 3-month Treasury bill as a proxy for low-risk cash returns. The orange line, representing the most recent 15-year period, shows an excess return of 12.7% in annualized terms. By contrast, the blue line, which represents the average of all 15-year rolling periods since 1950, reflects a significantly lower average excess return of just 5.8%. Measuring returns relative to short-term government yields helps contextualize the premium investors receive for bearing equity risk. The magnitude of recent outperformance—more than double the long-term average—played a meaningful role in shaping investor expectations, making today's more muted and policy-constrained environment feel like a sharp departure from recent history.

FIGURE 9

U.S. Large Cap Equity Performance over 15 Yr Periods Since 1950 Excess Returns Above Cash

Data as of 12/31/24. Source: Aspiriant analysis. Data from Bloomberg, Federal Reserve Bank of St. Louis Database. Excess return over Cash (3-Month Treasury Bills), sampled annually, beginning 1950. Chart begins in 1950 to enable 60, 15 Yr sample periods shown in grey. Each 15 Yr sample period begins in January. Representative period chosen to model the average excess return aligns with a simple average of the ending excess return across all 61 sample periods. U.S. Large cap equity market analysis based on the S&P 500. S&P 500 is a market-capitalization weighted index that includes the 500 most widely held companies chosen with respect to market size, liquidity and industry.

What led to the recent stretch of outperformance was an unusually favorable backdrop for U.S. equity investors. Short-term interest rates were at or below 1% in two-thirds of those years, while the Fed expanded its balance sheet by over $5 trillion through successive rounds of quantitative easing. Fiscal policy was similarly expansive, with federal deficits averaging more than twice the historical average. Meanwhile, U.S. equity markets were transformed by the rise of dominant technology platforms. A small group of mega-cap firms—publicly traded companies with market capitalizations typically over $200 billion—now comprising nearly 30% of the S&P 500—collectively added over $17 trillion in market capitalization since 2009. While this growth was supported by strong fundamentals, valuations also climbed well above their fair valuations.

Such conditions are unlikely to repeat, yet the notable returns of the recent past can skew investor expectations and exacerbate emotional responses to even normal bouts of volatility. This leads us to believe today's market unease is not just about geopolitics or policy—it's about recalibrating expectations after an extraordinary era of growth.

Timing the Market Often Misses the Mark

Amid prolonged market volatility, it's natural to question whether changes to portfolios are warranted. Nonetheless, empirical evidence suggests that remaining invested and maintaining a diversified allocation rank among the most effective strategies.

As shown in **Figure 10**, investor returns across eight major fund categories trailed the underlying strategy returns in every year from 2014 through 2023. This pattern, detailed in Morningstar's 2024 Mind the Gap study, highlights the persistent shortfall driven by poor timing decisions. These disparities were especially pronounced during volatile periods—such as 2018, 2020 and 2022—when headlines and market swings led many to make reactionary shifts or move temporarily to cash. While each move likely felt rational in the moment, the cumulative effect was meaningful.

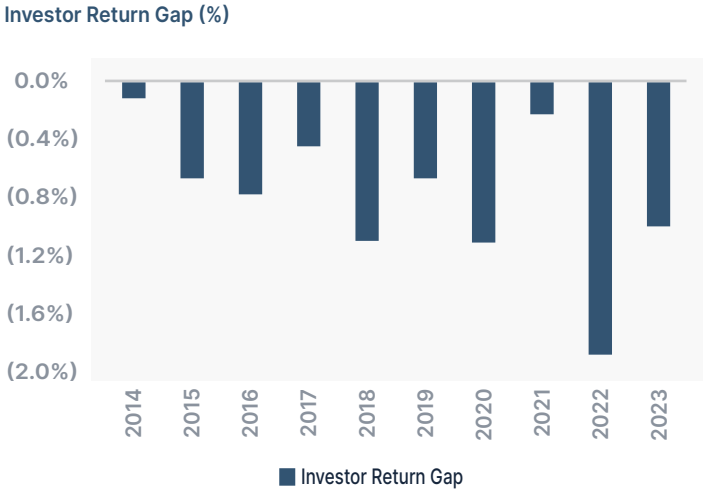
Over the past decade, an investor who stayed fully invested would have grown $1 million to $2.02 million while the average investor realized just $1.84 million—leaving more than $160,000, or 16.2%, on the table. These results reflect how difficult it is to consistently time markets—an outcome driven not by a lack of effort or insight, but by the challenges of predicting short-term fluctuations with precision. Even well-intentioned adjustments, if mistimed, can erode long-term results.

Importantly, the Morningstar study finds the behavior gap smallest in broadly diversified strategies, such as balanced allocation funds. These approaches help temper volatility and support discipline, particularly in uncertain environments where return dispersion across asset classes is likely to persist. In such settings, thoughtful asset allocation becomes increasingly important.

For instance, in a low-growth, low-inflation scenario, nominal bonds and defensive equity sectors—such as utilities and high-quality dividend payers—tend to perform well. If stagflationary dynamics—a mix of stagnant growth and high inflation—take hold instead, areas like consumer staples, healthcare, Treasury Inflation-Protected Securities (TIPS), and precious metals may offer greater resilience. While no single positioning can account for every outcome, maintaining broad, balanced exposure remains our primary tool for navigating evolving macro conditions.

FIGURE 10

Average Annual Return Foregone Across 8 Fund Categories 2014 to 2023



Data as of 12/31/23. Source: Aspiriant analysis. Data from Morningstar. Morningstar used a portfolio-based methodology for combining fund flows to an aggregate level. This method combines all the monthly flows and assets from a given category or category group into one portfolio to attempt to capture investors' asset-weighted returns. In contrast to total returns, investor returns account for all cash flows into and out of the fund to measure how the average investor performed over time. They include funds that were merged or liquidated during each period, including extinct funds, up until their final partial month. In other words, the methodology is designed to make sure the averages don't exclude results for poorly performing funds that later disappeared. They treat the final net assets before the fund is liquidated or merged as a sale. If those dollars went into another fund, Morningstar treats those incoming assets as a buy. Because fund mergers almost always occur within the same category group, those figures are a wash on an asset-class basis. While the study attempts to correct for survivorship bias as much possible, it does not correct for creation bias. The dataset only captures net assets, cash flows, and returns for funds that existed at the start of the study period. Returns used are time-weighted total returns, weighted by asset size, as a benchmark for comparison with investor returns. (The asset-weighted return average weights each fund's return based on an average of its asset size at the beginning and end of each month.) They refer to the difference between investor returns and total returns as the gap or investor return gap.

Final Thoughts & Portfolio Considerations

Strategic competition between the U.S. and China is intensifying, particularly around supply chains and advanced technologies, while key policy milestones—from trade negotiations to central bank leadership changes—continue to add complexity. Elevated fiscal deficits, constrained monetary flexibility and shifting global alliances suggest that many of the structural tailwinds that defined the post-Global Financial Crisis (GFC) era are now dissipating. Although initiatives to bolster economic resilience through reshoring and industrial policy may yield long-term benefits, they bring near-term frictions, including higher input costs and reduced capital efficiency.

The last 15 years stand out as one of the most remarkable periods in modern market history, shaped by unusually accommodative policy, global integration and rapid technological gains. In contrast, today's is marked by rising geopolitical tension and more fragmented policy coordination.

As these events unfold, adherence to established investment principles should serve as a critical anchor for long-term portfolio management. A balanced allocation across geographies, asset classes and sources of risk—incorporating U.S. and international equities, core and inflation-sensitive fixed income, and, where appropriate, private markets—offers the most reliable foundation for long-term success. While short-term volatility may test conviction, we view diversification and discipline as the clearest guideposts to achieving long-term objectives.

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Glossary of Terms Used in this Issue

Big Tech: A term referring to the largest, most influential technology companies, typically including Apple, Microsoft, Amazon, Google and Meta.

Consumer Sentiment: A measure of how optimistic or pessimistic consumers are regarding their expected financial situation and the overall economy.

Core Inflation: Inflation that excludes food and energy prices, which tend to be more volatile, to provide a clearer picture of long-term trends.

Deficit (Federal Deficit): The amount by which government spending exceeds government revenue in a given year.

Equities: Shares that represent ownership in a company and provide a claim on part of its profits.

Federal Funds Rate: The interest rate at which banks lend reserve balances to other banks overnight, influenced by the Federal Reserve to implement monetary policy.

Federal Reserve (the Fed): The central banking system of the United States, responsible for setting monetary policy, including interest rates and the federal funds rate.

Fiscal Policy: Government policies related to taxation and spending used to influence economic conditions.

GDP (Gross Domestic Product): The total value of goods and services produced within a country over a specific period, used as a key measure of economic health.

Inflation: The rate at which the general level of prices for goods and services rises, reducing purchasing power.

Inverted Yield Curve: A situation in which short-term interest rates are higher than long-term rates, often seen as a recession warning signal.

Investment-Grade Bonds: Bonds that have been assigned a high credit rating, indicating lower credit risk and a higher likelihood of timely repayment.

K-Shaped Recovery: An economic recovery in which some groups or sectors rebound quickly while others continue to struggle, often widening inequality.

Marginal Tax Rate: The rate at which your last dollar of income is taxed, often referenced in debates over tax policy.

Monetary Policy: Actions taken by a central bank to influence the money supply and interest rates in order to achieve macroeconomic goals.

Net Worth to GDP: A ratio comparing total household net worth to gross domestic product (GDP), used as a gauge of consumer wealth and spending capacity.

Recession: A significant decline in economic activity, typically defined by two consecutive quarters of negative GDP growth.

Sahm Rule: A recession indicator that signals a downturn if the unemployment rate rises by 0.5 percentage points or more from its recent low.

Short-Term Yields / Treasury Yields: The return on short-duration government debt, often used as a barometer of market interest rate expectations.

Stagflation: A period marked by low economic growth, high unemployment and rising inflation — a difficult environment for policymakers.

Tariff: A tax placed on imported goods, often used to protect domestic industries or as leverage in trade negotiations.

TIPS (Treasury Inflation-Protected Securities): Government bonds that adjust for inflation to help protect the purchasing power of investors.

U.S. Treasuries: Debt securities issued by the U.S. government, considered among the safest investments due to low default risk.

Yield Curve: A graph that plots interest rates of bonds across different maturities; the shape helps assess economic and market expectations.