WEEKLY ECONOMIC UPDATE APRIL 7, 2025

Stocks fell broadly last week as domestic and foreign markets reacted to the White House's tariffs.

The Standard & Poor's 500 Index declined 9.08 percent, while the Nasdaq Composite Index fell 10.02 percent. The Dow Jones Industrial Average dropped 7.86 percent. The MSCI EAFE Index, which tracks developed overseas stock markets, lost 7.39 percent.[1,2]

Under Pressure

Stocks rallied the first half of the week as markets tried to anticipate the potential impact of tariffs previously announced by the White House.[3]

Soon after the closing bell on Wednesday, President Trump's new tariffs surprised markets. Global markets reacted to the news overnight.[4]

Markets opened lower on Thursday, and the selling continued through Friday. Treasuries rallied in a flight to quality as investors moved to the sidelines. The yield on the 10-year Treasury note closed Friday at 4.0 percent. Bond yields generally fall when bond prices rise.[5,6]

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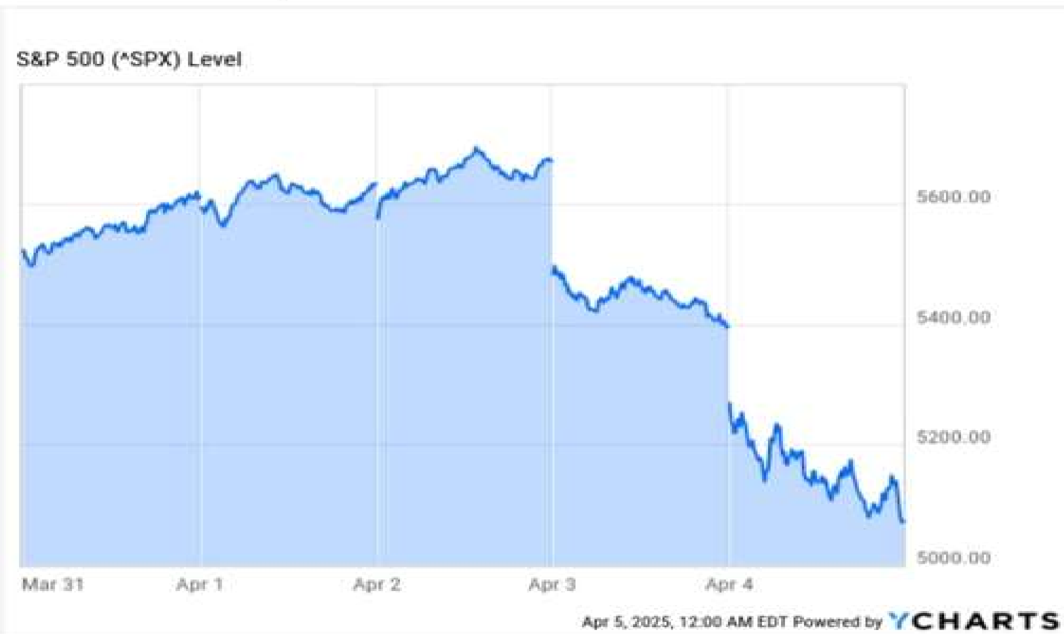
Weekly Market Insights (WMI)

Major Index Return Summary

Name	1M TR	YTD TR	1Y TR	5Yr TR
Nasdaq Composite	-9.73%	-14.14%	2.40%	133.3%
S&P 500	-7.63%	-7.94%	4.96%	134.2%
Dow Jones Industrial Average	-6.02%	-4.30%	5.48%	112.8%
MSCI EAFE	-1.55%	7.56%	6.88%	88.39%

S&P 500 Daily Close



10-Year Note Review

Indicator Name Date	Latest Value	1M Ago 3M Ago 1Y Ago	1M Change 3M Change 1Y Change
10 Year Treasury Rate 04/04/25	4.01%	4.22% 4.60% 4.31%	-4.98% -12.83% -6.96%

Powell's Speech

Federal Reserve Chair Jerome Powell gave a previously scheduled and much-anticipated speech on Friday. He explained:

- The labor market is in good shape and not a significant source of inflation.
- Longer-term inflation expectations are "well anchored and consistent with our 2 percent inflation goal" – despite higher expectations for inflation over the short term.
- Regarding consumer sentiment, while consumers "may not feel great about the economy now, they still keep spending." He added that the same happened during the pandemic.
- The Fed's policy stance is "well positioned to wait for greater clarity… (on the likely effects of trade and fiscal policy, for example) before considering any changes in monetary policy."[7]

This Week: Key Economic Data

Monday: Consumer Credit.

Tuesday: NFIB Small Business Optimism Index. Treasury Buyback.

Wednesday: Federal Open Market Committee (FOMC) Minutes released. 10-Year Treasury Note Auction. Wholesale Inventories.

Thursday: Consumer Price Index (CPI). Jobless Claims. Monthly Federal Budget. Chicago Fed President Austan Goolsbee and Dallas Fed President Lorie Logan speak.

Friday: Producer Price Index (PPI). Consumer Sentiment. New York Fed President John Williams speaks.

Quote of the Week

"Do not merely practice your art, but force your way into its secrets; it deserves that, for only art and science can exalt man to divinity."

– Ludwig van Beethoven

Of Note

In the wake of the 2008 Financial Crisis, former chief economist of the IMF Simon Johnson warned that the same dysfunctional policies he saw in his basket case banana republics had taken hold in the United States.

Johnson warned that if America didn't act fast, we would plunge into a "Quite Coup" as the American financial system effectively captures the government, bailing itself out until we run out of money.

Well, we didn't act fast. In fact, we got worse. And here we are.

As a result of the trillions of distresses in the financial system, you, the taxpayer, will be bailing them all out – we saw this in the 2023 bank bailouts, pre-paid in the dark. Of course, given our $35 trillion in national debt, we can't afford it. But pay it we will, driving that $35 trillion to, according to the CBO, $50 trillion-plus.

This means either a hard default – they stop paying interest, or the more likely soft default – they let inflation rip, melting away the national debt along with our life savings. And between here and there is a wholesale fleecing of the middle class and the working class who rely on them for a job.

So, first, they ignored warning by Simon Johnson. I'm no fan of the IMF – their role is essentially feeding their client dictators fresh drugs at massive taxpayer expense. But one thing the IMF does know is dysfunctional governments.

In his warning, Johnson detailed the typical pattern when countries collapse – when they come in desperation to the IMF. First, a small group of powerful elites takes over policy. This is typically the financial elite, or large companies when the country has them.

Because these elites know they'll be bailed out, they take excessive risks in good times. An iron law of finance is that risk pays reward. Meaning if you know you're going to get bailed out, you'd be a moron not to take on too much risk.

If every hand at the poker game is all-in, inevitably you lose. You pass your losses to the taxpayer and start over with fresh chips, courtesy of the suckers.

Johnson lays out his numbers: from 1973 to 1985, America's financial sector never earned more than 16% of the domestic corporate product. But by the early 2000s, it was earning 41%. It turned a chunk of these profits into lobbying, repealing Depression-era prudential regulations separating banking and investment banking. In other words, freeing banks to gamble with taxpayer-guaranteed funds. Then it lobbied to raise leverage – meaning how much the financial sector could borrow. So it could make large gambles with a small amount of money – again, all taxpayer-guaranteed. The end result was the 2008 crisis, where banks made trillions in risky loans to people with no income, no assets, and no credit.

The leverage meant they had bet the farm and then some – keeping all the profits. Then when it turned south, they sicced lobbyists on Washington to line up bailouts, using the real economy as a hostage to wring out yet more lobbyist favors. In return, they gave politicians and their staff plum positions or even outright bribes. Ben Bernanke got $250,000 for a single speech at a financial conference. Janet Yellen was paid $7 million in speaking fees by Goldman Sachs and other Wall Street banks. Hedge fund Citadel paid Yellen $292,500 for a single speech. London-based Standard Chartered paid $270,000 for one speech – interesting for a foreign bank when we can only imagine what favors were done in return.

Johnson sums it up: the American financial system is "desperately ill," kept alive only by an endless series of bailouts, like the ones that headed off bank failures last year. He says the only solution is forced recognition of bank losses – which would bankrupt them – then selling them to new management that will not have access to bailouts.

Given their lobbying power, the odds of breaking up America's megabanks are slim to none.

Meaning unless Washington reins in the banks, we're in store for more existential financial crises, more bailouts and national debt, and more running out the clock to financial catastrophe. We missed our chance in 2008, and in all likelihood, it will take an even bigger crisis before politicians turn on their lobbyists and the financial coup that has seized our republic.[8]

Footnotes and Sources

1. The Wall Street Journal, April 4, 2025
2. Investing.com, April 4, 2025
3. MarketWatch.com, April 1, 2025
4. The Wall Street Journal, April 2, 2025
5. MarketWatch.com, April 3, 2025
6. The Wall Street Journal, April 4, 2025
7. MarketWatch.com, April 4, 2025
8. zerohedge.com/markets/financial-coup-seized-america