Synovus Market Update

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Currency Outlook: Second Quarter 2025

David Grimaldi, Foreign Exchange Sales Consultant
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The rally in EUR/USD to 1.0950 (as of April 7) may have officially ended the "Trump trade" of buying U.S. dollars, which began last September when polls began pointing to the ex-president's re-election. Donald Trump's White House meeting with Ukraine President Volodymyr Zelenskyy on February 28 caused EUR to spike for two reasons. The prospect of a ceasefire or peace accord in Ukraine will direct investment back to Europe. Second, when Trump cut off funding to Ukraine, European leaders agreed to a huge rise in defense spending.
As new tariff deadlines with Canada and Mexico approached in early April, equities have had what may be described as a healthy correction of 10% due to many economic uncertainties with the new U.S. administration. It can be argued that this move is just a correction since gold has made new highs, above $3,000, and usually highly correlated to equities. The Federal Reserve System (the Fed) is expecting economic growth to slow in 2025, but has not changed its dot plot from the two expected cuts. In March Trump announced a more targeted approach to tariffs, which may reverse the "Liberation Day" he promised in regard to the early April deadline.

"We need steel, we need pharmaceuticals, we need aluminum, we need a lot of these things that we sort of don't make anymore, and yet we're equipped to do it all," said Trump. He also suggested tariffs on cars would come first. In addition, he promised a 25% tariff on any country buying oil from Venezuela. Trump's plan of tariffs may increase consumers costs, but his plan to pass a budget reconciliation and many of his policy points in one bill may not occur until July.

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Current Market Sell-off Is Well Overdue!

Daniel Morgan, Senior Trust Portfolio Manager,
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Policy uncertainty, fiscal drag, Department of Government Efficiency (DOGE), immigration enforcement and the lagged impact of higher rates and a stronger dollar have come together to pressure earnings revisions. This will most likely result in growth risks that could persist over the coming months. Perhaps even more important, U.S. President Donald Trump's administration doesn't appear to be preoccupied with stock prices. In other words, don't think investors should view a relief rally from oversold levels as a sign that volatility is subsiding in a durable manner. Expect a measured succession of policy announcements filtering out over coming weeks, which will directly impact daily market trading. Not only is policy being sequenced in a more growth-negative way to start the year, the speed and uncertainty around new policy introduction could dent investor, consumer and corporate confidence.

The 10-year UST yield has come down by about 75-40 basic points (BPS) since the middle of January, yielding between 4.00%-4.40%. The UST set a high for the year, yielding 4.79% on January 13. This drop in yields suggests that economists no longer view current policy as inflationary but possibly slowing economic growth. Further, dollar strength (a headwind during 4Q earnings season for multinationals) has now reversed as the U.S. Dollar Index (DXY) is now down 6% since the middle of January. Finally, seasonals for both earnings revisions and index performance improved over the next few weeks. As a result of all these factors combined with the recent tariff announcements, we've seen choppy stock index performance that has driven the S&P 500 Index (S&P) to the 5,000-5,100 area.

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You Gotta Look Outside!

Christopher Brown, Vice President — Investments
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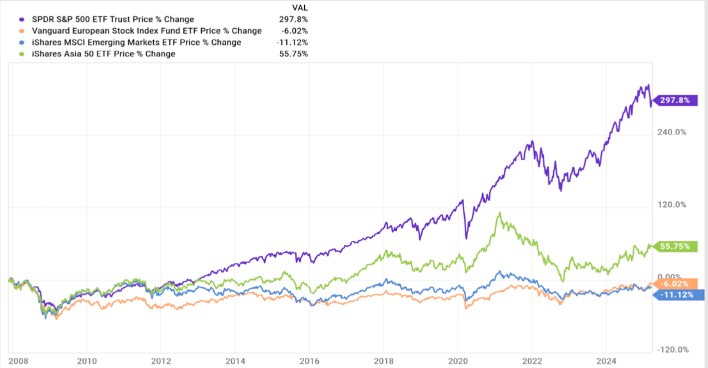
Spring is in the air and pollen is in the process of blanketing our cars. The U.S. equity markets have just completed the first quarter, and we are basically flat for the year when reviewing the performance of the S&P 500, the leading health barometer for the U.S. stock market. Though Q4 2024 earnings were extremely healthy, the policy fog is starting to become more evident with U.S. President Donald Trump's administration to reign in U.S. government jobs, spending and the country's debt expense. The Department of Government Efficiency (DOGE) slash-and-burn method has ushered in a "short-term pain for long-term gain" outlook for Q1 2025 and has recently spooked the markets, creating a swift selloff in late February, while at the same time, other areas in the global markets have seen a lift in their stock market performance. Many U.S. investors have been severely invested in developed international markets as well as emerging market countries, and for good reasons. The long-term chart below shows the S&P 500 compared to the eurozone, emerging market countries and Asia.

S&P 500 Versus Europe, Emerging Markets and Asia Over 20 Years



Source: ycharts.com

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Financial Planning

Jarrett E. Hindrew, CFP®, ChFC®, CLU®, Financial Advisor
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Investors often acquire concentrated stock positions through various means, such as being senior executives, board members, employees receiving company stock as compensation, or individuals investing in high-growth stocks. Inheritance of a large stock position can also lead to concentration.
When a single stock position represents 10% or more of an investor's total wealth, the associated risk typically outweighs potential incremental returns compared to a diversified portfolio. Additionally, if the stock has seen significant appreciation, there may be unrealized capital gains to consider. Managing a concentrated stock position involves overseeing a substantial portion of one's investment portfolio in a few assets, which can be risky due to its heavy reliance on the performance of those specific assets. To address the risks and potentially enhance returns associated with concentrated positions, investors can employ various strategies.

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The Personal Trust Corner: A J.D.'s Perspective

Amy Piedmont, J.D., LLM, Vice President, Sr. Trust Relationship Manager and Katherine "Kate" Gambill, J.D., Vice President, Sr. Trust Relationship Manager Synovus Trust Company, N.A.

Family Limited Partnerships (FLPs) and Family Limited Liability Companies (LLCs) are powerful tools for families looking to manage their wealth, protect their assets and plan for the future. These entities are particularly well-suited for several scenarios.

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We're here if you have questions.

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