

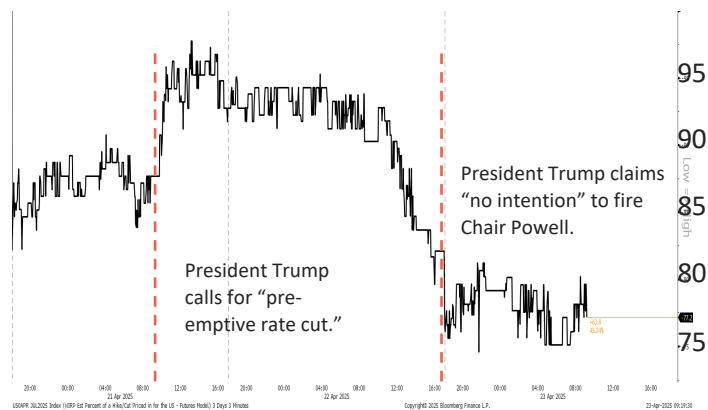
# President vs. The Fed

Beginning last week and gaining steam over the weekend, President Trump’s dissatisfaction with Federal Reserve Chair Jerome Powell—and his threats to fire him—put investors on edge. The prospect of the Federal Reserve losing its independence from political influence rattled markets on Monday, sending the S&P 500, the U.S. bond market, and the dollar all lower. While President Trump is not the first president to pressure the Federal Reserve, his methods are far from conventional.

In addition to being unconventional, these methods are likely to be ineffective. If President Trump’s goal is to jawbone the Federal Reserve into cutting interest rates, his approach may well have the opposite effect. When its independence is publicly challenged, the Fed has a stronger incentive to demonstrate its autonomy by resisting political pressure. Traders appear to recognize this dynamic. Rather than increasing the likelihood of a rate cut, the President’s public threats may have diminished it.

Perhaps responding to the market’s poor reception of his threats, the President pivoted on Tuesday, clarifying that he has no intention to fire Chair Powell. While markets today are finding comfort in that pivot, the unconventional dynamics between the President and the Federal Reserve are likely to persist.

**Probability of a June 0.25% Rate Cut  
Fed Funds Futures**



Bloomberg, as of April 23, 2025.

## Economy

### Last Week

- **NY Fed 1-Yr Inflation Expectations (Mar.):** 3.6%, up from 3.1% one month prior.
- **Retail Sales (Mar.):** 1.4% HL, 0.4% Control (MoM)  
Auto sales driving higher rate on headline sales.
- **Housing Starts & Building Permits (Mar.):** -11.4% and +1.6%, respectively, MoM

### This Week

- **Leading Economic Indicators (Mar.):** 4/21
- **S&P Flash PMIs (Apr.):** 4/23
- **Durable Goods (Mar.):** 4/24
- **Existing Home Sales (Mar.):** 4/24

## Equities

### Returns (%)

Index	Level	1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
S&P 500	5288	-2.00	-5.71	-9.74	6.95	9.98	15.93
Russell 1000 Growth	3438	-3.04	-5.36	-14.80	7.67	12.84	17.30
Russell 1000 Value	1742	-0.43	-5.88	-3.87	5.03	6.03	13.73
FTSE High Dividend Yield*	434	-0.66	-6.06	-4.41	6.70	6.34	13.40
S&P Small and Mid Cap	15104	0.09	-6.32	-12.88	-3.32	2.44	13.62
MSCI EAFE	2418	1.53	1.05	8.15	10.90	8.63	12.01
MSCI EM	1074	0.38	-2.29	0.61	9.22	3.02	6.73

### Characteristics

Index	NTM P/E	NTM P/E (20Y med)	Div Yield	YTD (%)	S&P Sector Returns YTD
S&P 500	17.7	15.3	1.5	10	Staples Utilities Real Estate
Russell 1000 Growth	21.6	17.8	0.8	5	Health Care
Russell 1000 Value	14.5	13.4	2.4	0	Financials
FTSE High Dividend Yield*	12.0	13.0	4.2	-5	Materials
S&P Small and Mid Cap	12.2	15.5	2.2	-10	Energy
MSCI EAFE	13.3	13.4	3.4	-15	Industrials
MSCI EM	10.7	11.1	3.0	-20	Comm. Serv. IT Cons. Discr.

\* Bloomberg U.S. Large Cap Dividend Yield Total Return Index used as substitute for index characteristics.

## Fixed Income

### Returns (%)

Index	Yield	1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
U.S. Aggregate	4.75	-0.28	-1.15	1.59	6.11	1.42	-0.97
U.S. Int. Gov/Credit	4.33	0.08	-0.14	2.28	6.86	2.82	0.59
U.S. Corporates	5.41	-0.23	-1.74	0.53	5.66	2.31	0.13
High Yield	8.22	0.38	-1.14	-0.14	7.92	5.52	6.20
Municipals (1-10)	3.78	-0.26	-1.46	-0.77	1.14	2.08	0.93

### Levels (%)

Key Rates	Last	1 Wk Ago	Last Qtr	Prev YE	1 Yr Ago	3 Yrs Ago	5 Yrs Ago
2-yr Treasury	3.82	3.77	3.89	4.24	4.93	2.67	0.22
10-yr Treasury	4.40	4.28	4.21	4.57	4.64	2.90	0.60
30-yr Treasury	4.88	4.74	4.57	4.78	4.77	2.95	1.18
SOFR	4.30	4.31	4.41	4.49	5.31	0.27	0.01
6-mo. CD rate	4.36	4.26	4.25	4.33	5.37	1.82	0.78
Prime Rate	7.50	7.50	7.50	7.50	8.50	3.50	3.25
30-yr fixed mortgage	6.90	6.93	6.77	7.28	7.48	5.29	3.55