

MONTHLY VIEWPOINT

OUR CURRENT VIEW ON MARKETS
AND THE ECONOMY

MAY 2025



FORWARD
WEALTH MANAGEMENT

BIG THOUGHT

April brought extreme volatility, with markets swinging from panic to pop following the April 2nd “Liberation Day” trade announcement. Asset price movements during the month mirrored those seen during major financial crises. The U.S.—as the hub of global trade and capital markets—saw a staggering \$5.3 trillion decline in S&P 500 market cap within a week. While key US asset classes pared losses by month-end, investors are now confronting a deeper question: what risks are truly priced in? The shift signals a potential break from an investment regime of global trade and US-led international order. Despite April’s sharp bounce, intermediate trend indicators remain weak. Meanwhile, Q1 economic growth contracted and inflation stayed persistently high, adding further complexity to the evolving outlook (see Chart of the Month).

DASHBOARD

-  Valuation
-  Trend
-  Economy
-  Inflation
-  Money Flow
-  Credit

BULLISH

- Credit markets not showing expansion in spreads, i.e. no recession pricing
- Deficit reduction plan provides pathway to fiscal sustainability
- Sentiment is low, paving the way for near-term market support

BEARISH

- Economic weakness & global trade restructuring risks negative feed-back loop
- Market valuation at levels last seen in 2000
- Risk of capital flight as foreign investors reallocate funds away from US
- US inflation expectations trending higher in response to tariff impacts

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CHART OF THE MONTH

BRIDGEWATER

	Vulnerabilities	Yesterday's Environment	In The New Mercantilist Paradigm
1	Growth Weakness	Strong US Growth	Policy-Induced Growth Slowdown
2	A Fed that Can't Ease Into Problems	Flexible, Proactive Fed	Stagflationary Risks, Fading Disflationary Tailwinds
3	Stock Underperformance	US Corporates Globally Dominant	US Corporates Highly Exposed to RoW, While Continuing Outperformance Priced In
4	US Equity Underperformance vs the World	Global Capital Surplus, Massive US Inflows	Loss of US as Reliable Trade and Security Partner Threatens US Capital Inflows

Bridgewater views the trade shifts announced on April 2nd as a turning point for the global economy, introducing meaningful risks to portfolios still positioned for the prior regime. Investors remain heavily exposed to an environment defined by strong U.S. growth, accommodative Fed policy, and U.S. market dominance—conditions that are now fading. Bridgewater anticipates slower growth with increasing recession risk, a Federal Reserve constrained by persistent inflation and limited capacity to cut rates, and a growing threat of capital outflows as global investors shift away from U.S. assets.

ABOUT FORWARD WEALTH MANAGEMENT

Established in 2014, Forward Wealth Management provides personalized financial advice that delivers peace of mind and confidence where client goals and money decisions intersect with markets and investing. Forward’s proprietary approach, TRAC, is a goals-based guidance process which measures and maps Timelines, Resources, and a portfolio’s Asset Allocation against current market Conditions and the expected cost of retirement income.

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