



Calm Before the Storm?

May 20, 2025

Investors appeared to be encouraged by an inflation report which showed an increase in core inflation of just 2.3% in March, down from February's reading of 2.7%. Maybe the massive new tariff regime won't raise prices after all.

Unfortunately, the rosy inflation report, and a report showing that consumers went on a buying frenzy at the end of last year, will almost certainly be what some will call a 'deep fake.' Ironically, the threat of tariffs has induced importers to rush to get products into the country before the prices were hiked at the border, and consumers were buying early for basically the same reason. Overall personal consumption expenditure rose 1.8% in the first quarter, but this was down from the 4% rate in the fourth quarter. It will drop further if prices go up.

The darker clouds on the horizon include the fact that first quarter American gross domestic product (GDP) suffered a small decline, and hiring was down in April. Meanwhile, the trade deficit reached a record \$162 billion in March. There have been reports that the U.S. economy's already in a recession (these things are only known once the data has been collected after the fact), but it's impossible to predict whether this will be a shallow trough (with minimal market damage) or something more serious.

Source:

<https://apnews.com/article/stocks-markets-autos-tariffs-trump-earnings-bbad7ca16bceb8c35822d906b195f5d2>

<https://www.investors.com/news/economy/gdp-pce-inflation-federal-reserve-adp-sp-500/>

If you have any questions about this article or want to discuss your family finances, investment portfolio, or financial planning advice, please call on me anytime at my number [\(215\) 325-1595](tel:2153251595) or you can [click here to schedule a meeting](#).

Please feel free to forward this article and offer to anyone you know who might have financial questions or need some unbiased advice. Most financial advice is sales advice. In stark contrast, we are fee-only (non-commissioned) fiduciary advisors. We just provide truthful, unbiased advice to our clients.



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