WJ Charts of the Month

March 2025

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WJ Charts of the Month Intro

"WJ Charts of the Month" is a comprehensive monthly slide deck designed to showcase recent significant financial events and data. The presentation is organized into four sections, beginning with a "Highlights" slide that sets the stage for the subsequent content.

1. What Happened Last Month: This section features a curated collection of charts and images from various publications, offering a visual summary of the previous month's key events.

2. WJ State of the Economy: Our team at WJ has created an array of charts to emphasize crucial economic factors and trends.

3. WJ State of the Markets: Similarly, this section comprises a series of charts crafted by WJ to provide an overview of the core markets we monitor.

We strive to maintain consistency across the charts to facilitate easy comparison month-over-month. However, we may adjust or emphasize specific charts if their relevance shifts over time.

Our objective with this publication is to establish a "One-Stop Shop" for the most vital financial information, presented in a concise and easily digestible format. **We value your feedback to help us achieve this goal.** If you have suggestions regarding the format, or if there's particular information you'd like to see in future editions, please don't hesitate to let us know.

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Highlights

Liberation Day Tariffs

Panic in the Market

Does the US Still Make Things?

International Stock Dominance

Government Spending

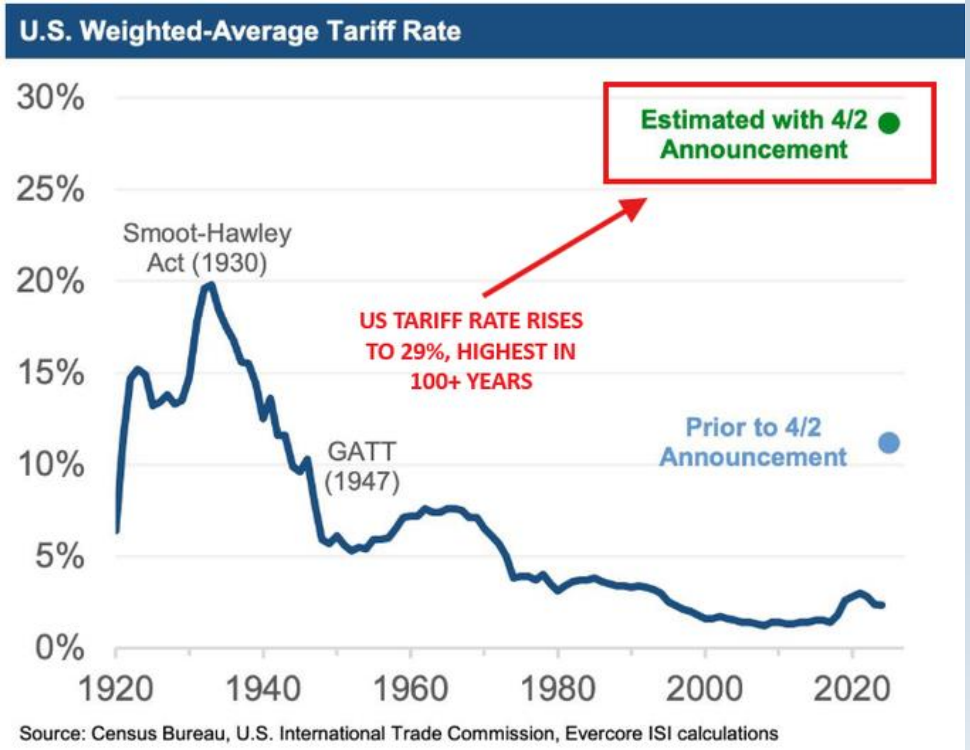
Last Minute Changes

What Happened

Trump Announced Reciprocal Tariffs

This is the chart seen around the world. On April 2nd, marked as Liberation Day, President Trump announced the highly anticipated retaliatory tariffs on the rest of the world. The reaction to them was immediate shock, as they were much higher than what was expected.

The chart below shows that these are the highest rates in over a century, much higher than the infamous Smoot-Hawley tariffs in 1930.



Reciprocal Tariffs

Country	Tariffs Charged to the U.S.A. Including Currency Manipulation and Trade Barriers	U.S.A. Discounted Reciprocal Tariffs
China	67%	34%
European Union	39%	20%
Vietnam	90%	46%
Taiwan	64%	32%
Japan	46%	24%
India	52%	26%
South Korea	50%	25%
Thailand	72%	36%
Switzerland	61%	31%
Indonesia	64%	32%
Malaysia	47%	24%
Cambodia	97%	49%
United Kingdom	10%	10%
South Africa	60%	30%
Brazil	10%	10%
Bangladesh	74%	37%
Singapore	10%	10%
Israel	33%	17%
Philippines	34%	17%
Chile	10%	10%
Australia	10%	10%
Pakistan	58%	29%
Turkey	10%	10%
Sri Lanka	88%	44%
Colombia	10%	10%

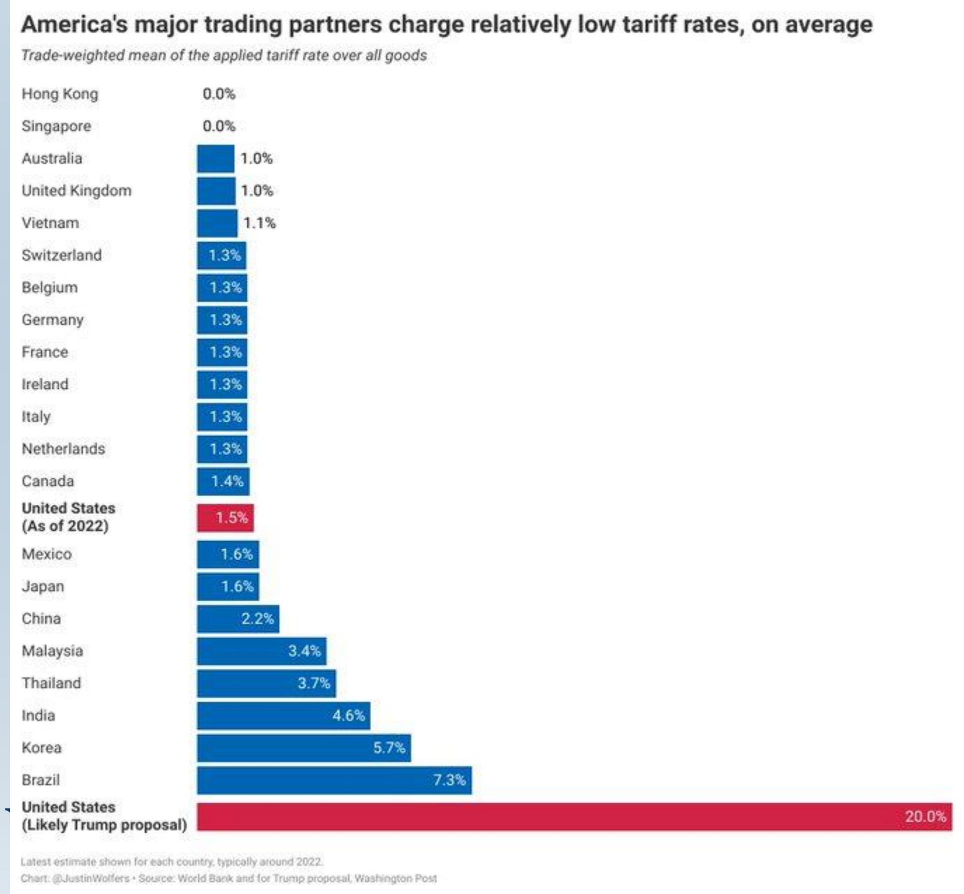
Reciprocal Tariffs

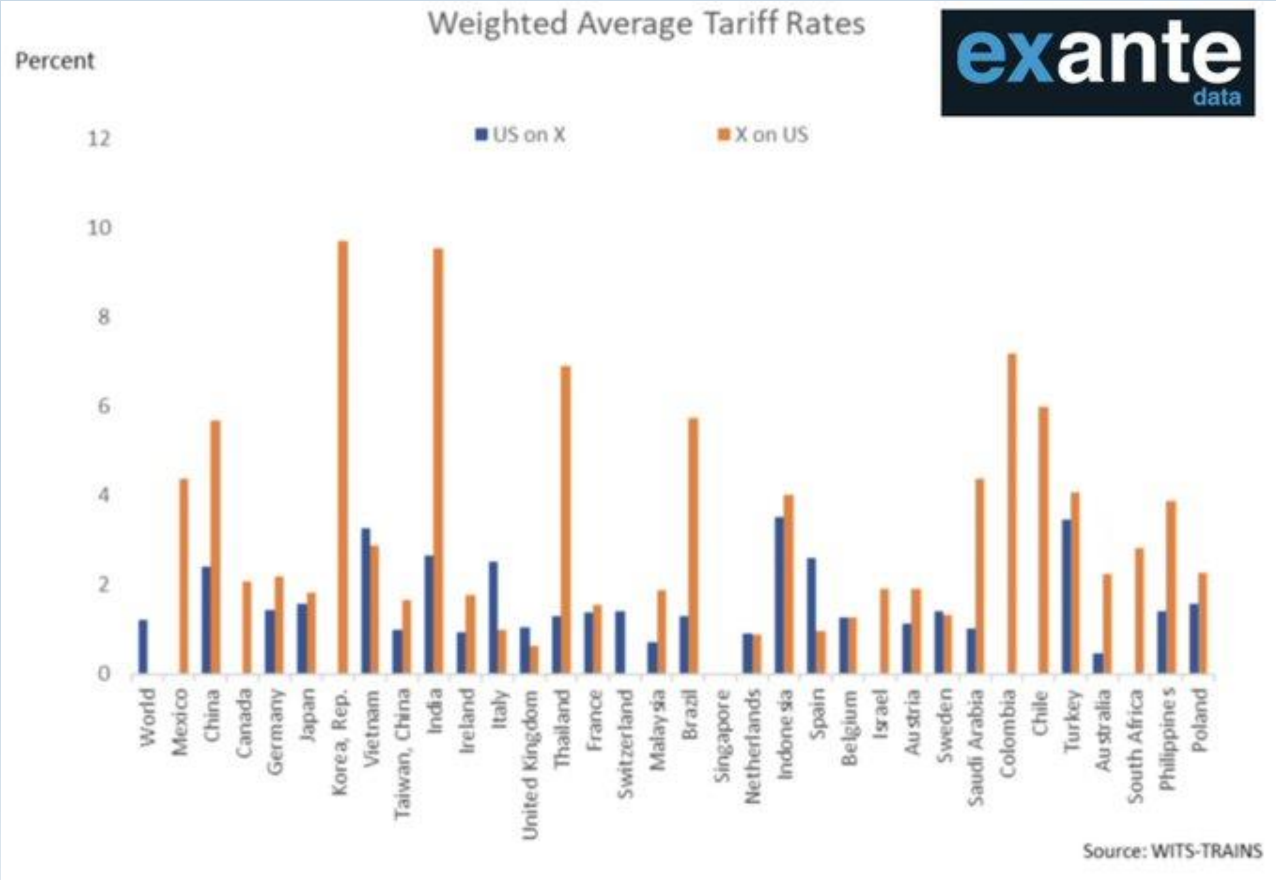
Country	Tariffs Charged to the U.S.A. Including Currency Manipulation and Trade Barriers	U.S.A. Discounted Reciprocal Tariffs
Peru	10%	10%
Nicaragua	36%	18%
Norway	30%	15%
Costa Rica	17%	10%
Jordan	40%	20%
Dominican Republic	10%	10%
United Arab Emirates	10%	10%
New Zealand	20%	10%
Argentina	10%	10%
Ecuador	12%	10%
Guatemala	10%	10%
Honduras	10%	10%
Madagascar	93%	47%
Myanmar (Burma)	88%	44%
Tunisia	55%	28%
Kazakhstan	54%	27%
Serbia	74%	37%
Egypt	10%	10%
Saudi Arabia	10%	10%
El Salvador	10%	10%
Côte d`Ivoire	41%	21%
Laos	95%	48%
Botswana	74%	37%
Trinidad and Tobago	12%	10%
Morocco	10%	10%

Which Were Much Higher than Expected

The most shocking part was perhaps how they calculated the reciprocal tariffs. For example, Trump's chart showed Vietnam having a 90% tariff rate on the US, and as a result slapped a 46% retaliatory tariff on them. However, the trade weighted tariff rate is somewhere between 3.5%-5%, depending on methodology. The White House clarified that they were using a formula (trade deficit/imports) to proxy the trade barriers put up by other countries.

This had the effect of drastically increasing the rate of tariffs we applied on the rest of the world.

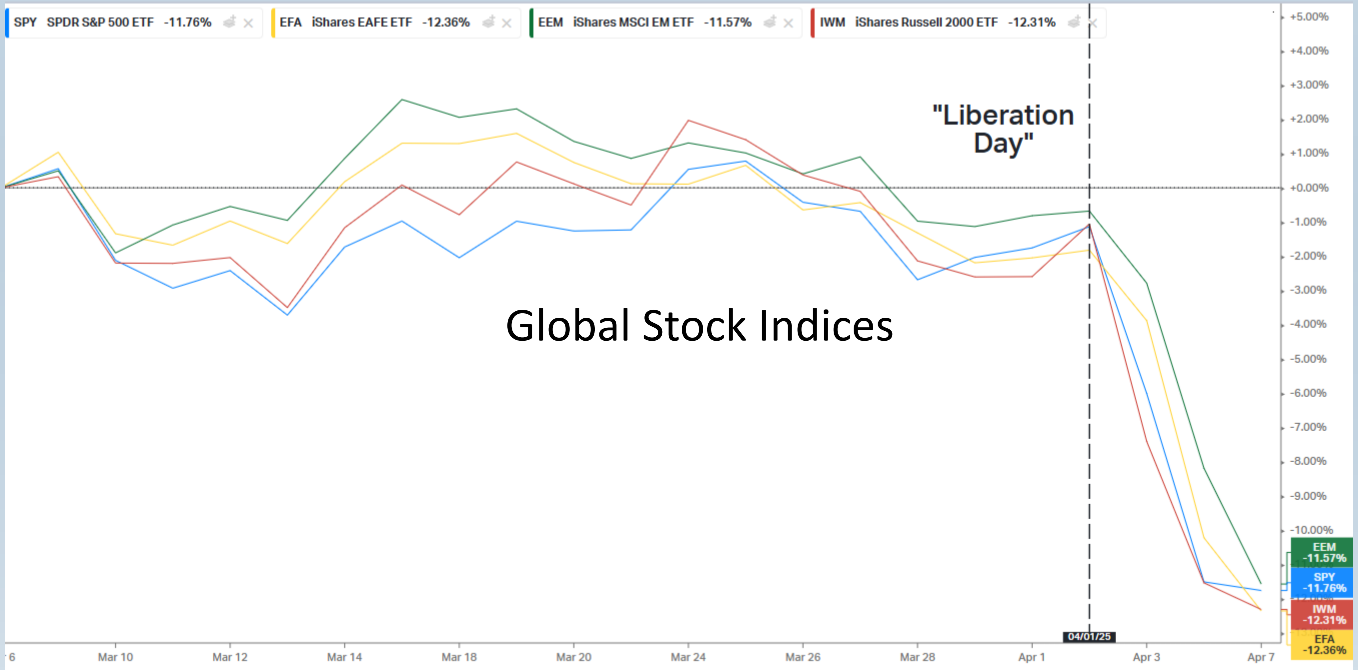


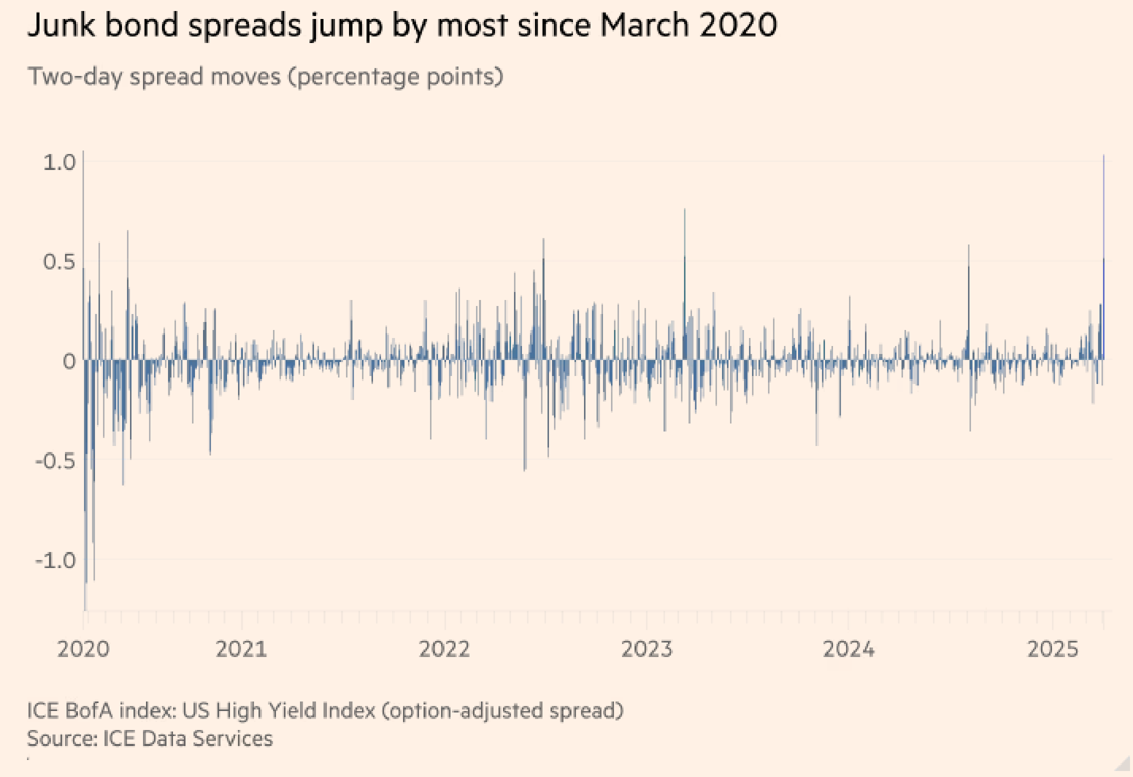


Panic in the Market

The market reaction was fierce. In the two days following the announcement, global stocks fell over 10%, the fastest move since the onset of COVID in 2020. Markets and economists quickly increased their forecast of recession this year, assuming the tariffs stay in place.

Another important market chart to watch are credit spreads. Credit spreads are the difference in interest rate between government debt and corporate debt. This number goes up if the market is concerned with corporation's ability to service their debt. It's one of the most predictive indicators of recession, so we are watching carefully. It has moved up, but not so much as to be imminently concerned.





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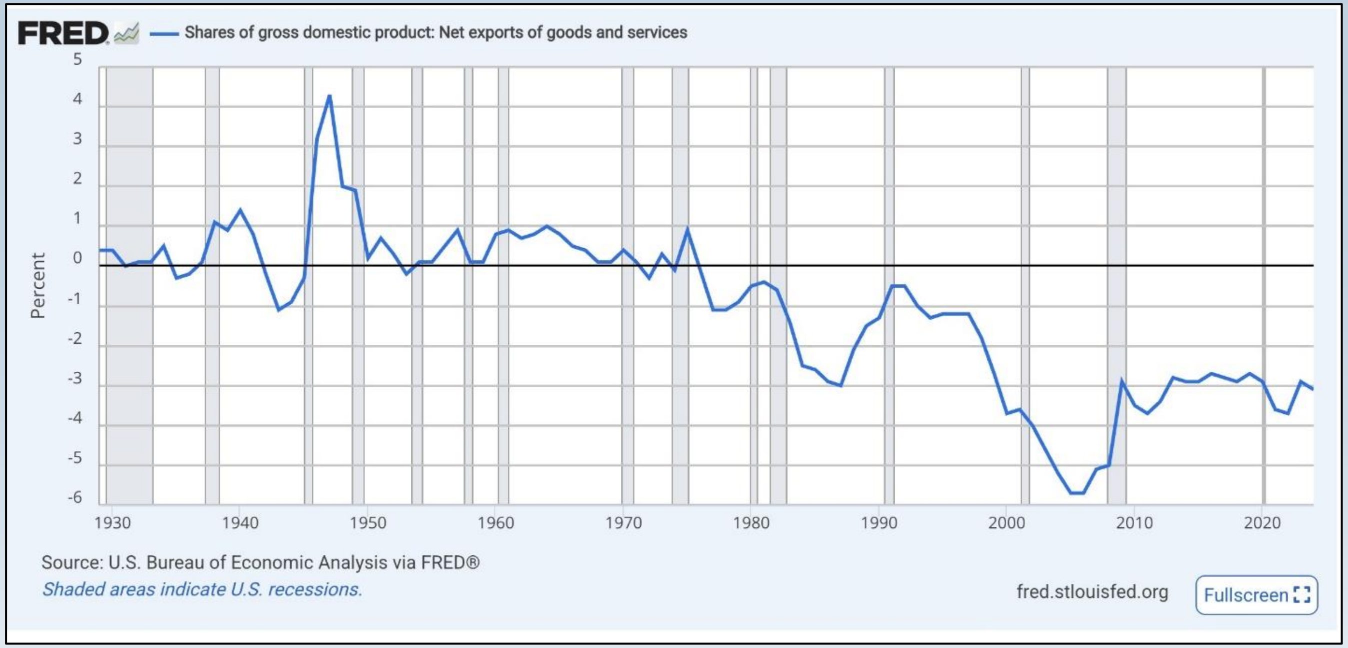
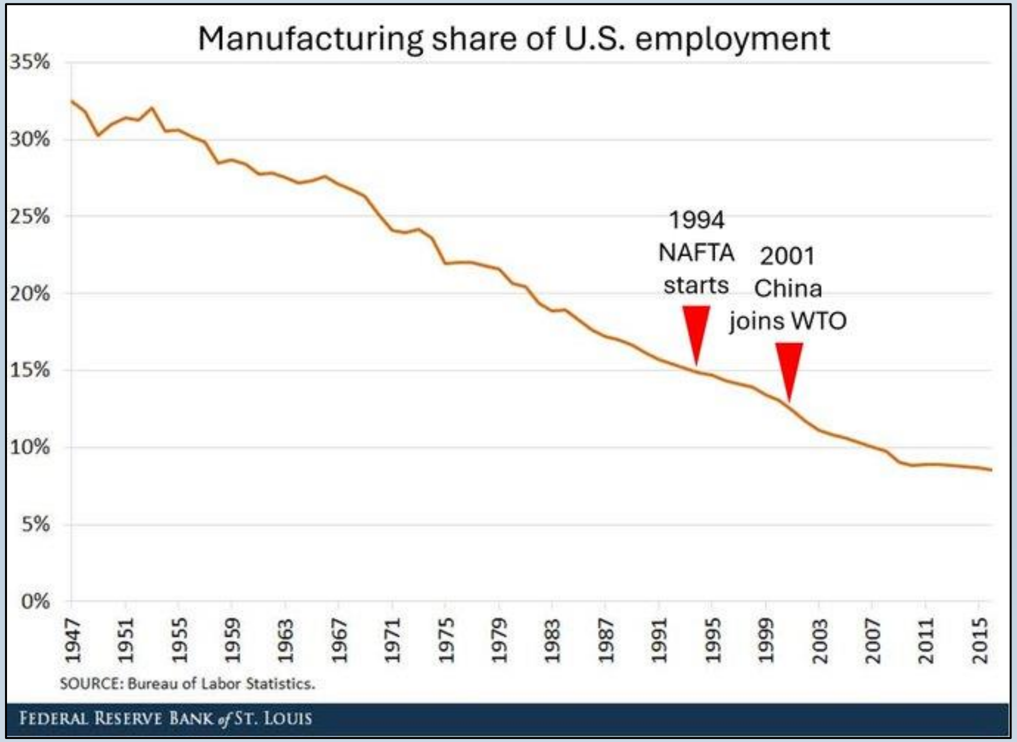
What Are Tariffs Trying to Fix?

Trump is using an emergency powers act to enact these tariffs, and the emergency he has cited is our $1 trillion trade deficit with the rest of the world. As you can see in the chart below, we began having a deficit in the 70s, and it has mostly expanded since then. A trade deficit is when a country buys (imports) more goods and services from the rest of the world than it sells (exports).

One reason that our trade deficit has increased over time is because we have outsourced much of the manufacturing we used to do. You can see the effect of this in the right chart showing the share of employees that work in manufacturing. It is fair to say that many of those jobs have moved overseas, and this has been happening for a while.

Tariffs are simply a consumption tax on foreign goods, so by increasing tariff rates, we should buy less of them. That will reduce our trade deficit (*assuming foreign countries continue to buy our goods at the same rate) and potentially incentivize companies to bring back that manufacturing capacity.

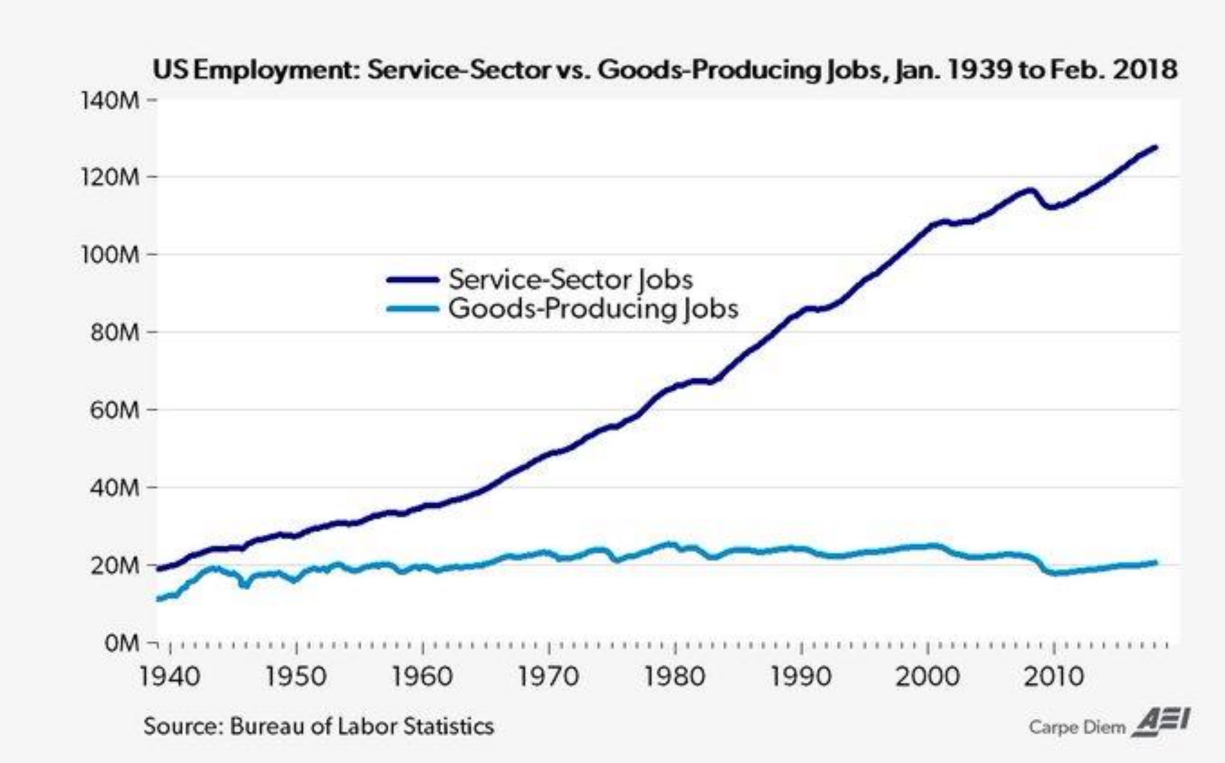


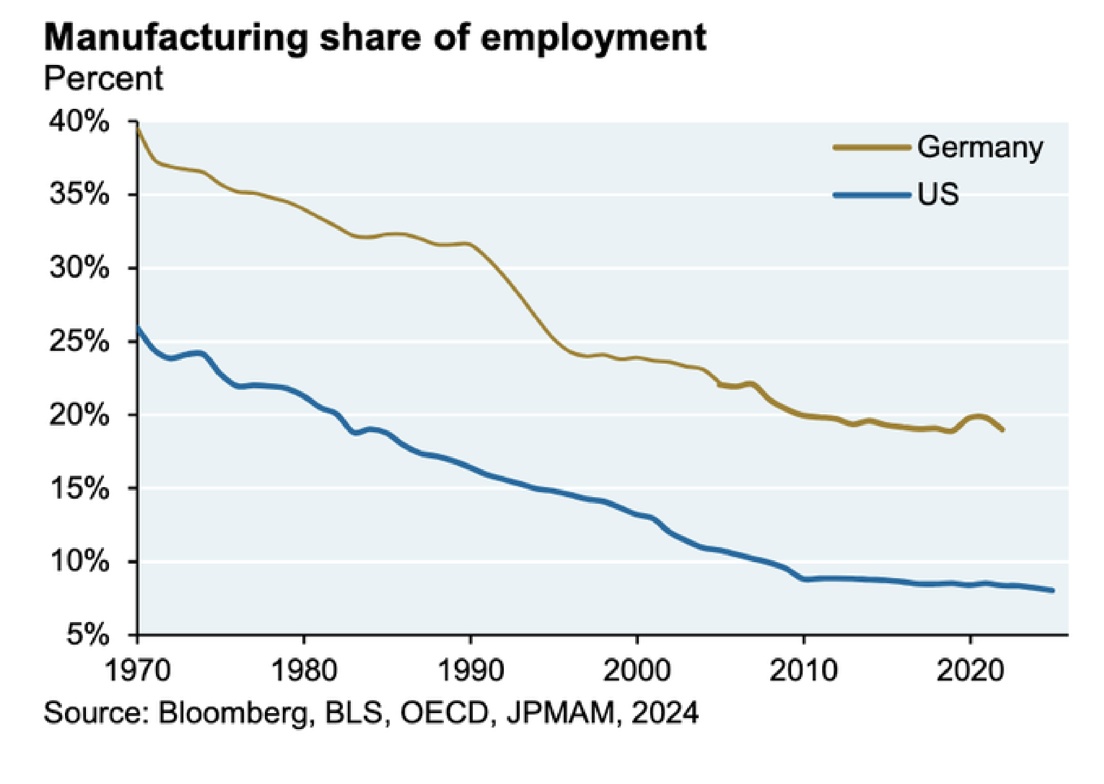


But Jobs Have Changed

Those lost jobs must be put into context, however. They aren't gone in a vacuum, they've changed. The US is a service based economy. Think Financial Services such as investment banking and asset management. Software development and cloud computing. Global IT, cyber security, data services. Healthcare, tourism, engineering, the list goes on. That's what Americans do now, as you can see by the first chart.

The second chart is interesting, because it compares our manufacturing employment with Germany's. The reason its interesting is because Germany runs a major trade **surplus** (as opposed to the US's trade **deficit**). This would imply trade deficits aren't the only reason manufacturing jobs have gone away.





And Manufacturing is Still Alive and Well

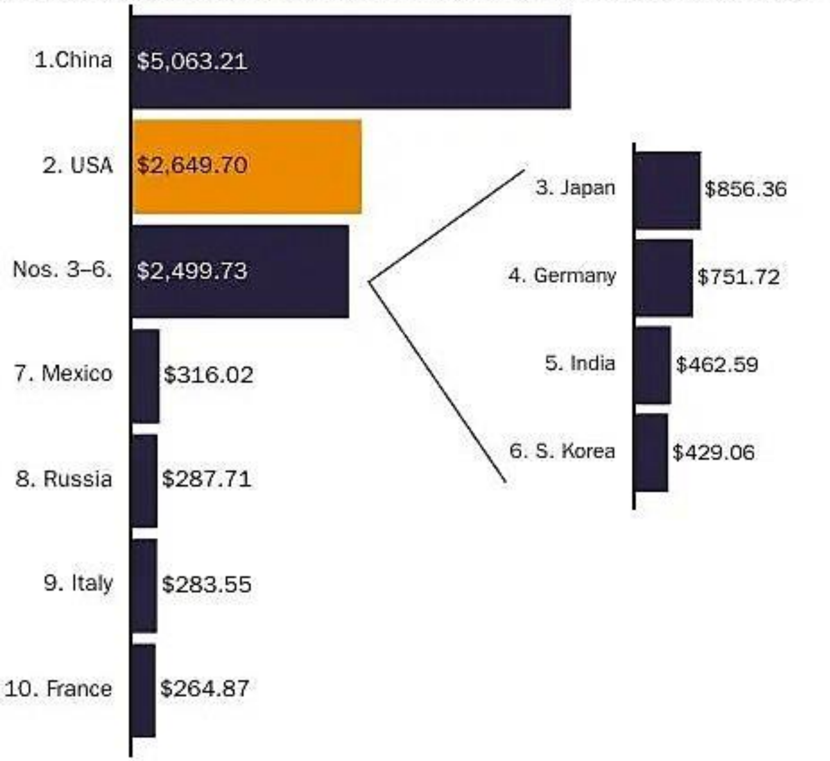
Please don't mistake the US's declining share of manufacturing jobs as meaning we don't build things in America anymore. We are still the 2nd largest manufacturer in the world. The first chart shows that we trail China in total manufacturing but are well ahead of the next several countries combined.

We are also very efficient manufacturers who specialize in highly sophisticated products. China has over 4 times the population as the US. So when we adjust by workers, the United States produces far more per person.

Figure 1

The United States remains a manufacturing powerhouse

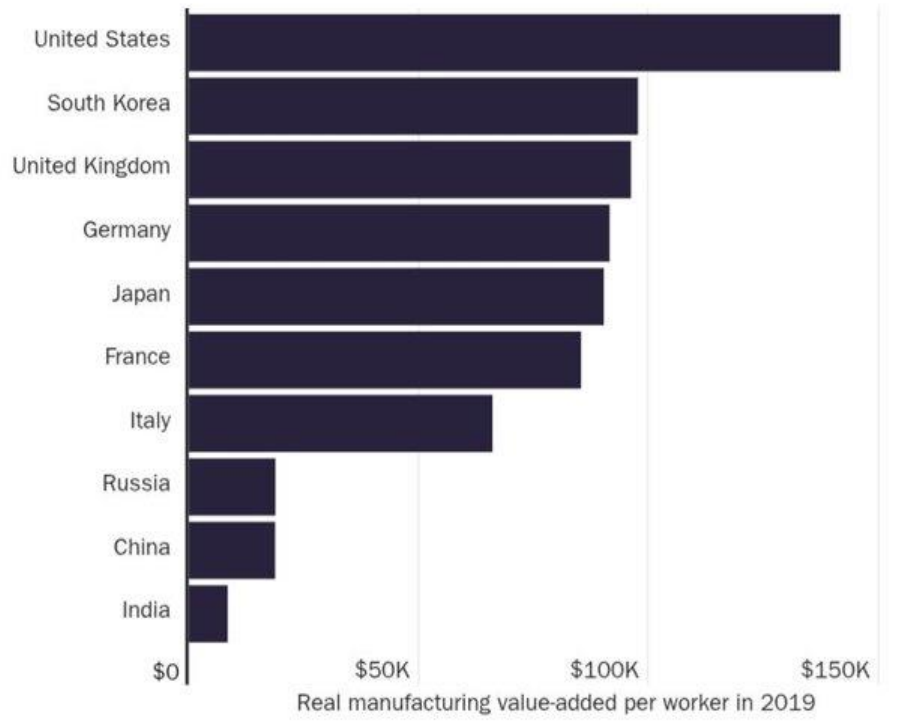
Manufacturing output in 2022, top 10 countries, billions of nominal U.S. dollars



Source: "GDP/Breakdown at Current Prices in US Dollars (All Countries)," National Accounts—Analysis of Main Aggregates (AMA), United Nations Statistics Division, updated December 2023.

Figure 1

The United States is the global leader in manufacturing value-added per worker



Sources: Data on manufacturing value-added (constant 2015 dollars) from "National Accounts Database," United Nations Industrial Development Organization; and data on manufacturing employment from "Employment by Sex and Economic Activity (Thousands)—Annual," International Labour Organization; and author's calculations.

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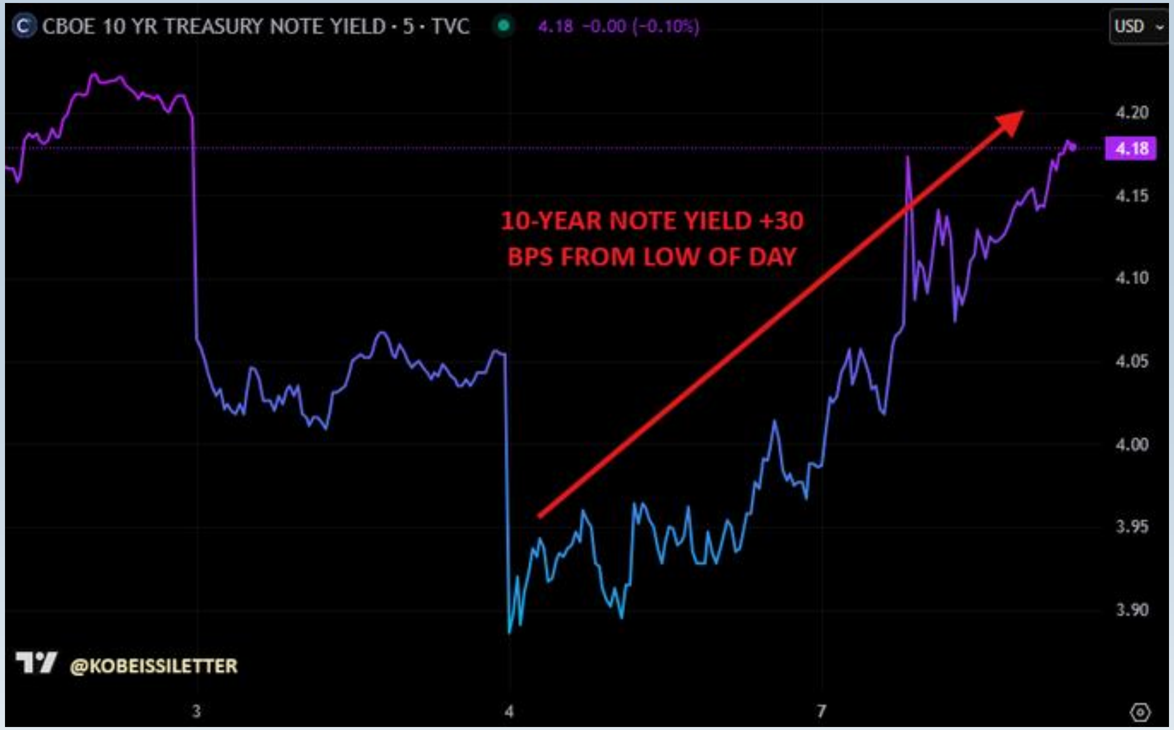
The Dollar and Interest Rates

There is a popular theory that the market turmoil is on purpose. The idea is that the short-term pain is necessary for the long-term benefits of reversing global trade, but there are near-term benefits from this as well. First, the market turmoil should cause treasury rates to come down as investors rush to safety. Treasury Secretary Bessent has often said that bringing down the 10-year treasury rate is his top priority. This interest rate is the benchmark that all lending rates are based off, most importantly mortgage rates. But also, if treasury rates come down the government should be able to refinance its debt at lower rates.

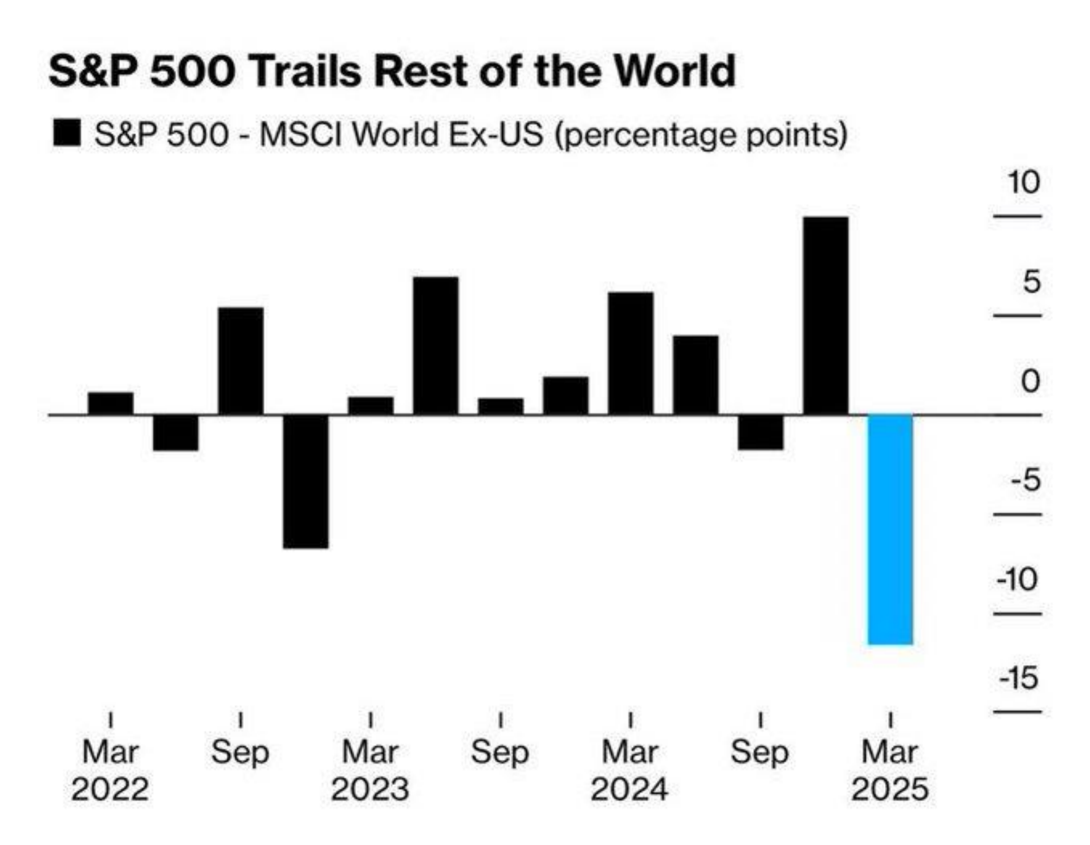
That theory while popular is really threading the needle. While its true that interest rates generally come down in a recession, debt issuance usually spikes to rescue the economy. I wouldn't give much credence to that theory, but its worth mentioning because Trump himself tweeted it. It should be noted that since the tariffs were announced, treasury rates have gone UP. In addition, the dollar has gone down, which makes the potential price increases a bit more painful.

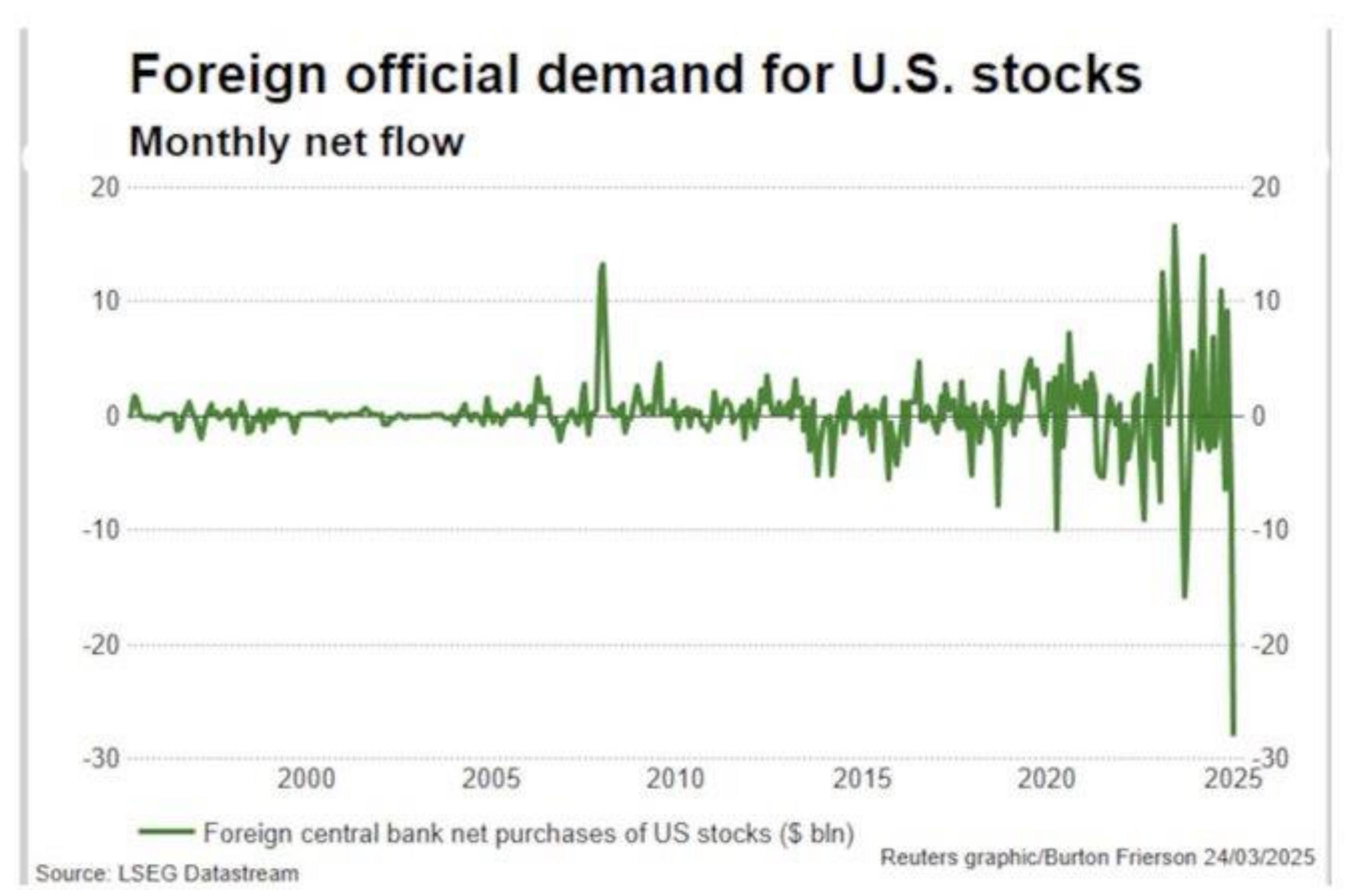


Foreign Money Exiting

An important development this year is the flight of capital from the US. The green chart is one of a few examples showing capital leaving. Foreign politicians are urging their citizens to reinvest at home.

This has led to the largest outperformance of international stocks over US stocks in about 50 years.



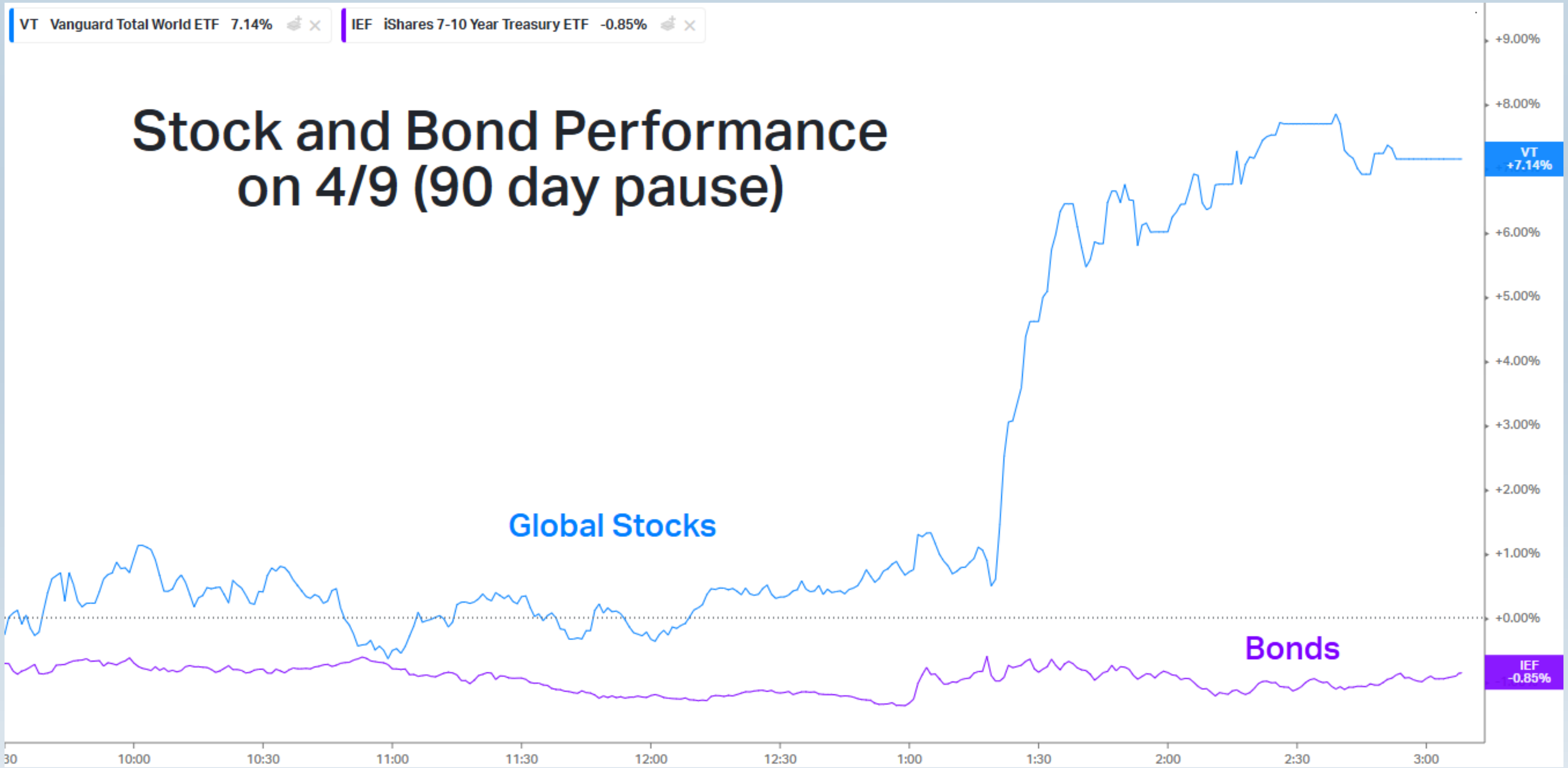


Foreign official sales of US stocks hits record Purchase Licensing Rights

Bonus Chart: Things Change Fast

I was literally about to publish this Charts of the Month, but some news that's too significant to ignore just broke. Trump has paused retaliatory tariffs on most countries for 90 days, and INCREASED tariffs on China to 125% as punishment for retaliating.

The market surged on this news, erasing most of the losses from earlier this week. Interest rates however, are still spiking higher, which you can see in the performance of Treasury bonds below.



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WJ State of the Economy

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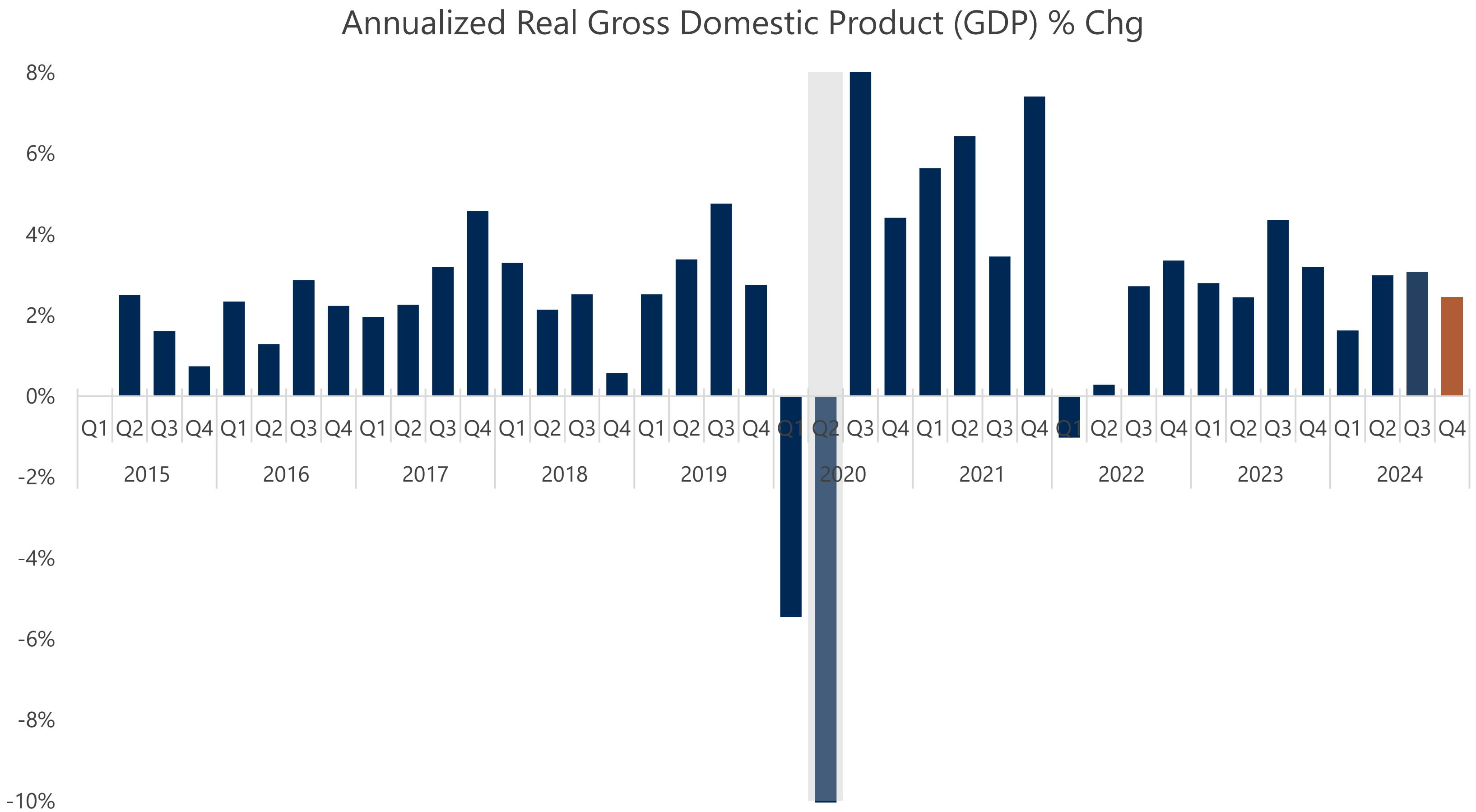
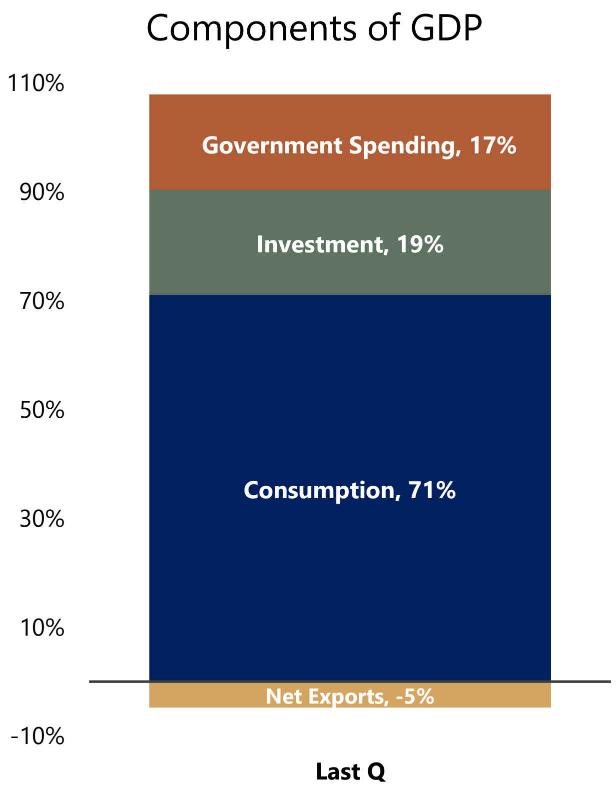
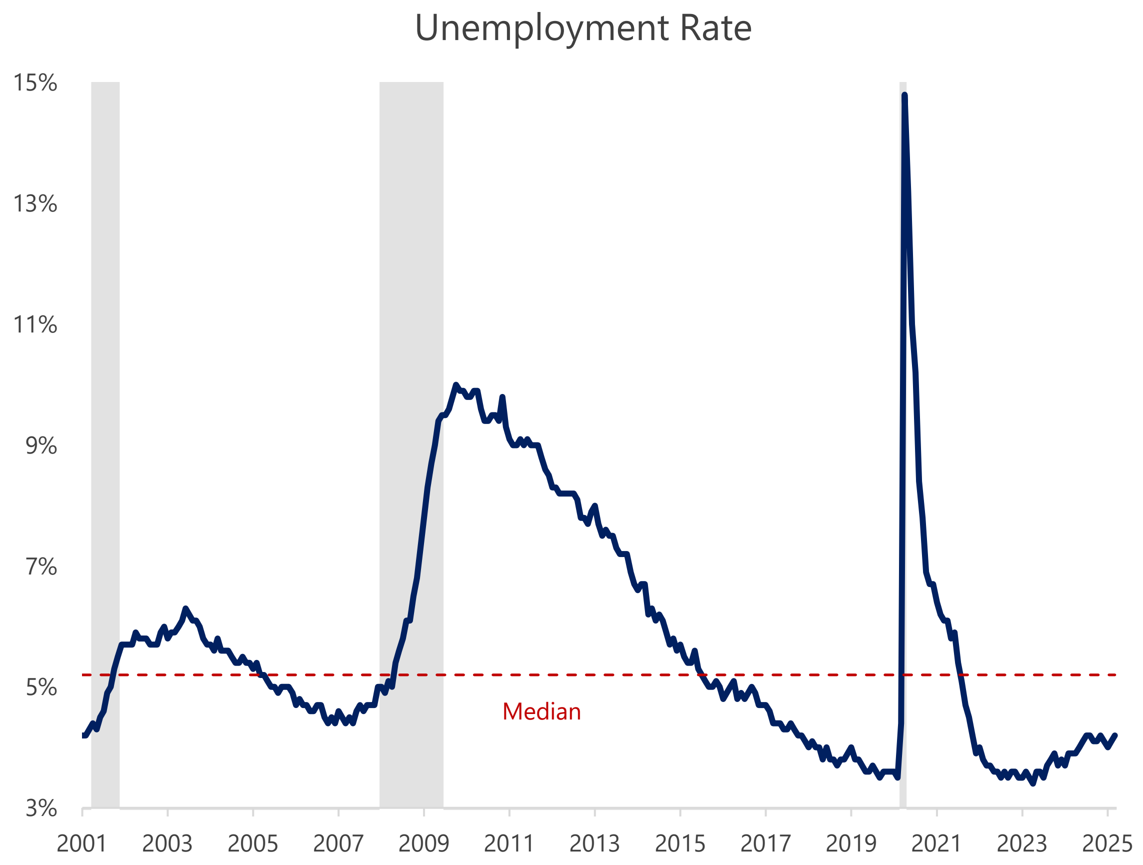
Q4 GDP was 2.5%, 2.8% for the Year





Source: Federal Reserve Economic Database (FRED). Real Gross Domestic Product (left). Components from U.S. Bureau of Economic Analysis, "Table 1.1.6. Real Gross Domestic Product, Chained Dollars" (right). Recessions from NBER based Recession Indicators for the United States from the Period following the Peak through the Trough

Employment Situation is Slowing



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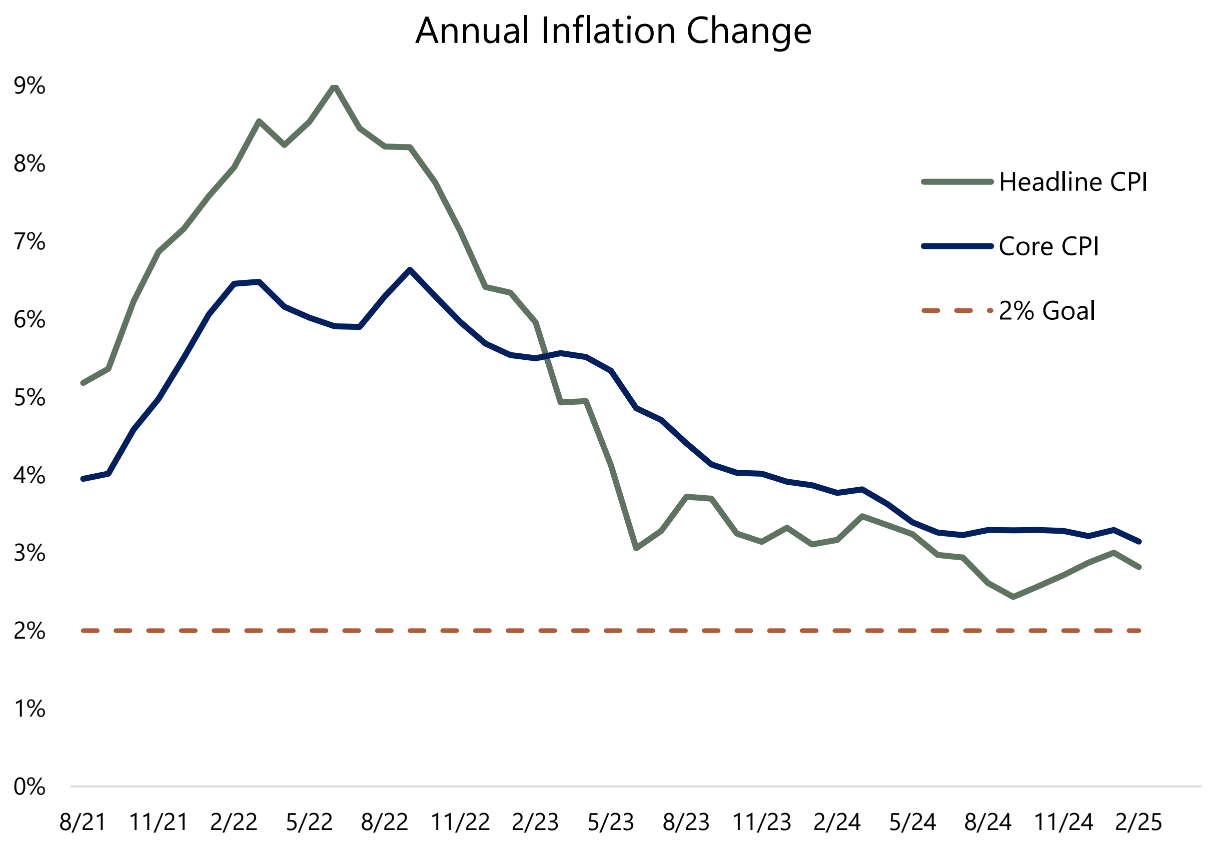
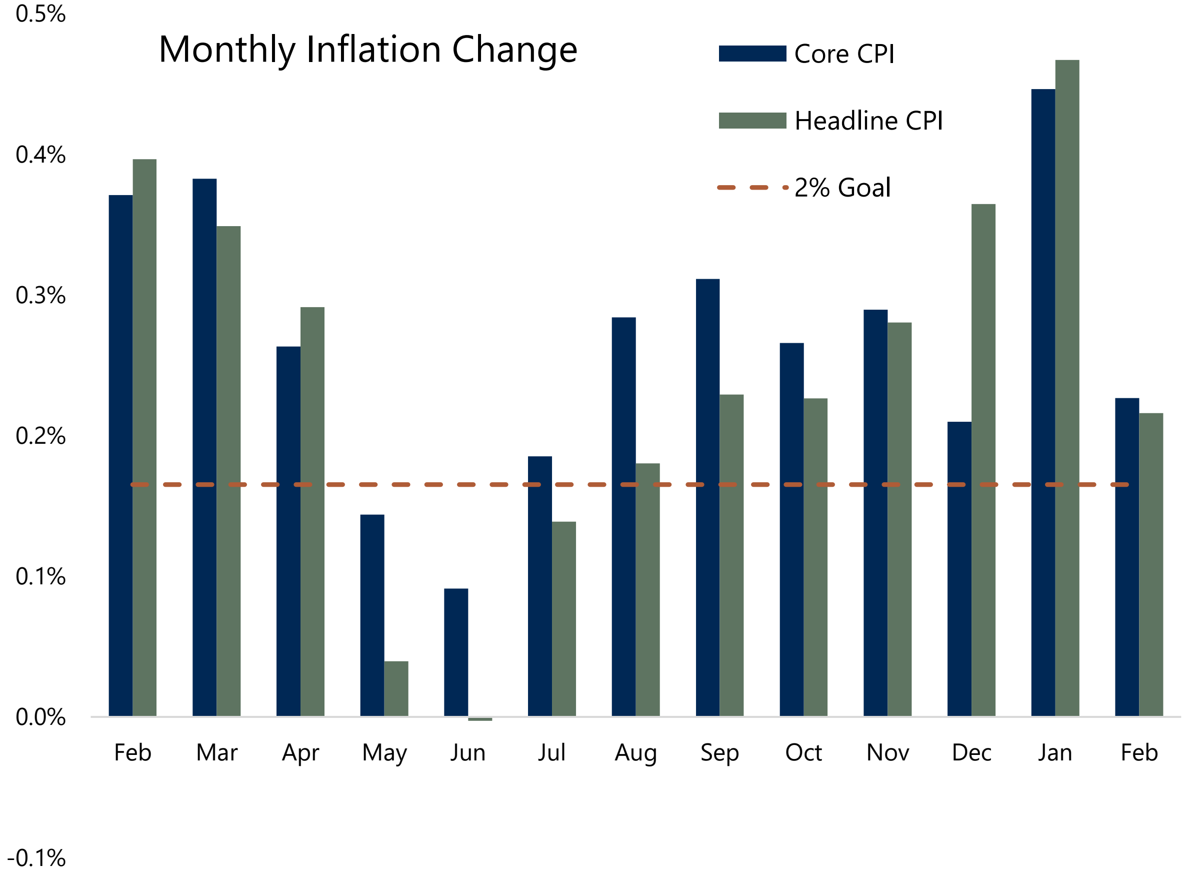
Source: Federal Reserve Economic Database (FRED). Unemployment Rate (left) and Job Openings: Total Nonfarm divided by Unemployment Level as well as Quits: Total Nonfarm (right). Recessions from NBER based Recession Indicators for the United States from the Period following the Peak through the Trough

Inflation Coming in a Little Hot, but Stable





Source: Federal Reserve Economic Database (FRED). Consumer Price Index. Annual CPI Forecasts are made by WJ using past month over month CPI data and extrapolating forward with different growth rates.

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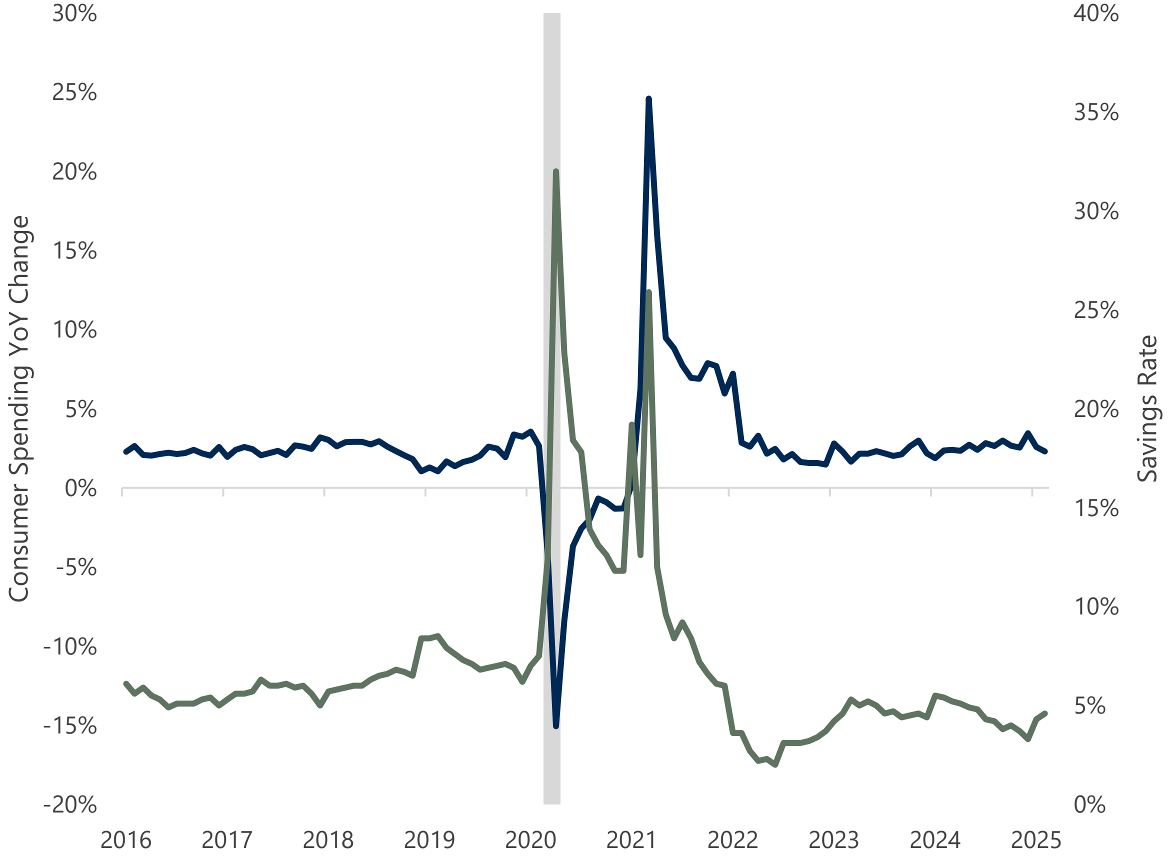
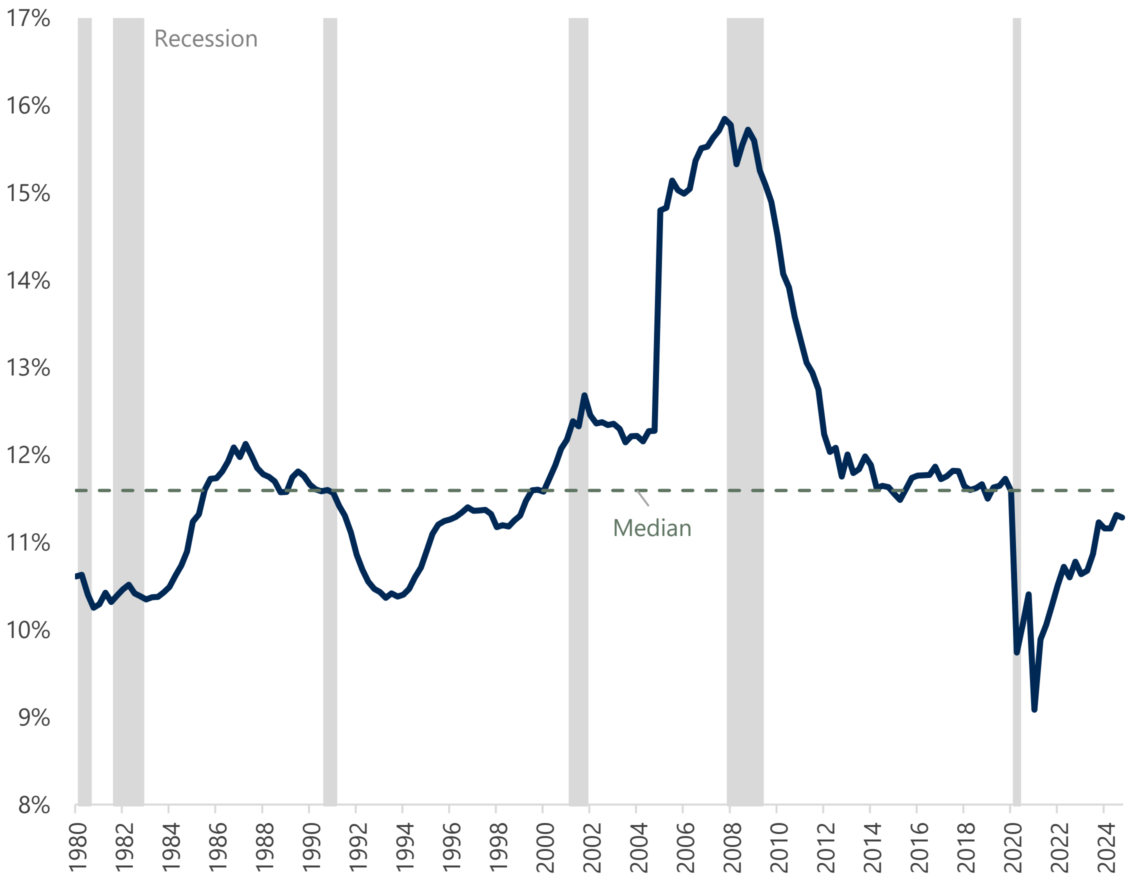
Consumer is Still Strong

Consumer Spending Chg vs **Savings Rate**



Household Debt Service Payments as % of Income



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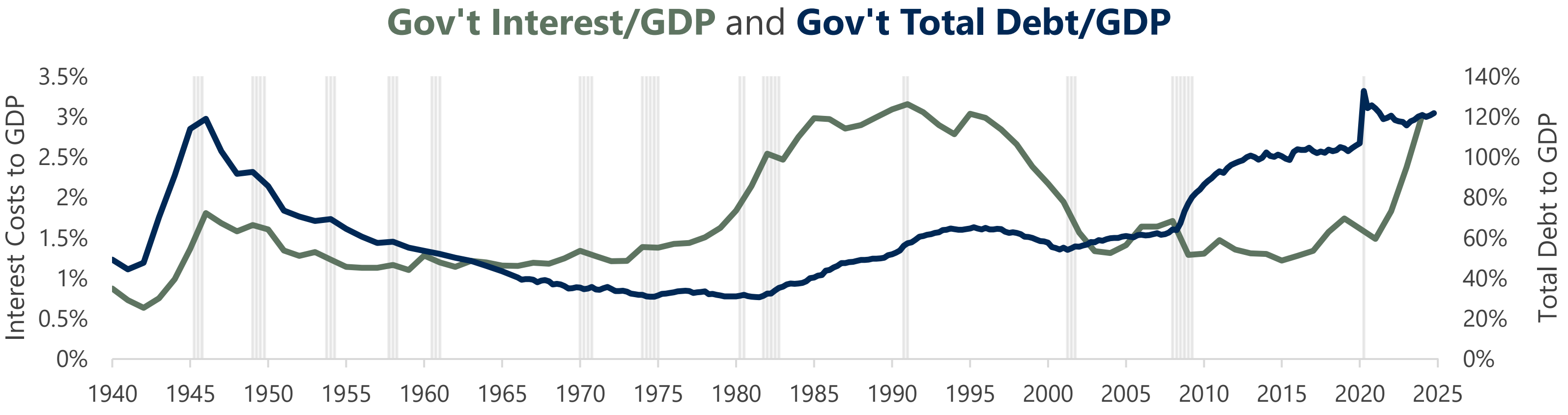
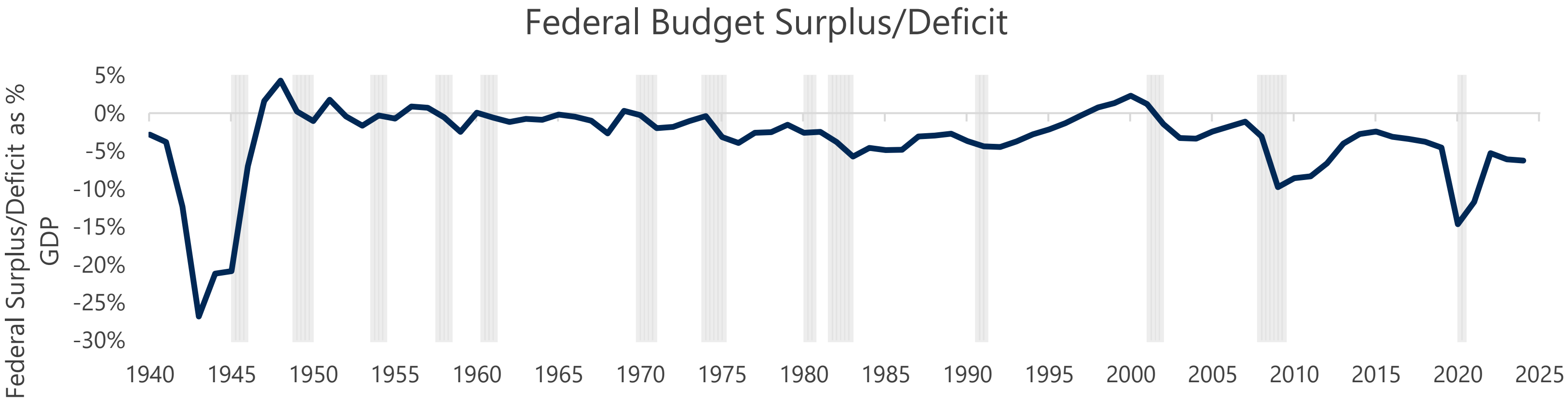
Source: Federal Reserve Economic Database (FRED). Personal Saving Rate plus Real Personal Consumption Expenditures (left) and Household Debt Service Payments as a Percent of Disposable Personal Income (right). Recessions from NBER based Recession Indicators for the United States from the Period following the Peak through the Trough

Interest Costs and the Deficit Rising





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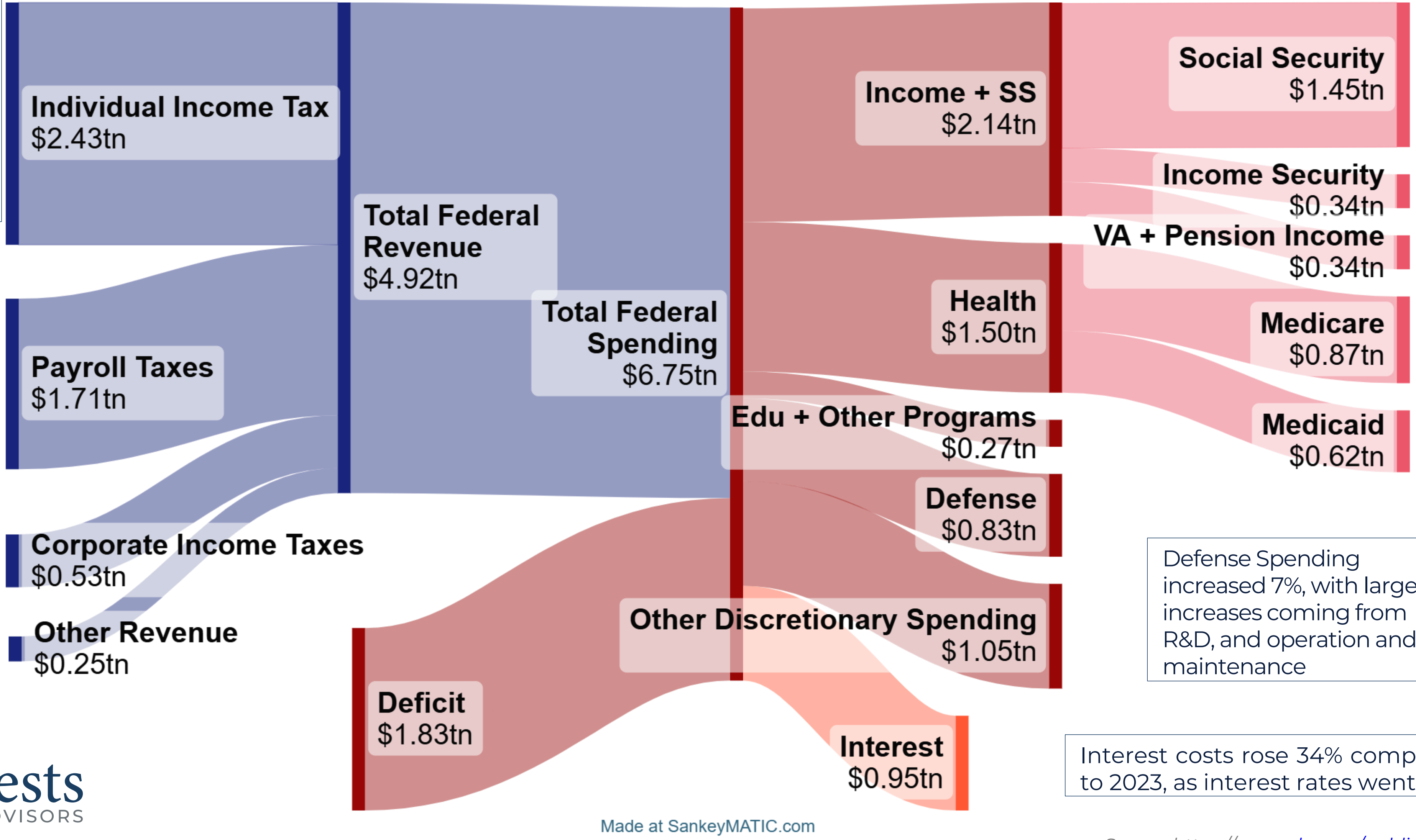
Source: Federal Reserve Economic Database (FRED) Federal Surplus or Deficit [-] as Percent of Gross Domestic Product (top) and Federal Debt: Total Public Debt as Percent of Gross Domestic Product plus Federal Outlays: Interest as Percent of Gross Domestic Product (bottom). Recessions from NBER based Recession Indicators for the United States from the Period following the Peak through the Trough

Government Expenditures 2024

This is an in depth look at how the US makes and spends money. On the spending side, the top 3 categories are known as “mandatory spending” and are unable to change without major reform. That leaves “Defense” and “Other Discretionary Spending” as the two categories congress can change on any year.

Total Receipts were up 11% in fiscal year 2024 compared to 2023. Most of these came from higher income tax receipts, and deferalls from 2023 that were paid in 2024.



Total Outlays were up 10% in fiscal year 2024 compared to 2023

SS and Medicare rose 8% and 9% respectively, due to cost of living adjustments and more beneficiaries.

Defense Spending increased 7%, with largest increases coming from R&D, and operation and maintenance

Interest costs rose 34% compared to 2023, as interest rates went up.

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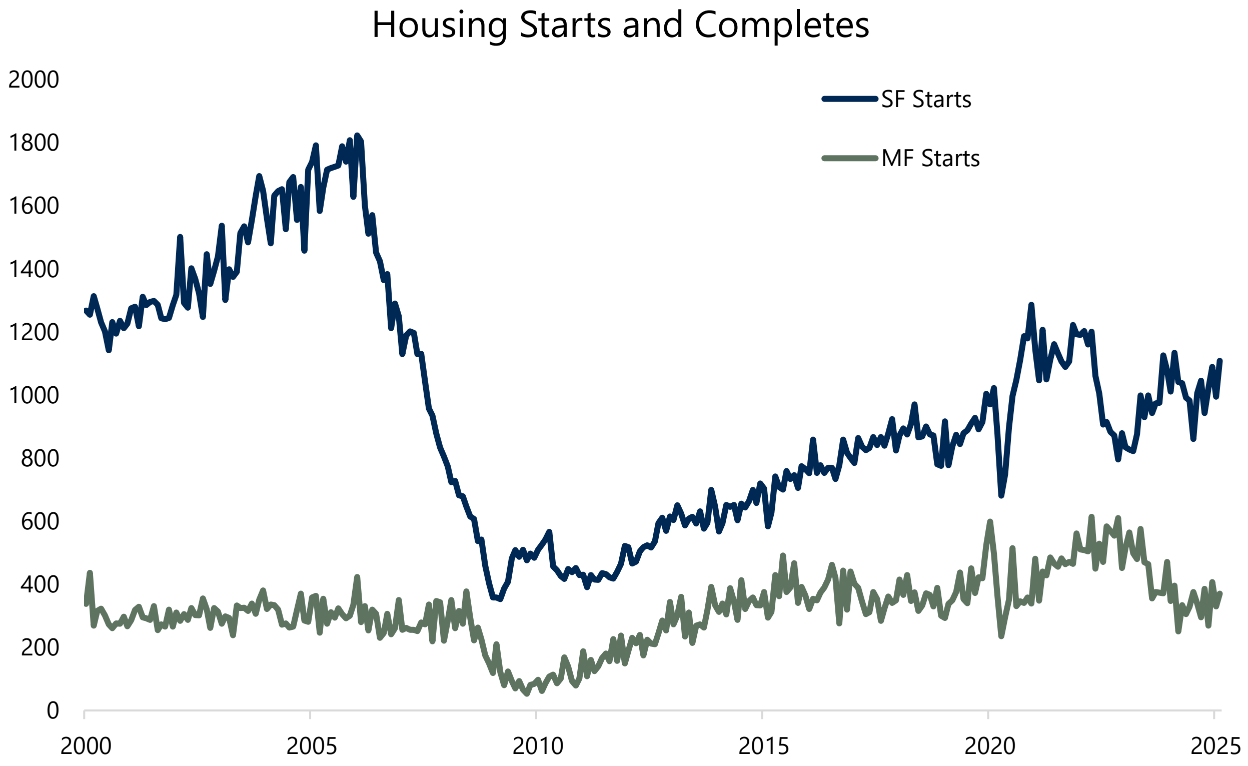
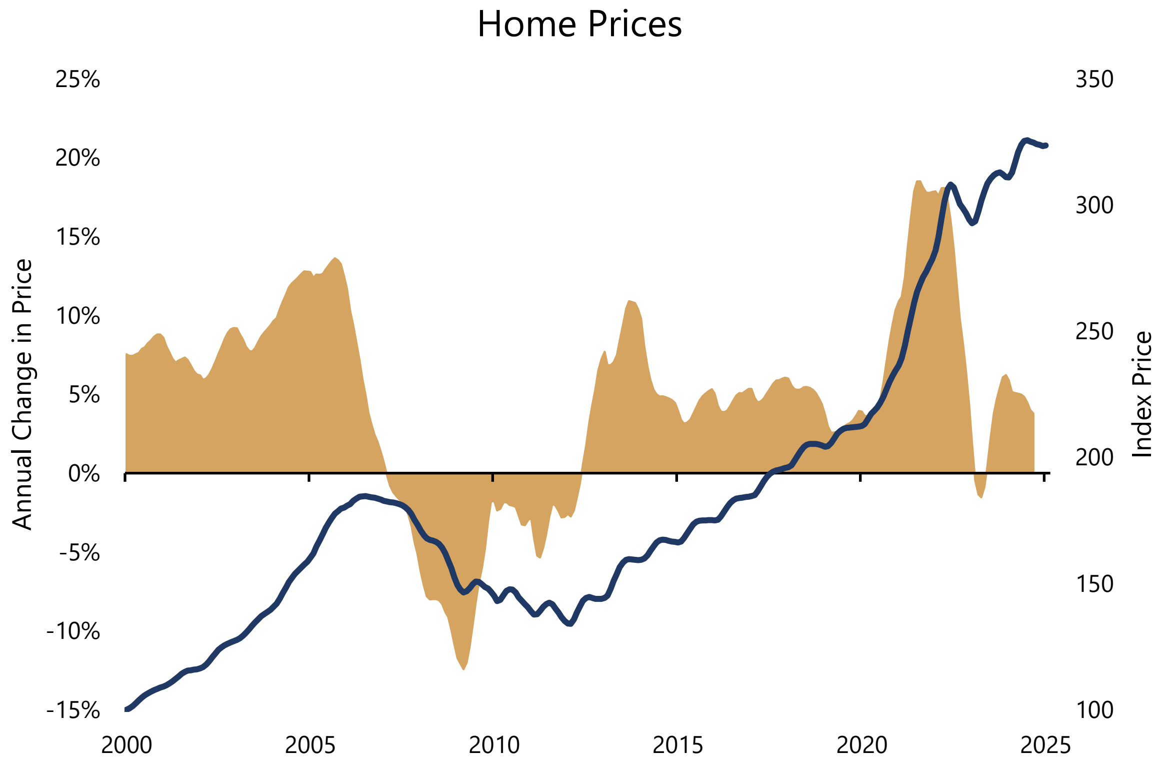
Source: https://www.cbo.gov/publication/59544/html

Housing Prices High While Starts Low





A housing start is the beginning of construction on a new residential housing unit and indicates how much new housing supply is on the horizon. On the right we show home prices over time, as well as the annual rate of change. Prices surged in 2021-2022 but have stopped growing altogether. What they do next will depend on how much pent-up demand there is, and how much housing we build going forward. Note of how significantly starts dropped after the 2008 crisis, and led to the undersupply we have today.

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Source: Federal Reserve Economic Database (FRED) (LEFT)New Privately-Owned Housting Units Starts: Single-Family Units and New Privately-Owned Housting Units Started: Units in Buildings with 5 units or More. (RIGHT) S&P CoreLogic Case-Shiller U.S. National Home Price Index

WJ State of the Markets

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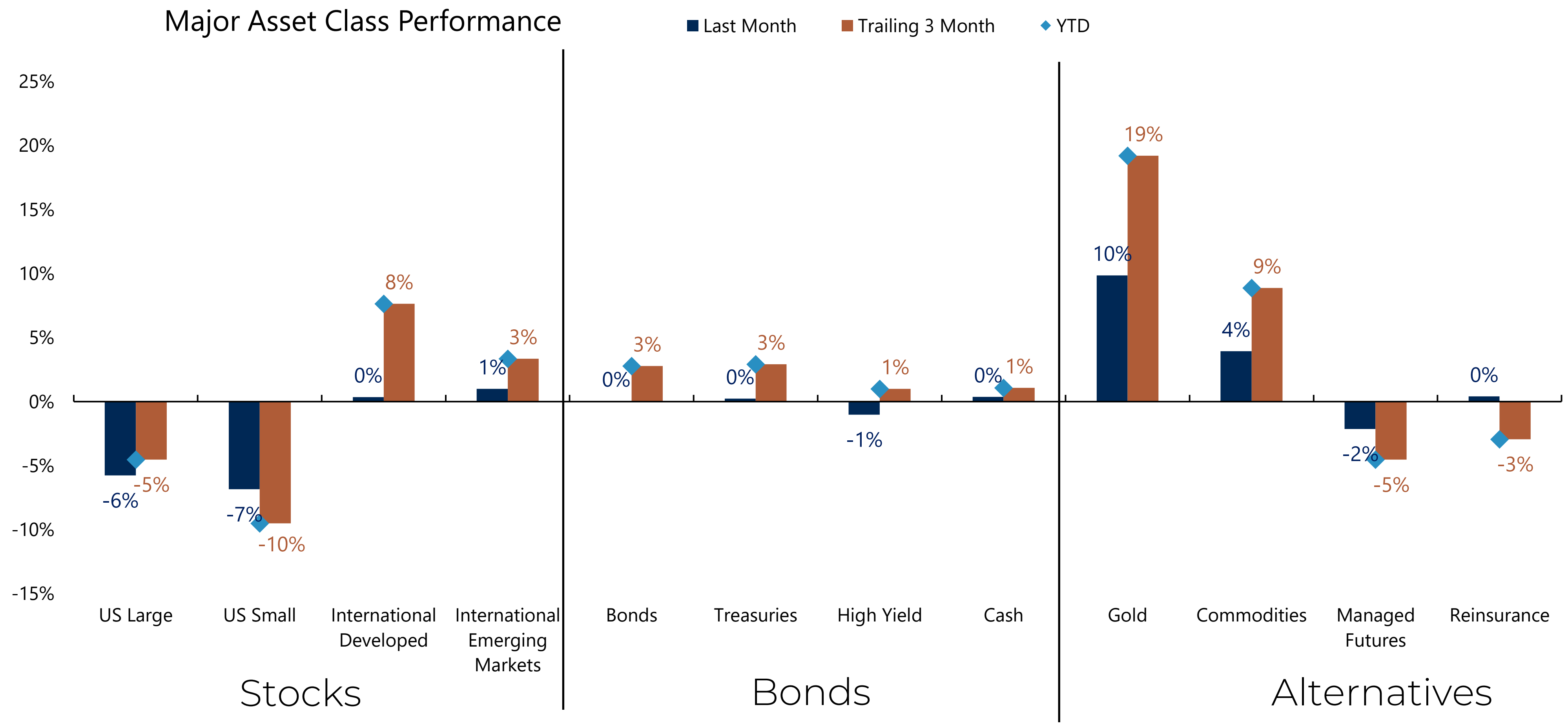
Foreign Stocks, Bonds, Commodities Off to Good Start



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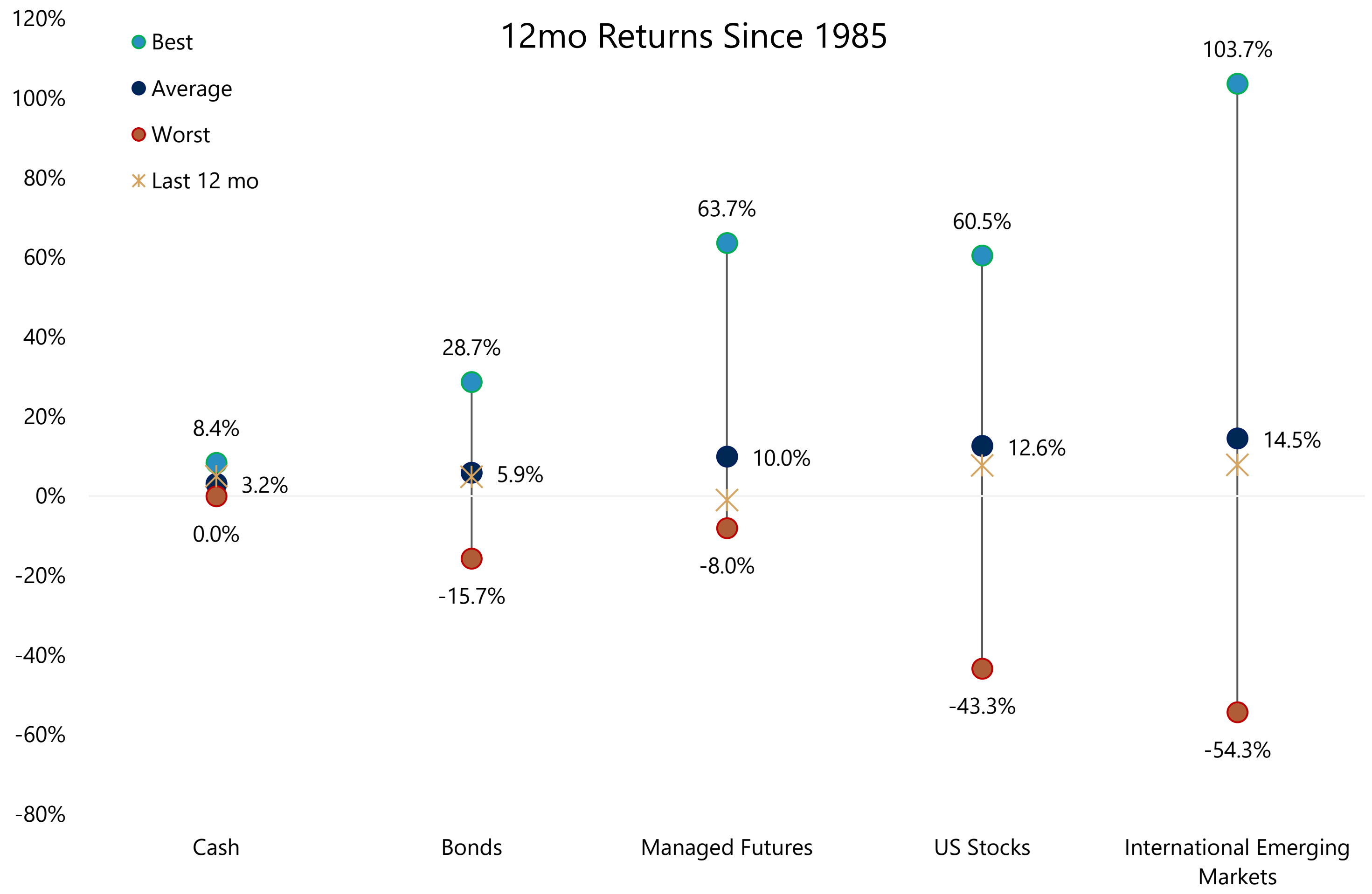
Source: Morningstar Direct. Categories in table are represented by (left to right) iShares Russell 1000 (IWB), iShares Russell 2000 (IWM), iShares Core MSCI EAFE (IEFA), iShares Core MSCI EM (IEMG), Bloomberg US Agg Bond TR, Bloomberg US Treasury TR USD, Bloomberg US Corporate High Yield TR USD, IA SBBI US 30 Day TBill TR USD, SPDR Gold Shares, Bloomberg Commodity TR USD, CISDM CTA EW USD, Stone Ridge Reinsurance Fund

Historical Asset Class Return Range



This chart shows the range of 12 month returns historically, by asset class. As you'd expect, the riskier investment leads to a greater potential gain, as well as loss.

The X on the line represents the last 12 months.

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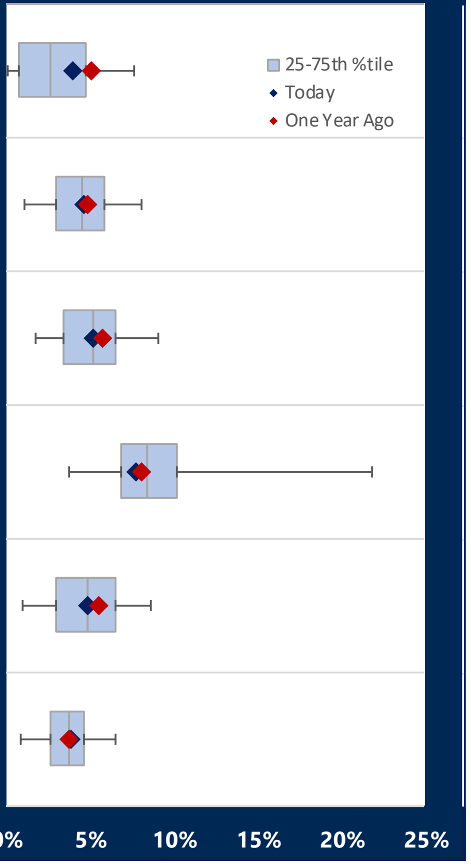
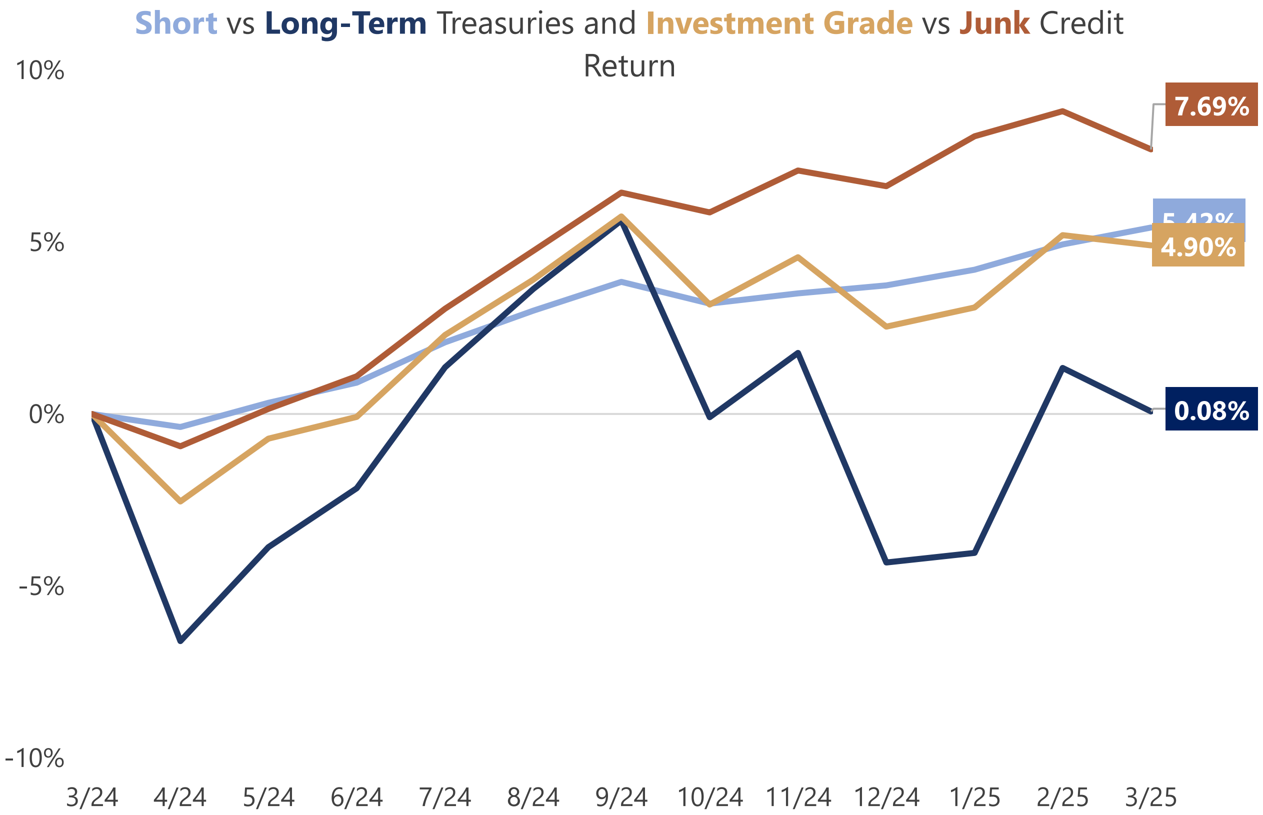
Source: Morningstar Direct. Categories in table are represented by (left to right) IA SBBI US 30 Day TBill TR US, Bloomberg US Agg Bond TR USD, CISDM CTA EW USD, iShares Russell 1000 (IWB), iShares Core MSCI EM (IEMG). Historical data starts at common inception in 1985.

Strong Year For Bonds

Bond Type	Yield (%) Last Month	Yield (%) Last Year	Yield (%) Change
ST Treasury	3.93	5.07	-1.14
LT Treasury	4.66	4.85	-0.19
Investment Grade	5.15	5.73	-0.58
High-Yield	7.73	8.11	-0.38
Mortgage-Backed	4.92	5.57	-0.65
Municipal Bonds	3.85	3.77	0.08

Yield History





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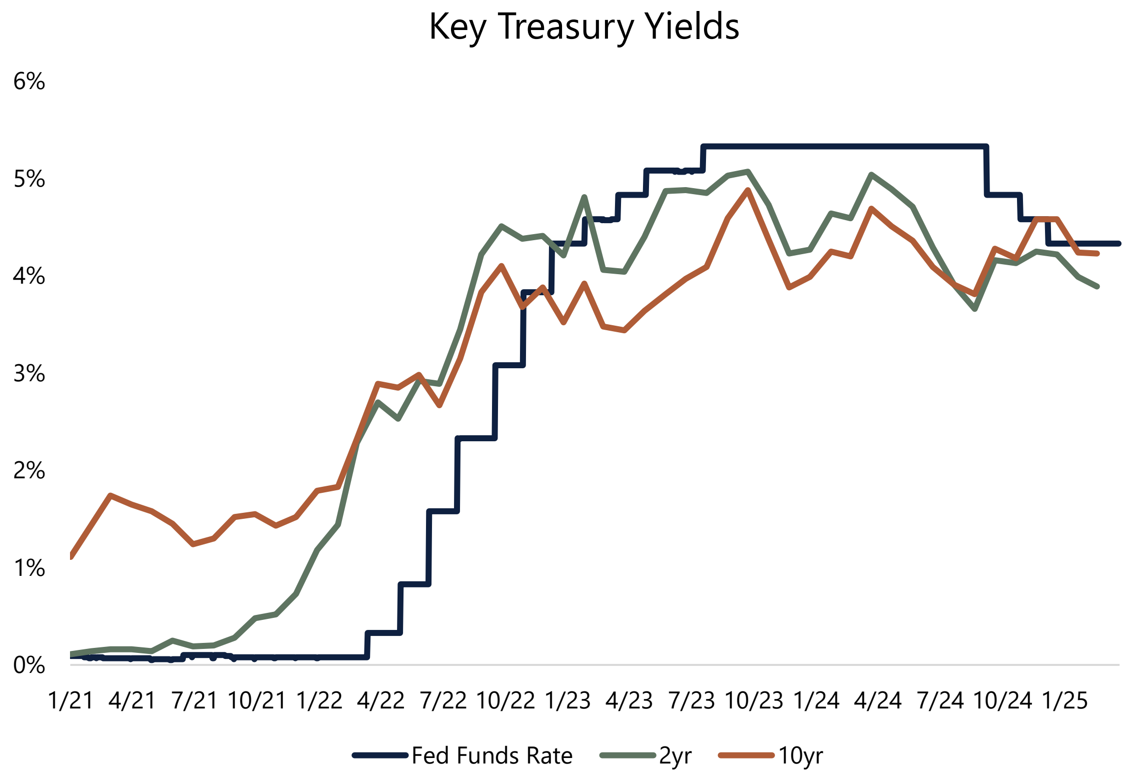
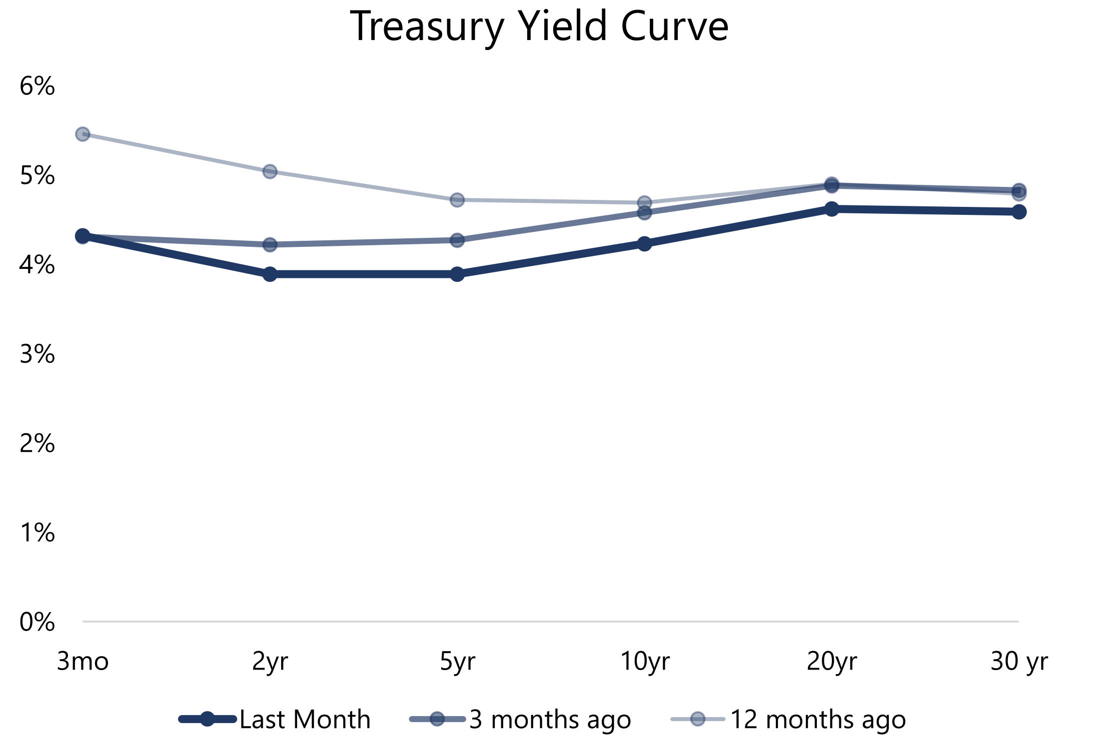
Source: Morningstar Direct. Categories in table are represented by (top to bottom) Bloomberg US Treasury 1-3 Yr Yld USD, Bloomberg US 20+Yr Yld USD, Bloomberg US Corp Bond Yld USD, Bloomberg US Corp High Yield Yld USD, Bloomberg US MBS Yld USD, Bloomberg Municipal Yld USD

Fed is Paused, Longer Rates Coming Down





	3mo	2yr	5yr	10yr	20yr	30 yr
Last Month	4.3%	3.9%	3.9%	4.2%	4.6%	4.6%
3 months ago	4.3%	4.2%	4.3%	4.6%	4.9%	4.8%
12 months ago	5.5%	5.0%	4.7%	4.7%	4.9%	4.8%

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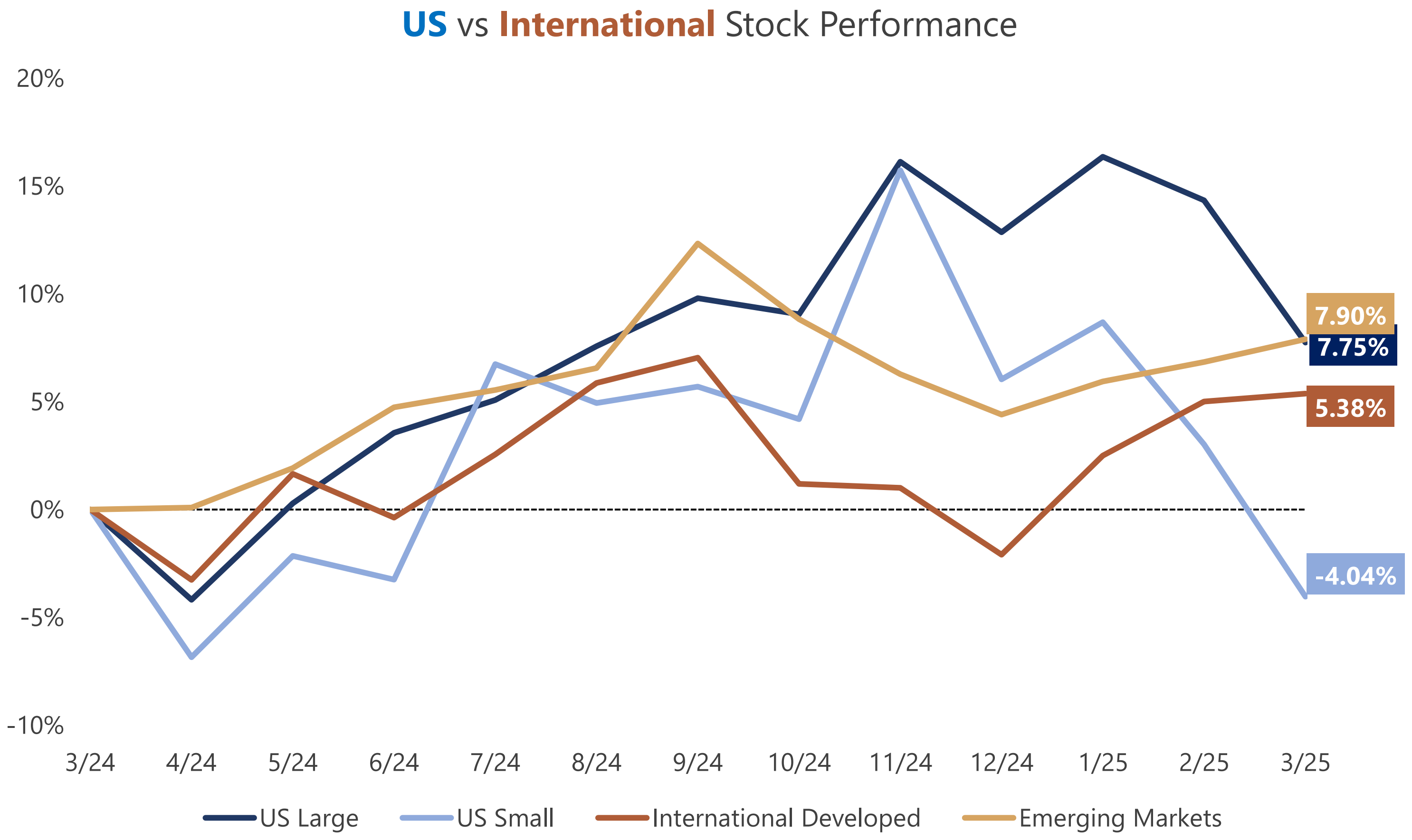
Source: Morningstar Direct. USTREAS T-Bill Cnst Mat Rate 3mo, USTREAS T-Bill Cnst Mat Rate 2 yr, USTREAS T-Bill Cnst Mat Rate 5yr, USTREAS T-Bill Cnst Mat Rate 10 Yr, USTREAS T-Bill Cnst Mat Rate 20 Yr, USTREAS T-Bill Cnst Mat Rate 30 Yr. Effective Fed Funds Rate from FRED Database.

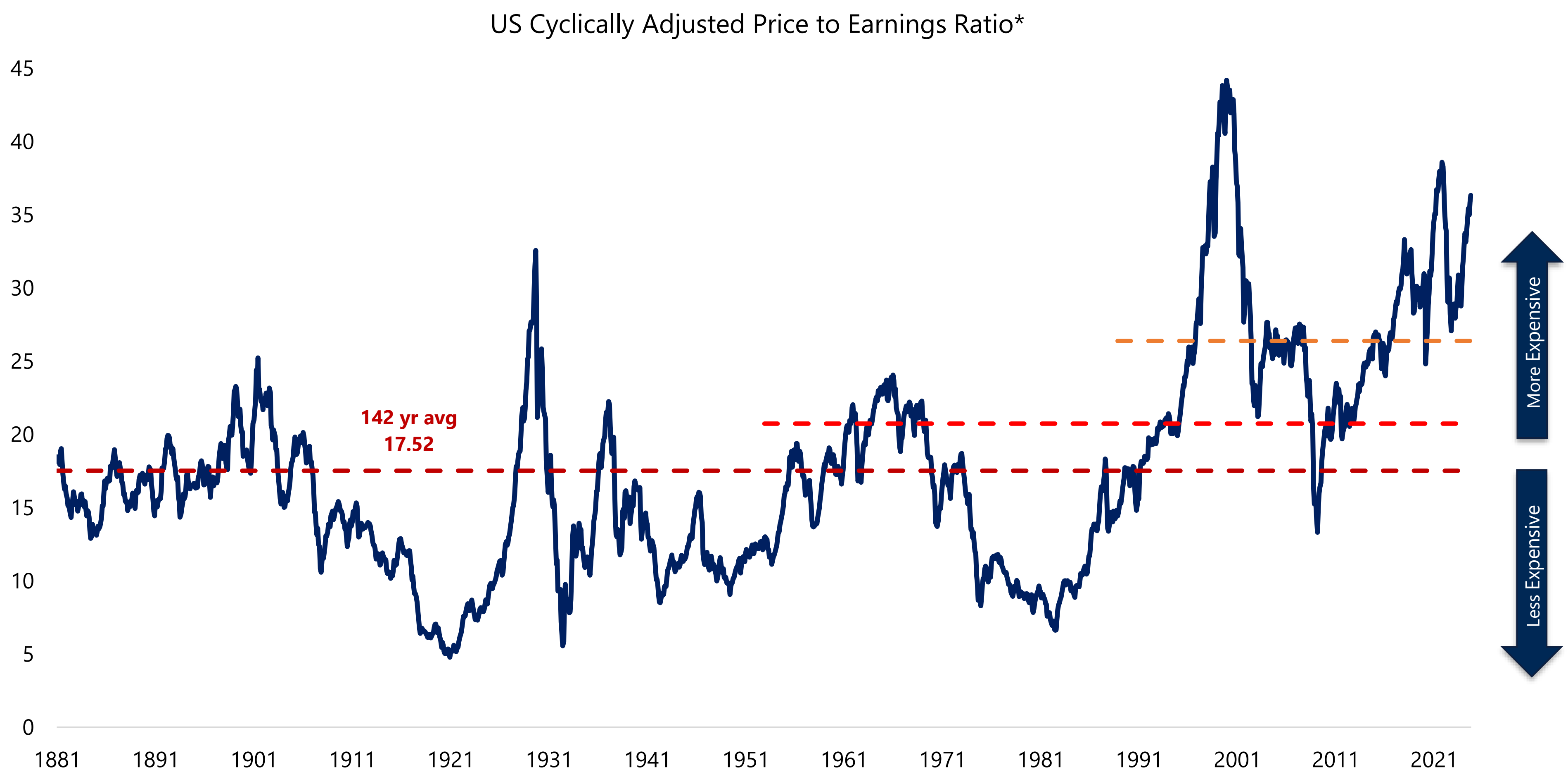
Foreign Stocks Starting to Catch Up

	Stock Type	Last Month	Last 3 Months	Last 12 Months
Core	US Large	-5.8%	-4.5%	7.7%
	US Small	-6.9%	-9.5%	-4.0%
	International Developed	0.4%	7.6%	5.4%
	International Emerging	1.0%	3.4%	7.9%
Other	US Value	-2.8%	2.1%	7.0%
	US Growth	-8.4%	-10.0%	7.6%
	Nasdaq	-7.6%	-8.1%	6.2%



Source: Morningstar Direct. Categories in table are represented by (top to bottom) iShares Russell 1000 (IWB), iShares Russell 2000 (IWM), iShares Core MSCI EAFE (IEFA), iShares Core MSCI Emerging Markets (IEMG), iShares Russell 1000 Value ETF (IWD), Russell 1000 Growth ETF (IWF), Nasdaq 100 ETF (QQQ).

US Stocks Valuation High Historically



CAPE or Cyclically Adjusted Price to Earnings Ratio takes the current price and divides it by the last 10 years average earnings for the S&P 500 and adjusts it for inflation. It is thought to be more predictive of future returns than trailing 12 month or Forward PE.

Source: Data and CAPE Ratio were developed by Robert Shiller using various public sources.

Interests
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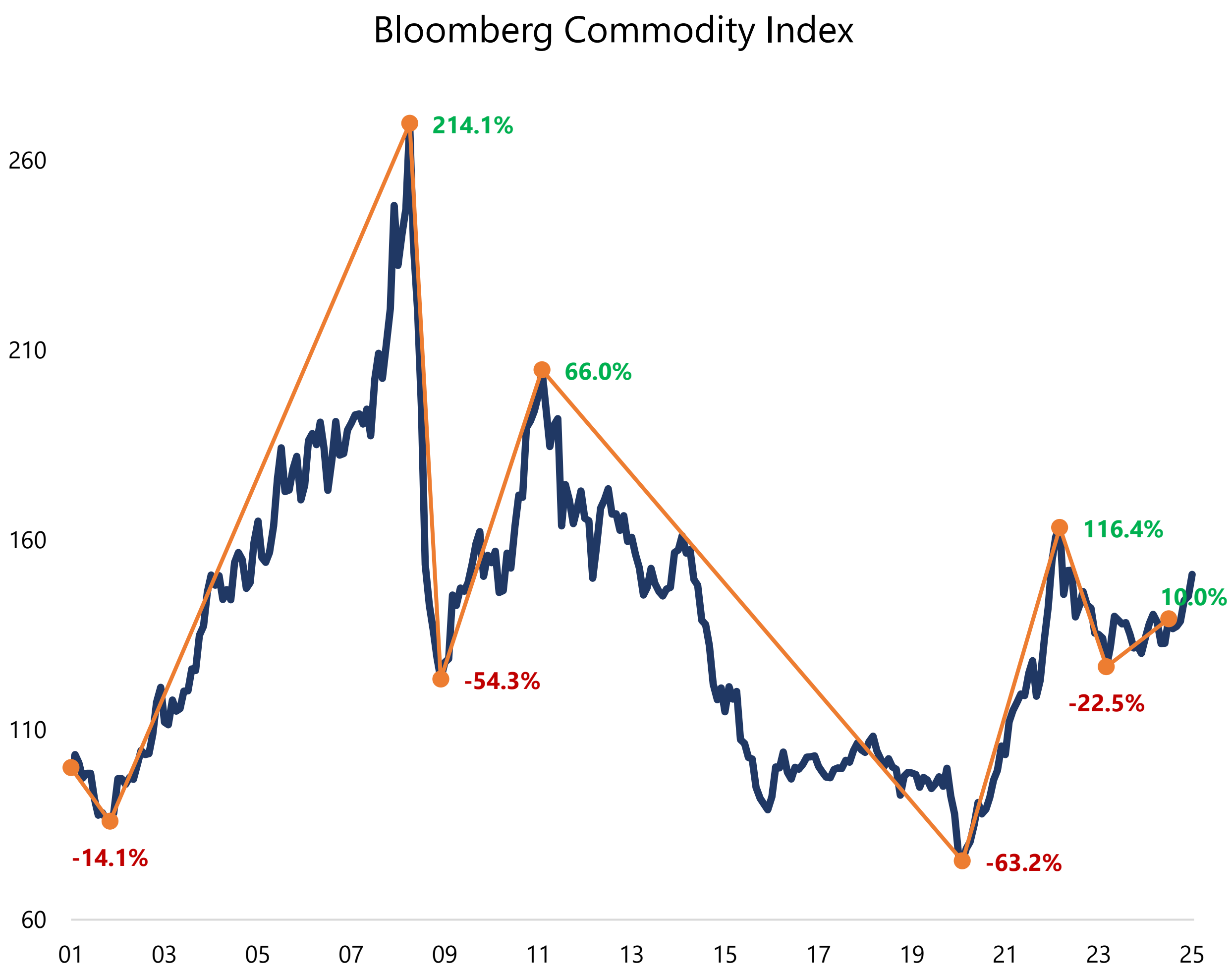
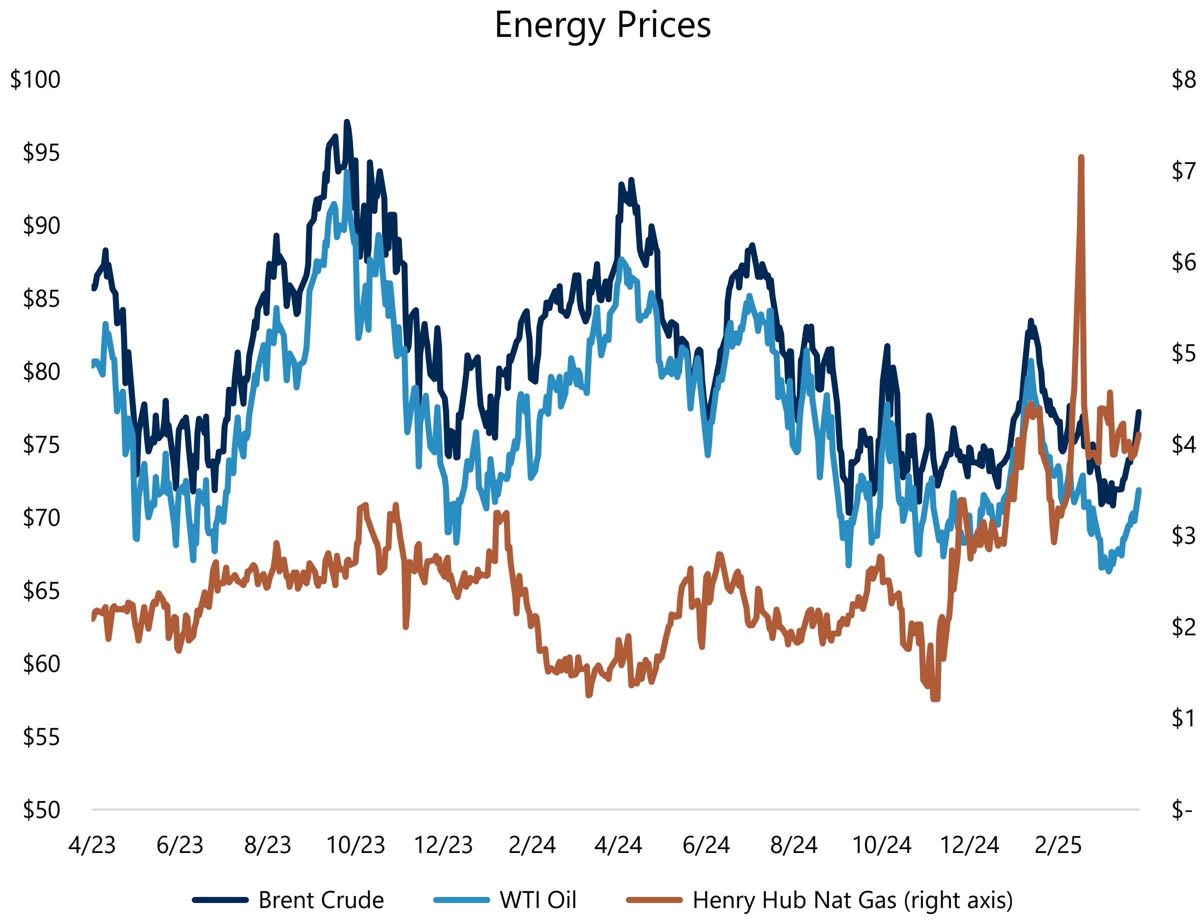
Oil Falling, But Nat Gas Rising





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Source: Bloomberg Commodity TR USD (left) and Crude Oil Prices: West Texas Intermediate (WTI) - Cushing, Oklahoma, Crude Oil Prices: Brent – Europe, Henry Hub Natural Gas Spot Price from U.S.

Energy Information Administration (right)

Periodic Table of Asset Class Returns

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Through Last Month End 3/31/2025

2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025 YTD	5 Yr	10 Yr
Reinsurance 8%	US Small Stock 22%	Intl Emerging Stk 37%	Cash 2%	US Large Stock 31%	US Large Stock 21%	US Large Stock 26%	Trend Following 22%	Reinsurance 44%	Reinsurance 31%	Intl Developed Stk 8%	US Large Stock 18%	US Large Stock 12%
Bonds 2%	US Large Stock 12%	Intl Developed Stk 27%	Bonds 0%	US Small Stock 25%	US Small Stock 20%	US Small Stock 15%	Reinsurance 3%	US Large Stock 26%	US Large Stock 24%	Intl Emerging Stk 3%	Reinsurance 14%	Moderate Blended Port 6%
US Large Stock 1%	Intl Emerging Stk 10%	US Large Stock 22%	US Large Stock -5%	Intl Developed Stk 23%	Intl Emerging Stk 18%	Intl Developed Stk 12%	Cash 2%	Intl Developed Stk 18%	TAA 12%	Bonds 3%	US Small Stock 13%	US Small Stock 6%
Cash 0%	Reinsurance 6%	TAA 19%	Reinsurance -6%	TAA 20%	Moderate Blended Port 13%	Moderate Blended Port 11%	Bonds -12%	US Small Stock 17%	US Small Stock 11%	Cash 1%	Intl Developed Stk 12%	Reinsurance 6%
Intl Developed Stk 0%	Moderate Blended Port 6%	Moderate Blended Port 17%	Moderate Blended Port -7%	Moderate Blended Port 20%	Intl Developed Stk 8%	TAA 10%	TAA -12%	Moderate Blended Port 17%	Moderate Blended Port 10%	Moderate Blended Port 1%	Moderate Blended Port 10%	Intl Developed Stk 6%
Trend Following 0%	TAA 5%	US Small Stock 15%	TAA -8%	Intl Emerging Stk 18%	Reinsurance 7%	Trend Following 5%	Moderate Blended Port -15%	Intl Emerging Stk 12%	Intl Emerging Stk 7%	TAA 1%	TAA 10%	TAA 5%
Moderate Blended Port 0%	Intl Developed Stk 2%	Bonds 5%	US Small Stock -11%	Bonds 8%	Bonds 7%	Cash 0%	Intl Developed Stk -15%	TAA 12%	Cash 5%	Reinsurance -3%	Intl Emerging Stk 9%	Intl Emerging Stk 4%
TAA -4%	Bonds 1%	Trend Following 2%	Trend Following -13%	Trend Following 4%	Trend Following 3%	Bonds -1%	US Large Stock -19%	Bonds 6%	Intl Developed Stk 3%	US Large Stock -5%	Trend Following 4%	Cash 2%
US Small Stock -4%	Cash 0%	Cash 1%	Intl Developed Stk -14%	Cash 2%	Cash 0%	Intl Emerging Stk -1%	Intl Emerging Stk -20%	Cash 5%	Trend Following 3%	Trend Following -5%	Cash 3%	Bonds 2%
Intl Emerging Stk -14%	Trend Following -6%	Reinsurance -11%	Intl Emerging Stk -15%	Reinsurance -4%	TAA -2%	Reinsurance -5%	US Small Stock -20%	Trend Following -3%	Bonds 1%	US Small Stock -10%	Bonds 0%	Trend Following 0%

Disclaimer

PAST PERFORMANCE IS NOT A GUARANTEE OF CURRENT OR FUTURE RESULTS. Examples of historical information included in this presentation do not, nor are they intended to, constitute a promise of similar future results. Specific client portfolio allocations, risks and returns can and may deviate from these examples depending on accounts and types of investments available through each account. Future market views by WJ Interests, LLC may vary significantly from the historical examples presented herein and no one receiving this summary should assume that WJ Interests, LLC will be able to replicate successful views in the future.

Moderate Blended Portfolio is for illustrative purposes only. It is calculated by taking a weighted average of the following asset classes and represents a moderate risk portfolio incorporating leverage and the asset classes in the table:

27%	US Large Stock	iShares Russell 1000 (IWB)
6%	US Small Stock	iShares Russell 2000 (IWM)
21%	Intl Developed Stock	iShares Core MSCI EAFE (IEFA)
6%	Intl Emerging Stock	iShares Core MSCI Emerging Markets (IEMG)
40%	Bonds	Vanguard Total Bond Market (BND)
-15%	Cash	Morningstar USD 1M Cash TR USD
5%	Reinsurance	Stone Ridge Reinsurance Fund (SRRIX)
5%	Managed Futures	SG Trend Index, PIMCO Trends (PQTIX), Virtus Alphasimplex (ASFYX), Standpoint (BLNDX)
5%	TAA	GMO Benchmark Free (GBMIX) and Strategy Shares Nwfnd/Rslv Rbt ETF (ROMO)

Assumes annual rebalancing. All data represents total return for stated period.

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