WHAT'S YOUR TIMEFRAME?

FIRST BANKERS TRUST COMPANY
A Division of Town & Country Bank and Trust Co.

We spent much of last year discussing concentration problems for the majority of investors (via the Magnificent 7), the market's valuation problem, and finally put a bow on 2024 by discussing the differences in the economy between Trump's first term and this term and – wow we had no clue how acutely accurate this would turn out to be – how he will make volatility great again.

The first quarter saw our concerns vindicated. The Magnificent 7 underperformed the broader market by a large margin. Valuations compressed a fair amount. And the market continued to recognize it wasn't 2016 again with a decent amount of volatility.

Market corrections and volatility are par for the course and even a little enjoyable when they prove you right and present new opportunities. What has happened in the second quarter since Liberation Day (or is it going to be called Liquidation Day?), has been far from ordinary. We write this as of April 8th and the carnage in the market, especially April 3rd and 4th, has been one for the record books. That two-day move has joined other awful moments in market history: 1929, 1932, 1940, 1987, 2008, and 2020. Depressions, world wars, pandemics. Not fun company to keep.

EXTEND YOUR TIME HORIZON

“Be greedy when others are fearful and be fearful when others are greedy.” Warren Buffett has a plethora of famous quotes but perhaps none more than that. We like to put our own twist on that critical investing truth: think short-term when others dream too far into the future and extend your time horizon when others can’t think beyond the present moment.

Last year was filled with visions of the future in which artificial intelligence took over the world, boosting corporate profits and creating universal lives of luxuries. GDP growth of 10% was coming! Meanwhile here in the present, use cases for AI applications were limited to niches and costs were sky high, creating very questionable economics.

Donald Trump’s election was going to usher in a golden age of America! We often joke if someone says “golden age” or “super cycle”, you better start running away. We’ve already laid out the problems he inherited and why the fever dream of this golden age was not likely to come to fruition. It is quite clear the market is taking our joke seriously to run away from the “golden age” promise as fast as possible and understandably so. As presented on Liberation Day, Trump’s tariff plan means we will all be mining for gold. Is it part of the “Art of the Deal” or is he trying to create the largest economic upheaval of the past 50 years? It’s hard to say and the market loathes this uncertainty. But every tiny hint of tariff escalation or de-escalation sends the market into exuberance or despair. The market is absolutely fixated on the present.

You already know what we’re going to say: extend your time horizon. Valuations have roughly normalized, setting up for more robust long-term returns. While the impact from artificial intelligence is still nascent, the valid use cases thus far are powerful. Give innovation and businesses more time and that will broaden. Supply chains don’t adapt overnight contrary to what some in the administration may think, but they do adapt.

Admittedly, it is a bit tougher to focus on the future if we’re truly going through a generational change in the global economic system. It is still a big if. It could be a negotiating tactic. It could be an attempt to fully de-couple from China. The thesis creep from the administration makes it very difficult to know. Whatever the true goal is, there are avenues that might not even require you to extend your time horizon very far. Perhaps the tariffs go through – even then, opportunities await. The American spirit of innovation and opportunity didn’t die with other large global restructurings.

WHAT DO TARIFFS MEAN FOR PORTFOLIOS?

Panic is in the air. The volatility index (the VIX), which is also fondly known as the Fear Index, is at pretty extreme levels. The VIX has historically been a strong indicator that a meaningful bottom, even if it isn't the ultimate low of the cycle, is coming soon. Please note we think the VIX indicates a bottom is close in terms of time – nobody knows if it is at these levels or lower. Forward equity returns from a VIX at these levels is attractive, but the history of that indicator only goes back to 1990.

Finally, it is hard if not impossible to figure out the game theory in play at the moment. What does this mean for portfolios? Stay the course and, for the most part, sit on your hands. Valuations set up for solid long-term returns from here. Focus on the long-term while the market focuses on each social media post. Broadly speaking, we're not quite at the level of go all in. A recession here could still lead to lower lows so keep those bond ladders and cash piles intact if you are in the wealth drawdown phase of life. Only time will tell where tariff rates end up. Even if it is painful, consumers adapt, supply chains adapt, and life finds a way. America has overcome far worse.

Keep calm and carry on. We look forward to helping clients navigate interesting times and continuing to reach their goals!

Sincerely,

Your First Bankers Trust Team

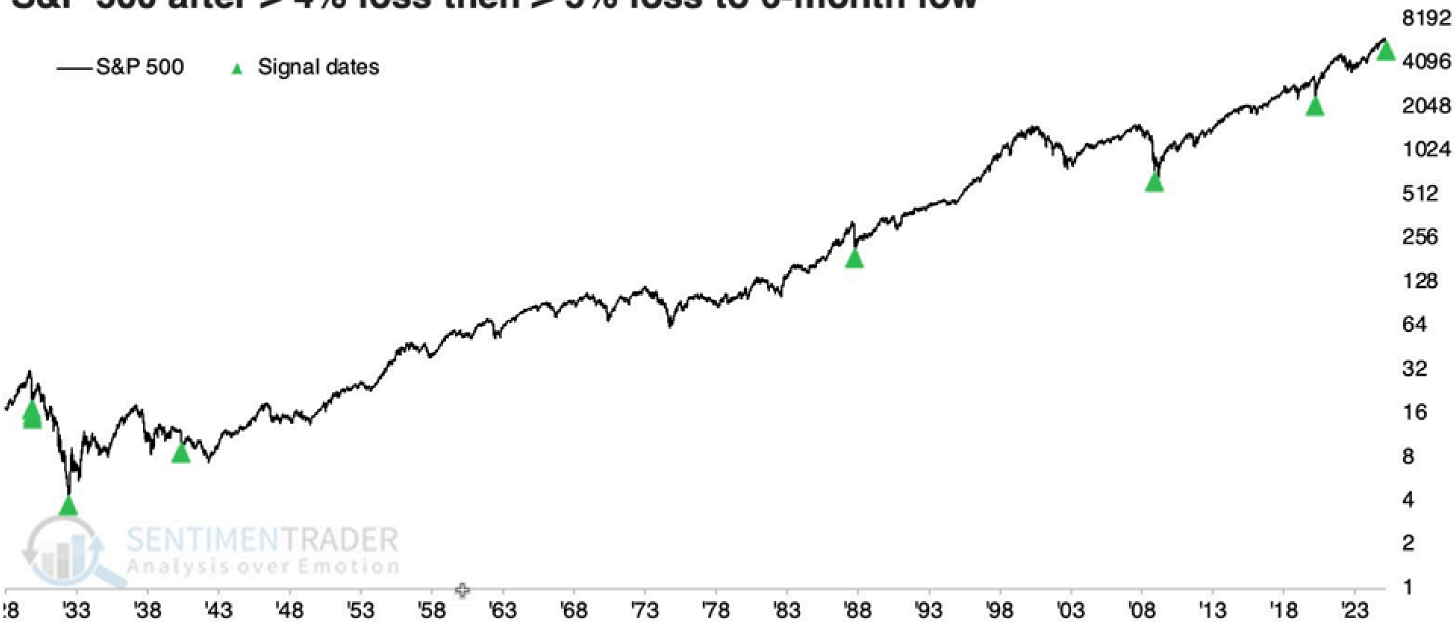
CHART APPENDIX

Sources: Creative Planning, SentimenTrader, JP Morgan Research, Ritholtz Management

Volatility Index ($VIX) - Historical Closes Above 50 (January, 1 1990 - April 8, 2025)															
Highest VIX Closes			Forward S&P 500 Total Returns					Highest VIX Closes			Forward S&P 500 Total Returns				
Rank	Date	VIX	1-Year	2-Year	3-Year	4-Year	5-Year	Rank	Date	VIX	1-Year	2-Year	3-Year	4-Year	5-Year
1	3/16/2020	82.69	69%	84%	74%	130%	157%	39	11/10/2008	59.98	22%	39%	43%	64%	115%
2	11/20/2008	80.86	49%	67%	69%	105%	168%	40	12/5/2008	59.93	29%	46%	53%	77%	130%
3	10/27/2008	80.06	29%	46%	56%	82%	133%	41	10/31/2008	59.89	11%	29%	34%	60%	104%
4	10/24/2008	79.13	25%	42%	50%	76%	125%	42	11/13/2008	59.83	23%	38%	47%	62%	120%
5	3/18/2020	76.45	66%	90%	73%	132%	160%	43	12/9/2008	58.91	26%	45%	48%	75%	124%
6	3/17/2020	75.91	60%	78%	63%	118%	142%	44	12/8/2008	58.49	23%	41%	48%	70%	121%
7	3/12/2020	75.47	62%	75%	66%	121%	145%	45	3/13/2020	57.83	49%	59%	51%	101%	126%
8	11/19/2008	74.26	39%	56%	61%	88%	149%	46	10/8/2008	57.53	11%	24%	25%	62%	92%
9	11/21/2008	72.67	42%	54%	59%	92%	152%	47	3/30/2020	57.08	53%	82%	62%	111%	122%
10	3/19/2020	72.00	65%	91%	74%	132%	159%	48	4/1/2020	57.06	66%	89%	75%	122%	121%
11	10/17/2008	70.33	20%	30%	39%	70%	107%	49	12/15/2008	56.76	31%	49%	49%	80%	129%
12	10/29/2008	69.96	18%	33%	48%	66%	111%	50	1/20/2009	56.65	45%	66%	74%	102%	155%
13	10/10/2008	69.95	23%	36%	42%	74%	113%	51	11/7/2008	56.1	20%	36%	46%	62%	113%
14	10/22/2008	69.65	25%	38%	48%	75%	118%	52	12/11/2008	55.78	30%	49%	51%	77%	127%
15	10/15/2008	69.25	24%	36%	44%	73%	113%	53	12/10/2008	55.73	26%	44%	49%	74%	120%
16	11/17/2008	69.15	34%	45%	55%	78%	135%	54	11/28/2008	55.28	25%	38%	42%	73%	124%
17	12/1/2008	68.51	39%	55%	63%	89%	146%	55	10/14/2008	55.13	12%	23%	29%	57%	93%
18	10/23/2008	67.80	22%	37%	48%	70%	117%	56	10/13/2008	54.99	10%	23%	29%	56%	89%
19	11/18/2008	67.64	33%	46%	51%	77%	132%	57	11/26/2008	54.92	26%	40%	43%	74%	127%
20	10/16/2008	67.61	18%	31%	36%	68%	106%	58	11/5/2008	54.56	15%	35%	41%	60%	105%
21	10/28/2008	66.96	14%	32%	46%	64%	110%	59	3/9/2020	54.46	44%	57%	50%	99%	117%
22	11/12/2008	66.46	31%	47%	58%	74%	135%	60	12/12/2008	54.28	30%	48%	49%	76%	127%
23	11/14/2008	66.31	30%	41%	54%	70%	129%	61	3/11/2020	53.9	46%	60%	48%	101%	124%
24	3/20/2020	66.04	74%	100%	79%	142%	168%	62	10/7/2008	53.68	9%	22%	25%	60%	86%
25	3/27/2020	65.54	59%	86%	66%	120%	141%	63	11/3/2008	53.68	11%	30%	37%	60%	104%
26	11/24/2008	64.70	33%	47%	46%	79%	136%	64	3/31/2020	53.54	56%	84%	67%	115%	112%
27	3/25/2020	63.95	61%	88%	69%	126%	145%	65	10/21/2008	53.11	16%	29%	36%	64%	104%
28	10/9/2008	63.92	21%	34%	40%	73%	109%	66	10/20/2008	52.97	14%	25%	31%	62%	99%
29	11/6/2008	63.68	21%	42%	49%	66%	119%	67	3/2/2009	52.65	63%	94%	108%	137%	198%
30	12/4/2008	63.64	34%	51%	59%	83%	138%	68	2/23/2009	52.62	51%	85%	95%	118%	176%
31	12/2/2008	62.98	34%	51%	57%	81%	136%	69	12/16/2008	52.37	25%	42%	42%	73%	121%
32	10/30/2008	62.90	11%	30%	40%	64%	106%	**70**	**4/8/2025**	**52.33**					
33	3/24/2020	61.67	62%	88%	70%	127%	146%	71	10/6/2008	52.05	2%	15%	16%	51%	75%
34	3/23/2020	61.59	78%	108%	85%	149%	175%	72	1/15/2009	51	38%	60%	64%	92%	143%
35	11/11/2008	61.44	25%	41%	47%	67%	121%	73	3/3/2009	50.93	64%	96%	110%	141%	200%
36	3/26/2020	61.00	54%	78%	58%	113%	131%	74	4/2/2020	50.91	64%	86%	70%	120%	113%
37	11/25/2008	60.90	33%	45%	44%	80%	135%	75	3/5/2009	50.17	71%	102%	113%	147%	206%
38	12/3/2008	60.72	30%	47%	53%	77%	129%								
Average ($VIX Above 50)			35%	53%	55%	88%	129%	CREATIVE PLANNING @CharlieBilello							
Average ($VIX Below 50)			12%	25%	39%	56%	74%								
Differential			23%	28%	15%	32%	55%								

CHART APPENDIX

S&P 500 after > 4% loss then > 5% loss to 6-month low



Dates of 8 Signals	1 Week Later (%)	2 Weeks Later (%)	1 Month Later (%)	2 Months Later (%)	3 Months Later (%)	6 Months Later (%)	12 Months Later (%)
1929-10-29	4.6	-5.8	6.0	3.9	11.3	12.5	-16.2
1929-11-12	10.5	10.3	15.9	15.6	24.7	29.0	-9.8
1929-11-13	20.4	18.5	20.8	21.7	31.7	37.5	-6.7
1932-05-31	8.5	10.5	0.9	34.9	91.9	46.5	136.5
1940-05-14	-11.1	-10.6	-5.6	-2.9	-2.7	9.5	-9.2
1987-10-19	1.3	13.7	8.1	8.1	10.9	14.7	22.9
2008-11-20	19.1	16.4	15.8	10.6	2.8	21.0	45.0
2020-03-12	-2.9	6.0	11.3	15.7	21.0	34.6	59.0
2025-04-04							
Mean	**6.3**	**7.4**	**9.1**	**13.4**	**23.9**	**25.7**	**27.7**
Median	**6.6**	**10.4**	**9.7**	**13.1**	**16.2**	**25.0**	**8.1**
% Positive	**75%**	**75%**	**88%**	**88%**	**88%**	**100%**	**50%**
Avg Max Loss	-2.8	-5.2	-5.4	-5.5	-5.6	-6.7	-10.1
Avg Max Gain	13.5	14.3	16.5	20.1	30.0	40.1	49.6
Z-Score	1.6	1.9	2.8	3.0	2.1	4.6	1.1

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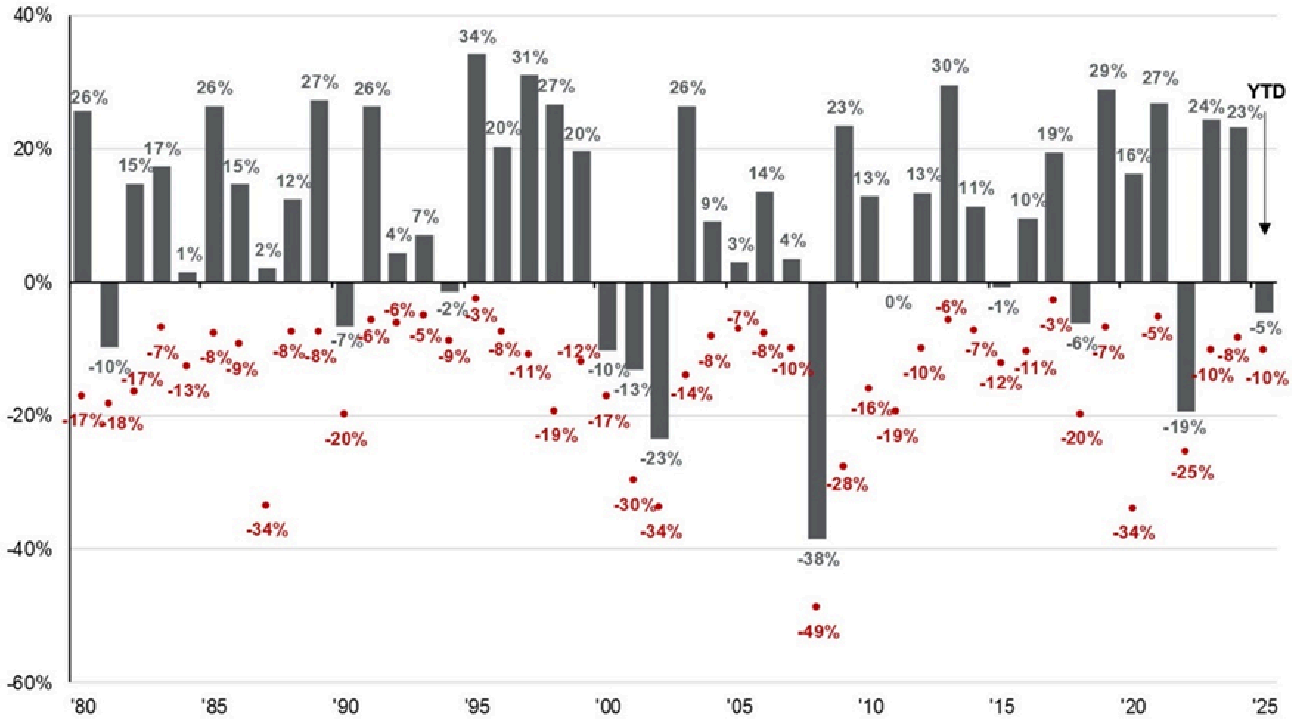
CHART APPENDIX

S&P intra-year declines vs. calendar year returns

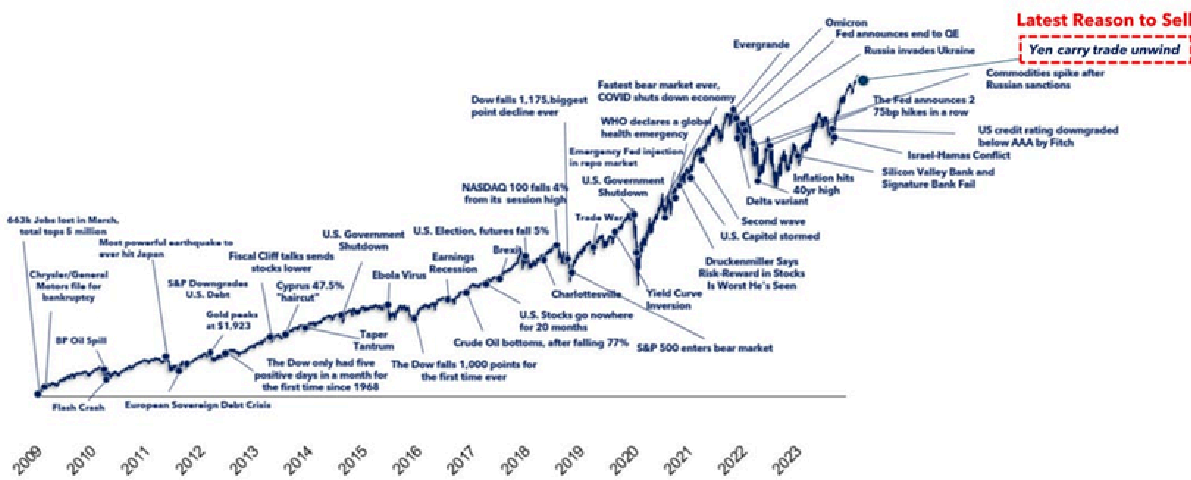
Despite average intra-year drops of 14.1%, annual returns were positive in 34 of 45 years



There's Always a Reason to Sell

Reasons to Sell and S&P 500 Price

Since 2009



Source: Ritholtz Wealth Management, data via YCharts

RITHOLTZ wealth management