



Periodic commentary assessing the impact of news events on the equity and fixed income markets. A conversation with our portfolio managers:



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MARKET VOLATILITY

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What is your perspective on market volatility?

Conrad: Volatility understandably creates anxiety. It raises real investment concerns and many questions about how best to stay on course to achieve your financial goals.

George: It really underscores the advantage of personalized investment management. You have direct access to your manager who knows your investments and objectives, can put market volatility in perspective and work with you to determine if you need to adjust course.

How do you put market volatility in context?

George: To start, it's important to recognize that the market has been through periods of extreme or extended volatility before. It can be instructive to consider how the market responded to, and ultimately recovered from, those events.

Conrad: Yes, we all know the present volatility isn't an anomaly. We also recognize the catalysts differ from past episodes which creates uncertainty and some amount of fear. Yet, despite the difference in causation, revisiting prior selloffs resulting from the Covid pandemic in 2020, the financial crisis in 2008, or the dot-com bubble in 2000 can help us better understand the nature of the current situation.

George: We also **need to look beyond the market's immediate reaction to headline news** to understand the nuances of its concerns. The Administration's tariff policy has created diverse concerns for the U.S. and global economies as well as specific industries and individual companies.

Conrad: Those concerns are compounded by an understanding that the Administration will not solely determine the results of those policies. So, we see the market grappling to anticipate how, and to what effect, other countries, individual businesses and consumers will react to real, or perceived, consequences of the tariffs.

George: It also **helps to understand the extent to which computer-based, algorithmic trading amplifies market volatility**. Daily market activity is primarily dictated by computer algorithms - not by individual investors making buy or sell decisions.

Conrad: Essentially, pre-programmed systems automatically respond to data which triggers selling or buying when certain criteria are met. We see in real time how electronic trading greatly exaggerates market movements.

How does volatility impact investment strategy?

Conrad: Our investment decisions are always guided by our long-term investment philosophy and strategies. We maintain the same disciplined approach whether we're assessing market events or news for individual companies. Through on-going analysis, we determine where there might be a need to reduce risk or when there might be a new opportunity for long-term growth.

George: Or, to put it another way, we don't make immediate wholesale changes to portfolios in response to market volatility. We make strategic decisions based on our assessment of the risk and long-term growth prospects for individual companies. For example, we may sell positions in companies with greater exposure to the current economic risks and invest in other companies positioned to rebound more quickly in a market recovery.

George: Managing during volatile periods isn't only about risk; it's also about identifying opportunities. Our approach focuses on making long-term investments in high-quality companies that we know and understand. Volatility often puts great companies "on sale" creating opportunities to invest at a lower price for long-term growth.

Conrad: In any market, our job is to balance risk management with investment opportunity. That process is tailored to each client's individual goals to create a personalized investment portfolio.

What is your outlook for the market?

George: We expect market volatility will remain elevated until the economic outlook becomes clearer. Earnings calls should continue to shed some light on how individual companies view and plan to respond to tariffs and economic uncertainty.

Conrad: It would not be surprising to see more companies developing contingency plans but waiting for more clarity before they make significant investments in, or changes to, their operations. As the situation develops, our analysis will continue to evaluate the long-term implications for various industries and specific companies.

George: We always welcome the opportunity to talk with clients to address any concerns or questions they have. Please reach out to Client Services if you would like to schedule a call with either of us to review your investment strategy or portfolio.

Conrad: Yes, as we said at the outset, we know this type of market volatility raises many valid concerns. We're available if you want to discuss market volatility in relation to your objectives and accounts in detail.

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