



PERKINS
CAPITAL
MANAGEMENT, INC.

May 6, 2025

Dear PCM Clients and Friends:

The big “bugaboo” which caused fear, stress, anxiety, and worry this year has been tariffs.

The volatility this year in the market has been attributed to tariffs; shifting thoughts away temporarily from any number of other concerns. There are always worries and reasons not to invest. But, over the years companies and markets have proven to be resilient.

We have read about “tariffs.” We have listened to several presentations and heard people discuss their reasoned thoughts; both the good and the bad. Lots of opinions here.

A couple thoughts concerning tariffs have stuck with us during the past month which we would like to share with you.

First, is a quote we read which is attributed to Abraham Lincoln, our 16th president:

“I do not know much about the tariff, but I do know this much: when we buy goods abroad, we get the goods, (and) the foreigner gets the money. When we buy goods made at home, we get both the goods and the money.”

This made us think back years ago to our college years, Economics 101, the ubiquitous Samuelson economics 101 text book and his multiplier effect of consumption; which is simply that one person’s purchase or consumption is another person’s income. The multiplier is that the total impact on the economy is greater than the initial expenditure as some of the second person’s income becomes his consumption and so on and so on through the economy. If we remember correctly, Paul Samuelson’s theory was each dollar actually multiplied within our economy to \$5 dollars. This is, of course, for dollars spent in the U.S.

So, what is the problem? The problem in simple terms is a saying: “To have a friend you need to be a friend.” Or, as Warren Buffet recently commented at Berkshire Hathaway’s annual meeting: “Balanced trade is good for the world. In the United States, we should be looking to trade with the rest of the world. We want a prosperous world.” Friends should not take advantage of each other. Healthy friendships involve mutual respect, reciprocity, and a balanced exchange. We, in the U.S., unfortunately now have some friendships, like Canada, which we will need to repair. We also are in the process of a needed “trade reset” with the world, forcing a “fix”, on numerous unbalanced global trade relationships.

The market’s concern this past quarter has focused on uncertainty and the uncertain effects of tariffs and trade wars on corporate profitability. As investors we need to remember what the “herd” of the markets occasionally forgets; that successful companies take advantage of crisis. They come to work each day and simultaneously are on both the defense and the offence. The dramatic move to onshore manufacturing and expanding operations at home by our largest U.S. corporations is a perfect example of this.

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INVESTMENT MANAGEMENT

THE MARKET SCOREBOARD

Stocks started the new year by extending the December 2024 declines into mid-January.

Then, stocks rallied into and beyond Inauguration Day as solid economic data, encouraging inflation readings, positive commentary from Fed officials about future rate cuts, and investors anticipating a “pro-growth” administration taking power allowed stocks to recover January’s initial losses. The S&P 500 hit a new all-time high shortly after President Trump’s inauguration which the markets maintained until mid-February.

We all know now, this rally did not last. The normal new president’s stock market “honeymoon,” which historically has continued for about 6 months after inauguration, did not last and was very short; as chaotic U.S. trade and tariff policy uncertainty, exacerbated by ineffective communication, caused an abrupt plunge in business and consumer confidence. Investor optimism for a pro-growth agenda was replaced by rising concerns that a new global trade war would dramatically slow the U.S. economy and cause a decline in corporate earnings. The market declines accelerated from mid-February into a waterfall decline in March and April as President Trump made good on his threat to implement a dramatic change in tariff policy. The S&P 500 Index’s decline after Inauguration Day was the worst initial performance on record for any presidential term going back to 1932. According to the Wall Street Journal, in the first eight days of April, at the end of its waterfall decline, the Dow Jones Average neared its worst entire April monthly performance since 1932; but then did recover significantly from its early April low throughout the rest of the month.

Ranked by Q1 Return Indexes	% Return Q1 2025
NYSE Composite	1.56
Dow Jones Industrial Average	-1.28
S&P 500 Total Return	-4.27
Wilshire 5000	-5.25
NASDAQ Composite	-10.42

The Q1 Index % Return table to the left reveals % declines in the broad market which from year-end to quarter-end appear on the surface to be modest; with the NYSE Composite actually increasing for the quarter. Yet, from the February high to the April lows the broad market declines certainly were not modest at all for widely held technology, consumer discretionary, and many small-cap stocks which saw substantial declines, while other parts of the market proved more resilient. For

the quarter, on a sector level, only 4 of the 11 S&P 500 sectors finished the quarter with a negative return and 2 of those 4 sectors saw only fractional declines. Energy was the top-performing sector. The traditionally defensive healthcare, utilities and consumer staples sectors logged modest gains in Q1.

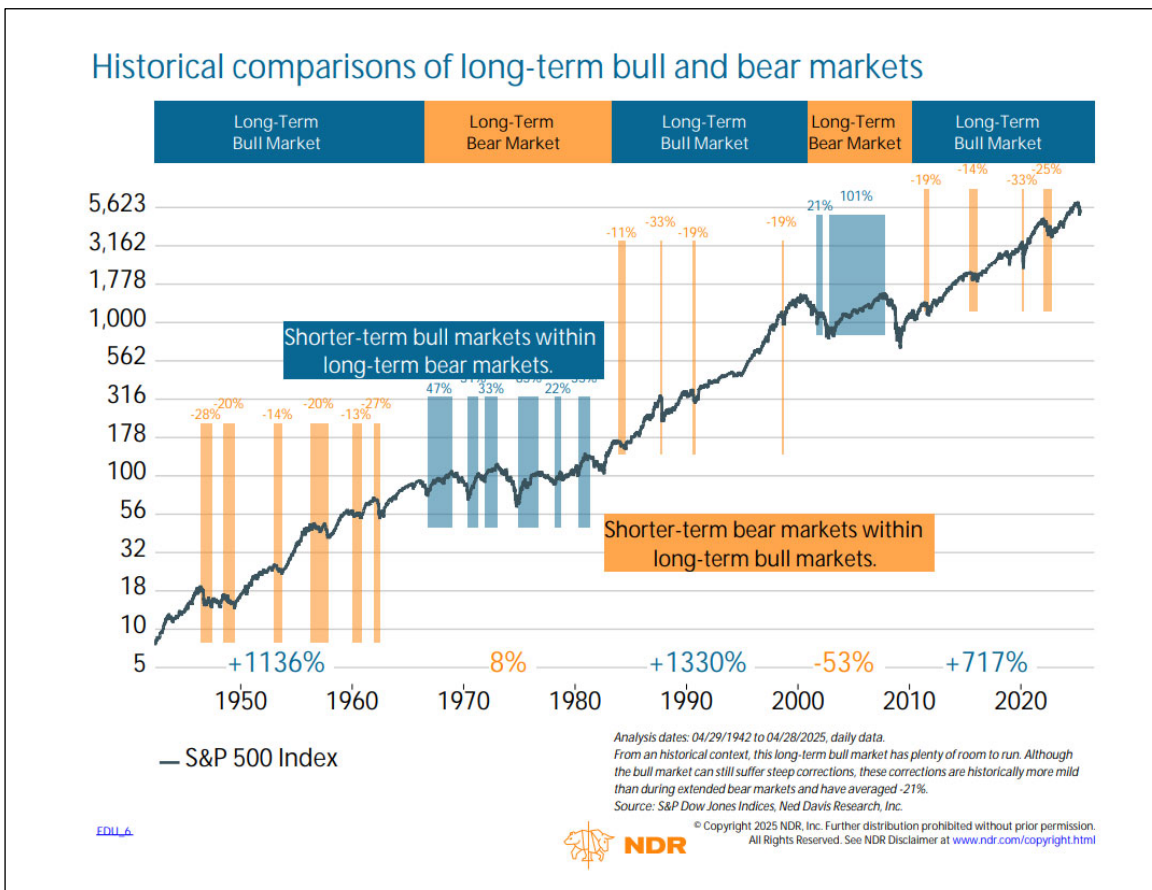
Though we began the second quarter with significant uncertainty in the outcome of our tariff and trade policies and, also, legitimate concerns about future economic growth, the economy is still resilient and it’s important to realize that stocks fell in the first quarter mostly on fears of what might happen in the economy.

STOCK MARKET OBSERVATIONS

Last quarter, in our February 24, 2025 letter, in the Stock Market Observations section, we presented three observations which we felt would be important to consider in 2025.

We first started with a brief reminder that “at this time, we should expect a ‘honeymoon’ period for the new president” and that: “This ‘honeymoon’ typically lasts until the middle of the first presidential year.” This cycle predicts a stronger start to the year and a weaker second half which lasts into the middle of the next year. Clearly, we did not expect, or observe, that the presidential “honeymoon” had already ended and that the markets were already at the start of what quickly turned out to be a waterfall decline for the markets.

For our second observation, we included the important Ned Davis Research chart titled: Historical comparisons of long-term bull and bear markets. We include it here again, below, because we still feel it is an important reminder especially, at this time, that there are always countertrend market changes, both up and down, within the long-term historical trend and growth of the markets. From the S&P 500 high on February 19, 2025 to the recent correction low on April 8, 2025, the S&P 500 corrected -18.9%. This is consistent, but also in the “middle of the pack” when compared to the other countertrend corrections highlighted in orange below within this historical correction comparison chart.



Lastly, in February, we again included the Ned Davis Research chart which details the number of days in the past in the S&P 500 before the start of 5%, 10%, and 20% corrections – market days between or without corrections.

We stated that we felt we were overdue for a routine 5% correction. We also noted that with 328 days having passed since a 10% or greater correction that we should expect one. We also thought that with 590 days having passed since the most recent 20% correction, that we could have one now, later this year or in 2026.

The question to consider now, in this Stock Market Observation is, what about the rest of 2025? Simply stated: What's next?

What the Four-Year Presidential Cycle predicts after the “honeymoon” is over is a market correction and then a market which works sideways, up and down between the post-inauguration “honeymoon” high and the following correction low, for the rest of the 1st presidential year and into the 2nd presidential year -- an adjustment period during the new presidency. With the pace of change which is occurring at this time during the Trump presidency this makes sense to us -- an adjustment period for investors and the markets to gain perspective and understand -- a “wait and see” period.

What might this “wait and see period” look like? One way to visualize this is study the chart below which is from the very solid technical work of RBC’s Technical Strategist Robert Sluyer, CFA. In the chart, highlighted in light green, is the price channel, the highs and lows, that the S&P 500 has traded within, up and down, since the 2008-2009 market low to today.



This is a monthly chart which shows the highs and lows during each month of the past 18 years. At the far right is a dot which is now; early May. To its left is the month of April 2025.

The beginning of May “dot,” is now, after the strong past couple weeks off the recent low, more or less in the middle of the light green highlighted price channel. From here there is room for the S&P 500 to go across and both up and down within this channel. At this time, with what is “known,” we believe that the S&P will likely continue to stay, during the current “wait and see” correction period, within the trend channel.

If you go back to page three, the far right of the uptrend of the S&P 500’s black line in the long-term 80-plus year historical comparison chart of long-term bull and bear markets is the same period of time which is highlighted with the light green channel in the 18-year monthly chart on the previous page (four). We think it is interesting to flip back and forth and look at both the 80-year long-term chart and the also the time after 2009 in the 18-year chart. Both are visual pictures of the S&P 500, with ups and downs, during these lengthy periods.

Now, let’s go beyond the visual picture, to answer the question of what’s next, by discussing some numbers.

Today the distance between the top and the bottom of the light green channel is approximately 2,000 S&P 500 points with the top around 6,500 and the bottom of the channel around 4,500. With the S&P 500 at 5,650 it is near the middle of the trend channel. It could go up 18% from here to the top of the trend channel and continue higher traveling along the top of the trend. We think this will happen in the future; but we do not think it will happen at this time. The S&P 500 could also go down 20% from here to 4,500 to the bottom of the trend channel. As part of the market’s bottoming process in 2025 this is a clear possibility.

The April 7, 2025 S&P 500 low was 4835. As we have written in the past, in a market correction the markets sell off, become oversold, and then after a strong rally, go back down to the area of its lows to “test” the low; to see if the low is “the low” or just “a low.” In a successful retest the markets can even go a little lower on either lower selling pressure or in a climatic low. We have had an oversold sell-off and a strong rally off the April 7 low. At this time, we have not had a successful retest of this low.

In the light green trend channel is a red line which is the 4-year moving average of the S&P 500. By looking at the red line you can see that the S&P 500 in several corrections has traded down to touch the 4-year moving average and can also trade below it. Below the 4-year average today is the bottom of the light green trend channel around 4500 in the S&P.

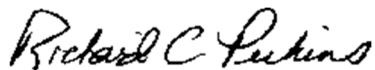
The last time the S&P 500 touched the 4-year moving average red line was in 2022. As highlighted in the chart the S&P began increasing from 3,491 in the S&P 500 in 2022 and increased 76% to this year’s early 2025 new highs at 6147.

It is too early to predict or know what this current market correction will look like. All corrections involve both time and price. In this letter's Stock Market Observation we have discussed, as best we can at this time, both time and price. The good news is the markets spend more time going up than they do correcting.

The strong difference of opinions within our society of what is or should be "normal" continues. This letter's cartoon speaks to the fact that whatever this new normal is or should be, it is likely to contain some big twists and turns during 2025, more than just "wiggles" along the way.

We thank you for your ongoing confidence and trust. We are always available to meet with you by phone, Zoom, FaceTime, or in person to review your investments or for you to update us with any change in your investment objectives. If you have any questions, please give us a call. Or call and ask to schedule a time to talk or meet in person.

Sincerely,

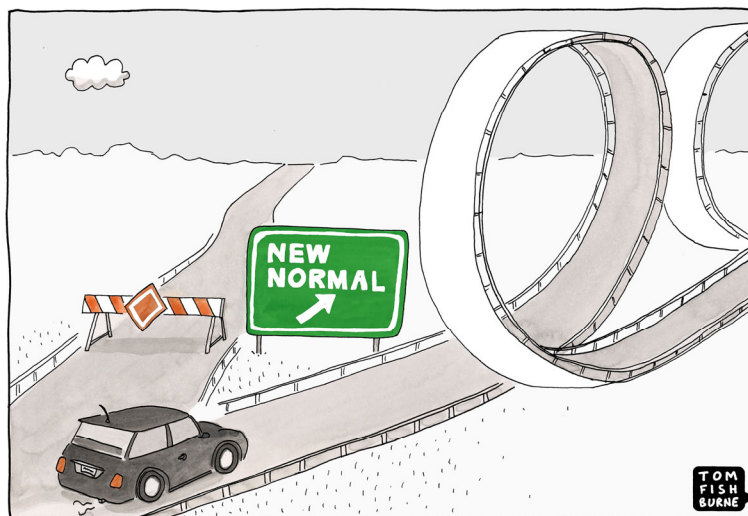


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LAWS OF NATURAL ORDER

Law of Mechanical Repair: After your hands become coated with grease your nose will begin to itch or you'll have to pee.

Law of the Workshop: Any tool, when dropped, will roll to the least accessible corner.

Law of Probability: The probability of being watched is directly proportional to the stupidity of your act.

Law of the Telephone: When you dial a wrong number, you never get a busy signal.

Law of the Alibi: If you tell the boss you were late for work because you had a flat tire, the very next morning you will have a flat.

Law of Variation: If you change lines (or traffic lanes), the one you were in will start to move faster than the one you are in now.

Law of the Bath: When the body is fully immersed in water, the telephone rings.

Law of Close Encounters: The probability of meeting someone you know increases when you are with someone you don't want to be seen with.

Law of the Result: When you try to prove to someone that a machine won't work, it will.

Law of Biomechanics: The severity of the itch is inversely proportional to the reach.

Law of the Theater: At any event, the people whose seats are furthest from the aisle arrive last.

Law of Coffee: As soon as you sit down to a cup of hot coffee, your boss will ask you to do something which will last until the coffee is cold.

Law of Lockers: If there are only two people in a locker room, they will have adjacent lockers.

Law of Dirty Rugs/Carpets: The chances of an open-faced jelly sandwich landing face down on a floor covering are directly correlated to the newness and cost of the carpet/rug.

Law of Logical Argument: Anything is possible if you don't know what you are talking about.

Law of Product: As soon as you find a product that you really like, they will stop making it.

BLONDE JOKES

AUTO REPAIR: A blonde pushes her BMW into a gas station. She tells the mechanic it died. After working on it a few minutes, it is idling smoothly. She asks, "What's the story?" He replies, "Just crap in the carburetor." She asks, "How often do I do that?"

SPEEDING TICKET: An officer stops a blonde for speeding and asks her if he could see her license. She replied in a huff, "I wish you guys would get your act together. Just yesterday you take my license and today you expect me to show it to you!"

KNITTING: A highway patrolman pulled alongside a speeding car on the freeway. He was astounded to see that the blonde behind the wheel was knitting! Realizing that she was oblivious to his flashing lights and siren, the trooper cranked down his window, turned on his bullhorn and yelled, "PULL OVER!" "NO!" the blonde yelled back, "IT'S A SCARF!"

BLONDE ON THE SUN: A Russian, an American, and a Blonde were talking one day. The Russian said, "We were the first in space!" The American said, "We were the first on the moon!" The Blonde said, "So what? We're going to be the first on the sun!" The Russian and American looked at each other and shook their heads. "You can't land on the sun, you'll burn up!" said the Russian. To which the Blonde replied, "We're not dumb, we're going at night!"

IN A VACUUM: A blonde was playing Trivial Pursuit one night. It was her turn. She rolled the dice and she landed on Science & Nature. Her question was, "If you are in a vacuum and someone calls your name, can you hear it?" She thought for a time and then asked, "The vacuum, is it on or off?"

FINAL EXAM: The blonde reported for her university final examination that consisted of yes/no type questions. She stares at the exam for five minutes and then, in a fit of inspiration, takes out her purse, removes a coin and starts tossing the coin, marking the answer sheet: Yes, for Heads, and No, for Tails. Within half an hour she is all done, whereas the rest of the class is still sweating it out. During the last few minutes she is seen desperately throwing the coin, muttering and sweating. The moderator, alarmed, approaches her and asks what is going on. "I finished the exam in half an hour, but now I'm rechecking my answers."

THE BLONDE RANSOM: There was a blonde woman who was having financial troubles so she decided to kidnap a child and demand a ransom. She went to a local park, grabbed a little boy, took him behind a tree and wrote this note: I have kidnapped your child. Leave \$10,000 in a plain brown bag behind the big oak tree in the park tomorrow at 7 A.M. Signed, The Blonde. She pinned the note inside the little boy's jacket and told him to go straight home. The next morning, she returned to the park to find the \$10,000 in a brown bag behind the big oak tree, just as she had instructed. Inside the bag was the following note: Here is your money. I cannot believe that one blonde would do this to another.

WANT ADS:

GEORGIA PEACHES: CALIFORNIA GROWN - 89 cents lb.

WASHER AND DRYER: \$300. JOINING NUDIST COLONY, MUST SELL.

WANTED GRAPE STOMPERS: MUST HAVE GOOD BALANCE AND LARGE FEET.

CAB DRIVERS WANTED: NIGHTS & WEEKENDS. MUST HAVE GOOD DRIVING & CRIMINAL RECORD. APPLY IN PERSON, 1ST ELM STREET.

WANTED CEMETERY SUPERINTENDANT: MUST BE ABLE TO SUPERVISE IN A FAST-PACED ENVIRONMENT.

AUTO REPAIR SERVICE: FREE PICKUP AND DELIVERY. TRY US ONCE, YOU'LL NEVER GO ANYWHERE AGAIN.

DOG FOR SALE: EATS ANYTHING AND IS FOND OF CHILDREN.

TEACHER NEEDED: 3-YEAR-OLD TEACHER NEEDED FOR PRESCHOOL. EXPERIENCE PREFERRED.

CARING MAN WANTED: SINGLE WOMEN LOOKING FOR A MAN FOR A PERMANANT RELATIONSHIP, AND SUPPORT. MUST BE WILLING TO IGNORE THE VOICES IN MY HEAD AND OCCASIONAL MUTTERING UNDER MY BREATH.

CUSTOM DRY CLEANING: WE DO NOT TEAR YOUR CLOTHING WITH MACHINERY. WE DO IT CAREFULLY BY HAND.

In the middle of a very dark and stormy night, a guy was hitchhiking to town alone and there were very few cars out. As the night rolled on cars were still scarce, and no lights lined the street. The storm was so strong he could barely see a few feet ahead of him.

Suddenly in the distance he saw the headlights of a car coming slowly towards him, coming to a standstill beside him. Without hesitation, the guy hurriedly gets into the car and closes the door, only to realize there is no one sitting behind the wheel.

All a sudden the car begins to move; the guy looks at the road ahead and notices a sharp curve coming his way. Scared, he closes his eyes and starts to pray, begging for his life. Still in shock, but just before he hits the curve, a hand appears through the window and turns the wheel. Paralyzed in terror, the guy watches how the hand appears every time they are before a curve. Gathering all the strength he has, the guy grabs the door latch, rolls out onto the pavement, and runs as fast as he can to town.

Dripping wet and in shock the guy runs into a crowded bar, asks for two shots of tequila, and begins to tell everybody about the horrible experience he just went through. Everyone is glued in silence and amazement.

About half an hour later two guys walk into the same bar and in amazement one says to the other. "Look, that's the jerk that got in the car when we were pushing it!"

A mouse looked through a crack in the wall to see the farmer and his wife opening a package. Wondering if it may contain food, he watched patiently. He was aghast to discover that it was a mousetrap!

Retreating to the farmyard, the mouse proclaimed the warning, "there is a mousetrap in the house, there is a mousetrap in the house. The farmer and his wife bought a mousetrap."

The chicken clucked and scratched, raised her head, and said, "Mr. Mouse, I can tell you this is a grave concern to you, but it is of no consequence to me; I cannot be bothered by it."

The mouse turned to the pig and told him, "There is a mousetrap in the house."

"I am so very sorry, Mr. Mouse," sympathized the pig, "but is there is nothing I can do about it but pray; be assured that you are in my prayers."

The mouse turned to the cow, who replied, "Like Wow, Mr. Mouse, a mousetrap; am I in grave danger, Duh, no?"

So, the mouse returned to the house, head down and dejected to face the farmer's mousetrap alone. That very night a sound was heard throughout the house, like the sound of a mousetrap catching its prey. The farmer's wife rushed to see what was caught. In the darkness, she did not see that it was a venomous snake whose tail the trap had caught. The snake bit the farmer's wife. The farmer rushed her to the hospital. She returned home with a fever. Now everyone knows you treat a fever with fresh chicken soup, so the farmer took his hatchet to the farmyard for the soup's main ingredient, chicken.

His wife's sickness continued so friends and neighbors came to sit with her around the clock. To feed the people that came to care for his wife, the farmer butchered the pig.

The farmer's wife did not get well, in fact, she passed away, and many people came for her funeral. The farmer slaughtered the cow to provide meat for all of them to eat.

So, the next time you hear that someone is facing a problem and you think that it does not concern you, remember that when the least of us is threatened, we are all at risk.