

April 3, 2025



Dear Investor,

Fraud.

And ... Tariffs.

Those are the two topics front and center to investors and Americans in general today.

We will cover markets of course, but also those two topics in this Q1 Letter.

Regarding Fraud, for two decades we have outed the role of printed money being used to 'paper over' all kinds of mistakes, misdeeds and mis-allocations of capital.

We have pointed out 'deficiencies' in reported data (Inflation, Jobs numbers, etc.), and we have ad nauseum presented charts that show the exponentially increasing debt, money supply, and many other forms of data that point to unsustainability.

In Q1, DOGE (Department of Government Efficiency) wreaked havoc on the embedded Fraud that exists with in our government and largely corrupt political class. We have pointed out the two skills it takes to succeed at politics and in government agencies: ability to lie and ability to exploit ... comfortably. All of that is becoming visible to the public and to markets.

Regarding Tariffs, going into 'Liberation Day', markets did not really know what to expect, despite being told the levels of Tariffs that would be assessed against many countries that unfairly assess their own Tariffs against the American Consumer. The word "Reciprocal" is important as it reveals that Americans are already paying for existing Tariffs.

The calculation revealed on Liberation Day seems to be not a direct 'Tariff', or Tax, but rather is based on trade imbalances and currency manipulations undertaken abroad.

At its base, it compares the amount of Trade America sells to other countries, versus what we buy from them. It looks to be a negotiating tactic, which makes sense considering Trump.

Initial reactions are quite negative in the markets, which were heavily over-valued to begin with as we have pointed out for some time. Volatility can be expected to be rather wild, and the position of caution has been warranted although it has taken time to manifest itself.

Trump, Bessent and Trade Secretary Howard Lutnick have been very vocal in saying their focus is not the stock market, but rather the 10 Year Treasury Yield. That makes sense of course because Bessent has to re-issue upwards of NINE TRILLION in debt in 2025 which Yellen piled on him (funds that financed the NGO fraud) . Much debt was issued years ago, paying interest at 2%, 3%, etc., but the 10 Year yield at 4.25% would result in a much higher interest expense for the country. The bond market is telling Jay Powell to lower rates.

The impact of the Tariffs, contrary to MSM hysteria about devastating inflation, could be the opposite if other countries *drop* their tariffs instead. Time will tell how it plays out and if this is just Art of the Deal. In the meantime, caution is being rewarded.

Best Regards,

Mike Sullivan

## Detail:

Q1 painted a different picture as Yellen eased out the door, hanging her debt-fiesta on successor Scott Bessent, and the NGO fraud funds were shut off. Corporate revenues capped and earnings likely cooled with them ... as domestic markets seemed to sniff out:

| INDEX                    | Description                      | Q1     |
|--------------------------|----------------------------------|--------|
| Standard & Poor's 500    | US Based Large Stocks (500)      | -4.6%  |
| Dow Jones Industrials    | US Based Large Stocks (30)       | -1.3%  |
| Nasdaq 100               | US Based Large Stocks            | -10.4% |
| Standard & Poor's 400    | US Based Mid-Cap Stocks (400)    | -6.5%  |
| Russell 2000             | US Based Small-Cap Stocks (2000) | -9.8%  |
| Dow Jones Transports     | US Based Transportation Stocks   | -2.0%  |
| Dow Jones Utilities      | US Based Utility Stocks          | 4.2%   |
| EAFE International Index | International Large Cap          | 8.1%   |
| MSCI Emerging Markets    | Diversified Emerging Markets     | 4.5%   |
| Commodities              | Bloomberg Commodity Index        | 7.7%   |

Sources: Bloomberg, vanguard.com, yahoo.com

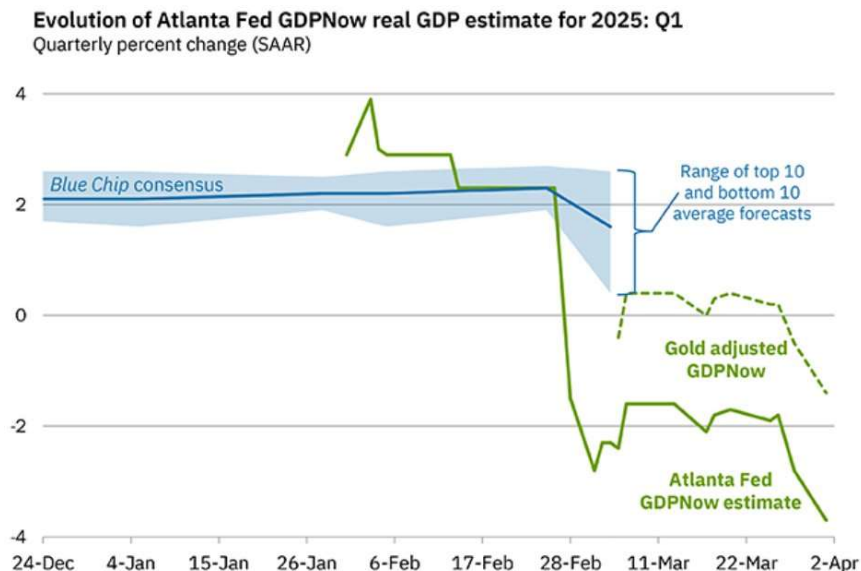
There's always a bull-market somewhere, as Jim Cramer likes to say.

Yellen was not the only Treasurer nor Central Banker engaged in the money-printing and debt-issuance game, as countries around the world all did so exponentially with their own fiat money ... since Covid in Q1 of 2020.

If the US is going to be cooling out, or 'de-toxing' as Scott Bessent likes to say, the money will flee elsewhere. And ... it has. Some went to Europe, but China was a primary benefactor of the hot-money as its markets had been in steady decline since 2022.

Regarding Economic data, the past year has been heavily revised, little surprise to industry followers as it was obvious serious games were being played. Here is some recent data:

- The latest Price/Earnings ratio for the S&P 500 dropped from **22.3** as of the prior letter, to 20.3 today (still on the high side of valuations).
    - The 'Alligators Jaws' pattern discussed last quarter has closed to some extent, which almost always happens when stock prices get too far ahead of earnings.
  - Inflation is no longer subsiding as Personal Consumption Expenditures (PCE) jumped up 2.3% in Q4, versus the more modest increase of 1.5% the quarter before.
  - Florida and Texas lead the dive in Residential Real Estate, with other regions holding up okay, particularly in the northeast 30 Year Mortgages dropped from 7% to 6.6%.
    - Pending Home sales rose 2.0% month to month, dropped **-3.6%** year to year.
  - Commerical Real Estate struggles further. DOGE activities contemplate adding half of US government owned office space to markets ... suggesting price pressure ahead.
  - Fed chairman Powell is going to have to drop rates. Aside from Trump, bonds say so.
    - The 1% in cuts between September and December was a pre-election boon, but bond investors called the Fed's inflation bluff. Bond investors are *big money*.
    - Bonds are calling for a rate cut now. Powell can play political games for a bit.
  - Tech overlord companies continue to be sold, this time from Tariff fears supposedly, but we know their valuations were off-the charts optimistic for months.
  - Regional business barometers have continued to slow, Tariff fears again a reason.
  - GDP growth is cooling, down from 3.1% to 2.4%. The Atlanta Fed sees Recession.
- .....

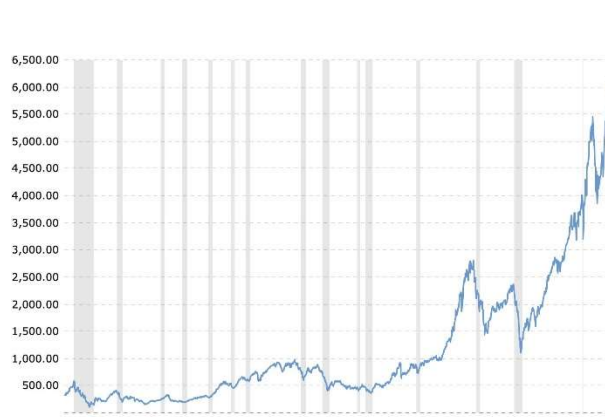


The chart above compares Wall Street forecasts (top in blue) to the recent Atlanta Fed estimate (bottom in green). It also compares it to price changes in terms of gold.

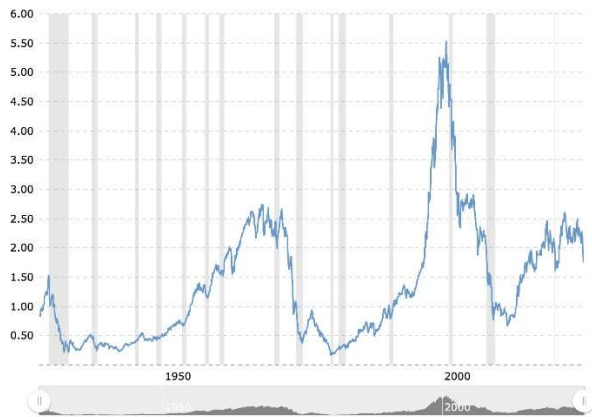
Speaking of gold, the sound money instrument has been on quite a tear as central banks around the world have stocked up on it heavily, perhaps previewing that the days of endless monetary creation can no longer be hidden by disingenuous inflation calculations.

From December 1, 2024 through mid-February, 2,000 metric tons of the precious metal were shipped to the US. Theories about the shipment range from:

- The vault at Fort Knox is being replenished under fear of DOGE audit
- US banks are clearing holdings out of the London exchange under belief London doesn't hold the inventory stated, and when investors actually call for delivery, those who do not already have the metal in their possession will be out of luck
- The 'paper' gold investment vehicles do not really possess the gold they claim to own
- Gold is fleeing the European continent as European Globalists and NATO provoke Russia into a nuclear conflict to distract from their disastrous policies.



Price of S&P 500 ... in US Dollars



Price of S&P 500 ... in Ozs of Gold

Above left, we can see how many US dollars it takes to buy the stock index ... extrapolated from 1928. On the right however, we see how many ounces of Gold it takes. With the S&P 500 at 5,396 at the 4/3 close, and gold at 3,132, it takes 1.7 ounces of gold to buy one block of shares in the 500+ companies. Not far off what one ounce purchased nearly 100 years ago.

We can see how much more stable purchasing power of gold is versus the dollar.

The Gold debate always vascillates between the slanderous lable the fiat bankers, like former Fed Chair Ben Bernanke dished out: 'ancient relic' ... and its opposing sound money crowd which prefers 'sound money'. Compare the amount of gold it takes to buy shares in major American businesses now, versus 1928.

Whatever the reason, gold is moving. We know from GATA.org that there are many paper claims on the actual amount of physical gold that exists. The same goes for silver. From a valuation standpoint, silver is discounted historically to gold as over 90 ounces of silver are required to purchase one ounce of gold. From that perspective at least, it is valued low.

Meanwhile, it has been quite a ride in the world of 'virutal gold', or, Bitcoin and the various cryptocurrencies. Bitcoin possesses the same principle as gold in that its quantity is rather fixed at 21 million units. However Bitcoin is now being fractionally divided these days, so the price has been on quite a run as more participants access it. Blackrock's entry into a Bitcoin ETF arena introduced the same ability for Wall Street to influence its price, just like gold.

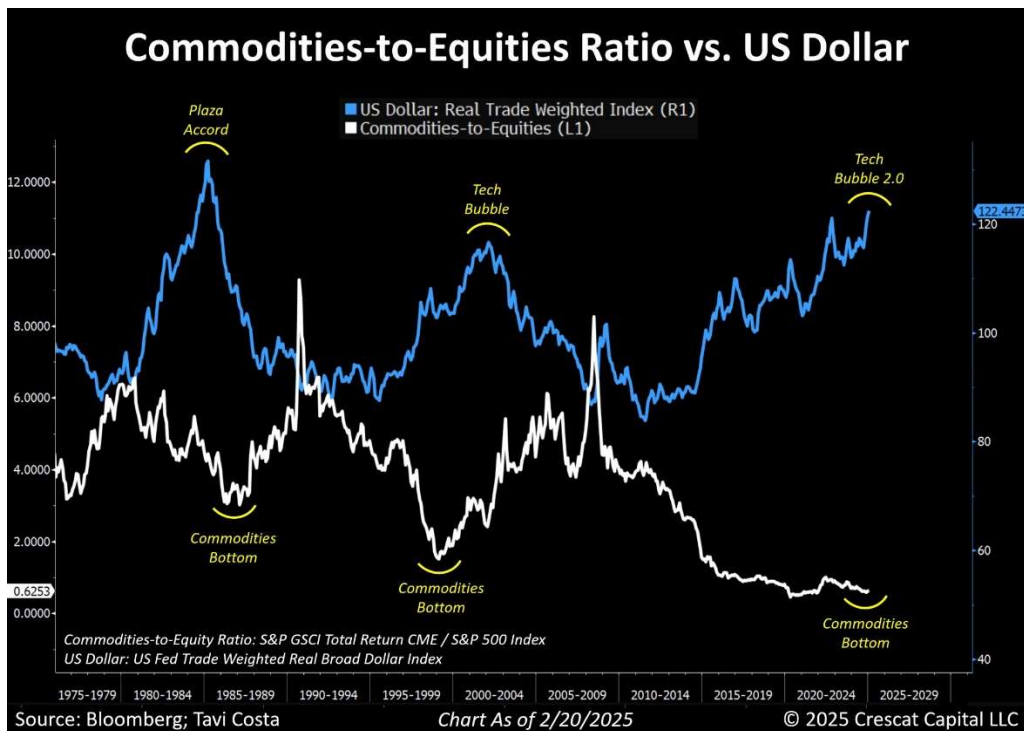
Crypto remains a potential replacement option for fiat / paper currency, and a number of alternatives have acquired widespread adoption. The Cryptocurrency universe now exceeds 2.6 Trillion in asset valuation.

Precious metals purists view the cryptocurrency markets as potentially just another playpen for the banking cabal to use, from which they can steer fiat dollars and other fiat currencies somewhere other than gold and silver ... preventing precious metals from soaring.

Until crypto, precious metals were viewed as essentially a report card on whether fiat money and national debts, IE whether central banks are succeeding or failing.

The supply of gold, based on the entire amount mined through world history, would consist of a 69 x 69 x 69 foot cube and equal 16 Trillion, with spot gold valued at \$3,118 per ounce. If the money in the Crypto market were instead in the gold market, a gold ounce would be at \$3,800 instead.

If we view metals as a commodity, and add in energy, food, etc. we would have an entire asset class. Even with the run we have seen in gold and a handful of other commodities, we can see historically that commodities remain substantially undervalued versus US equities. We also can note they move opposite the US Dollar weighted Trade Index. A quick view can infer with trade likely to cool, traditional stimulative efforts may follow: stimulative efforts like ... declining interest rates and general monetary and/or economic stimulus.



While Trump is clearly aiming at cutting off the Head of the Snake (the Yellen funding mechanism that plowed money into US A I D and fraud-laden NGOs), we doubt he'll be against funneling money into economic activity. The companies being gathered via the Tariff threats to bring factory work back to American shores may bring a considerable amount of building and construction to the manufacturing and tech sectors in days ahead. We surmise Trump's bet is such activity will offset declines in broader economic activity that result from the negative impact not just of Tariffs, but from revenue that disappears from fraud-purge.

But, with Trump, who really knows?!

Regarding Tariff hysteria: yes, Tariffs initially can raise costs. However, the other side of the equation is negotiating with (coercing) other countries to **drop** their own Tariffs.

If they do drop them, two things can happen: 1) costs go down for American goods going into those foreign countries, thus new markets are opened up to American business, and 2) Trump can in turn drop the Tariffs he launched on Liberation Day. The second feature would reverse the initial Tariff cost.

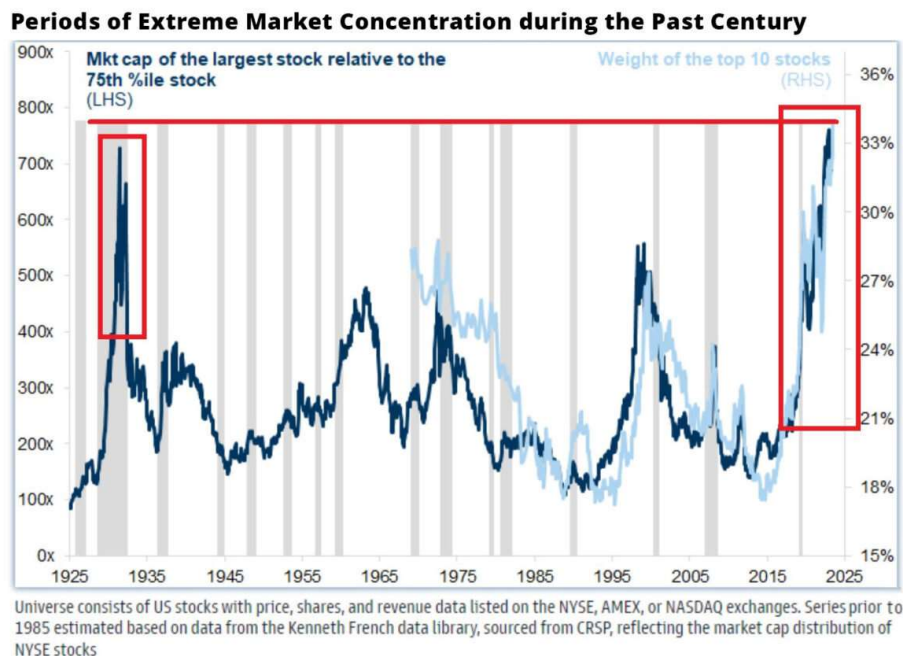
American labor is more expensive than most foreign labor, so we'd expect some inflationary pressure from that metric, but the thesis there is that the boost in economic activity and the new markets opened up will further cycle into American wages and quality of life with reverse in a better upward direction.

A National Security windfall is perhaps the most important aspect of the Tariff Tiff as the US can reclaim long-lost manufacturing. We need not remind everyone the dilemma realized during the Covid debacle when everyone realized the degree to which pharmaceuticals were manufactured overseas. In retrospect, perhaps that was a good thing considering the destruction the vaccines and other treatments caused so many people.

[The damage that manifested in cardiac arrests, other cardio damage, dementia, pregnancies and other conditions was massive. That it is still being concealed from the broader public while Big Pharma commercials are still being broadcast is a crime. For any readers who bristle at the preceding concept, go look at the stocks of vaccine manufacturers Pfizer and

Moderna, or the pharmacies CVS and Walgreens. You'll get the picture in short order ... charts are 'market-speak', and those ones tell the story of captured markets ... that are no longer in demand.]

On the Technology front, the Magnificent Seven is not acting quite so Magnificent lately. Warning signs were present for awhile. The group simply became the latest 'crowded trade':



The Biden Administration silo'd the AI business into the biggest Tech Overlords, as revealed by NetScape Founder Marc Andreessen in the interview we referenced last quarter. Much of the Yellen funds worked their way to the insatiable government blob and its bloated agencies, and subsequently to the Tech Overlords. No doubt many of the US A I D Non-Governmental Organizations (both legitimate and outright fraudulent) ramped up AI efforts internally. That demand has been chainsawed by DOGE efforts. The end result is the same ... far less revenue flowing into what looks to be Wall Street's latest bubble.

From a straight business standpoint, the savings enjoyed by company CEOs will have likely have limits at some point once we are past the 'innovation stage'.

CEOs seem to have forgotten 'the Customer is King', and have instead become giddy at the earnings boost they get by shoving their labor costs on their Customers who have to check out their own groceries, enter their own fast food orders at kiosks, and waste fifteen minutes punching through robot menus every time they need to call a company for something.

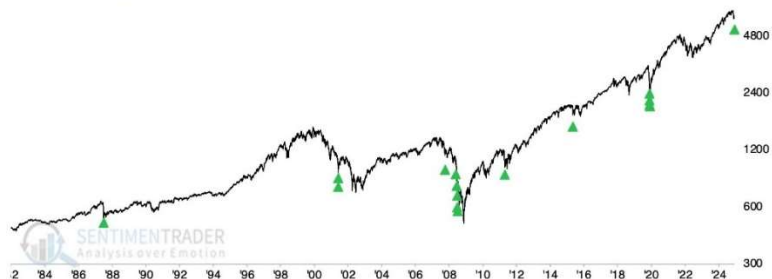
We suspect that lesson, the Customer is King', will return to them with a vengeance. What about you? Are you sick of being the labor force for your grocer and internet provider? We thought so!

Last, since we put this letter out in record time to address Liberation Day market carnage, here is a snapshot of what markets do after a day like April 3<sup>rd</sup>, 2025:



## S&P 500 futures after > -3% opening gap to 6-month low

All returns are from open price on signal date



| Dates of<br>15 Signals | Opening<br>Gap (%) | Open to<br>Close (%) | 1 Day<br>Later (%) | 2 Days<br>Later (%) | 3 Days<br>Later (%) | 1 Week<br>Later (%) | 2 Weeks<br>Later (%) | 1 Month<br>Later (%) | 3 Months<br>Later (%) |
|------------------------|--------------------|----------------------|--------------------|---------------------|---------------------|---------------------|----------------------|----------------------|-----------------------|
| 1987-10-19             | -3.1%              | -11.0                | -8.4               | -1.0                | -3.4                | -7.7                | -1.1                 | -3.7                 | -2.7                  |
| 2001-09-17             | -5.8%              | 0.2                  | -0.2               | -2.5                | -5.8                | -3.5                | 0.2                  | 5.9                  | 8.5                   |
| 2001-09-21             | -4.8%              | 3.7                  | 7.7                | 8.9                 | 8.5                 | 11.8                | 15.0                 | 17.4                 | 22.8                  |
| 2008-01-22             | -5.0%              | 3.8                  | 6.8                | 7.8                 | 6.1                 | 8.7                 | 6.9                  | 7.3                  | 10.2                  |
| 2008-09-15             | -4.1%              | -1.7                 | 0.2                | -5.0                | -1.0                | 0.0                 | -9.2                 | -20.5                | -31.8                 |
| 2008-10-06             | -3.4%              | -2.6                 | -7.9               | -10.7               | -18.4               | -6.7                | -9.6                 | -8.2                 | -16.3                 |
| 2008-10-08             | -3.4%              | 0.4                  | -8.2               | -10.9               | 4.9                 | -9.4                | -9.5                 | -9.2                 | -8.9                  |
| 2008-10-10             | -5.7%              | 2.9                  | 21.2               | 19.1                | 4.7                 | 9.1                 | -0.7                 | 7.3                  | -0.3                  |
| 2008-10-24             | -10.3%             | 4.0                  | -0.8               | 15.0                | 13.2                | 19.4                | 14.6                 | 1.2                  | 0.0                   |
| 2011-08-08             | -3.2%              | -5.1                 | 0.8                | -3.9                | 0.5                 | 3.4                 | -3.9                 | 3.5                  | 9.1                   |
| 2015-08-24             | -5.3%              | 0.1                  | 0.2                | 3.8                 | 6.6                 | 5.5                 | 5.3                  | 3.7                  | 12.5                  |
| 2020-03-09             | -6.9%              | -0.4                 | 3.9                | -0.7                | -10.6               | -13.0               | -18.6                | -3.2                 | 18.0                  |
| 2020-03-12             | -7.0%              | -3.2                 | 5.8                | -5.8                | -0.7                | -5.5                | 3.2                  | 8.9                  | 18.8                  |
| 2020-03-16             | -10.4%             | -0.6                 | 4.8                | -0.5                | -0.3                | -7.0                | 9.1                  | 15.8                 | 28.1                  |
| 2020-03-18             | -6.5%              | 1.6                  | 1.8                | -2.6                | -5.1                | 5.1                 | 4.8                  | 22.0                 | 32.7                  |
| 2025-04-03             | -3.5%              |                      |                    |                     |                     |                     |                      |                      |                       |
| <b>Mean</b>            | <b>-0.1</b>        | <b>-0.5</b>          | <b>1.8</b>         | <b>0.7</b>          | <b>-0.1</b>         | <b>0.7</b>          | <b>0.4</b>           | <b>3.2</b>           | <b>6.7</b>            |
| <b>Median</b>          | <b>-0.1</b>        | <b>0.1</b>           | <b>0.8</b>         | <b>-1.0</b>         | <b>-0.3</b>         | <b>0.0</b>          | <b>0.2</b>           | <b>3.7</b>           | <b>9.1</b>            |
| <b>% Positive</b>      |                    | <b>53%</b>           | <b>67%</b>         | <b>33%</b>          | <b>47%</b>          | <b>47%</b>          | <b>53%</b>           | <b>67%</b>           | <b>60%</b>            |
| Avg Max Loss           |                    | -2.1                 | -3.5               | -5.5                | -6.5                | -7.6                | -9.0                 | -10.4                | -13.8                 |
| Avg Max Gain           |                    | 4.4                  | 5.1                | 5.1                 | 6.2                 | 6.6                 | 6.7                  | 10.1                 | 13.6                  |
| Z-Score                |                    | 0.1                  | 0.4                | -0.5                | -0.2                | -0.1                | -0.1                 | 1.0                  | 1.5                   |

© SENTIMENTRADER Numbers are % return after signal; Risk = avg max loss; Reward = avg max gain; Z-Score +/- 2 suggests significance.

Big gaps like April 3<sup>rd</sup>'s get varied results. In this case, there is a major paradigm shift at play with the Tariffs and Trade War potential. There were even references to '1913', the year that saw Americans burdened with the Federal Reserve, Internal Revenue Service, and American Medical Association. We expect it to be a fascinating year.

Barring any further mind-bending paradigm shifts by the Great Disrupter, the Tariff Tiff could resolve quickly if other countries simply cave. Get your popcorn ready, page through a history book through the early 1900s, and root for this dive to resemble 9/21/2001. Powell will do what he will do, until the bond market reminds him who is boss. Trump's Liberation Day reference to '1913; could be a veiled threat or just trolling. We suspect Trump would gladly End the Fed and the IRS, and RFK Jr would likely do the same to the AMA. It should be a quite interesting year to say the least.

For now, caution remains in favor. Call us at (740) 990-0333 (FFF) if we can be of assistance!

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