Archer Investment Corporation
BALANCED INVESTMENT MANAGEMENT

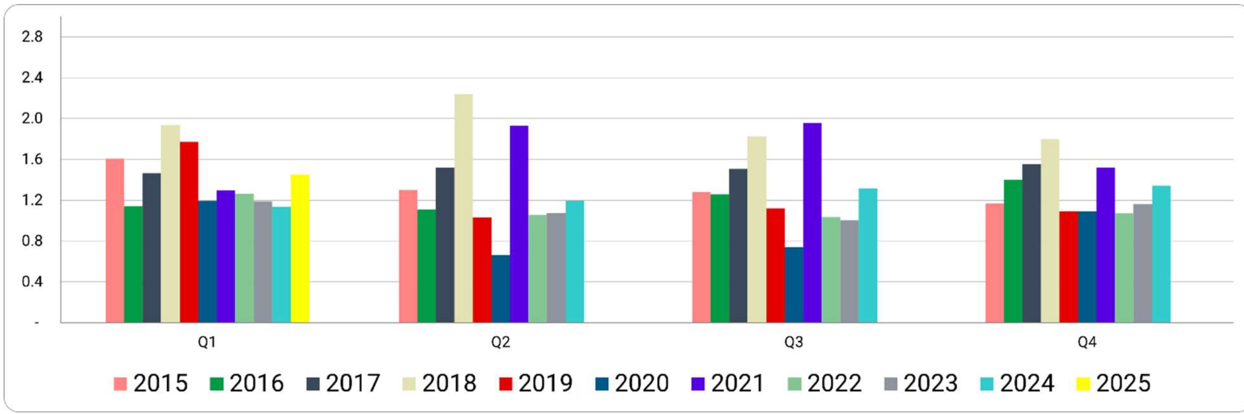
11711 N. College Ave. #200
Carmel, IN 46032
www.thearcherfunds.com

Archer 2025 2nd Quarter Outlook:

If yesterday was liberation day, today (April 3, 2025) is going to be known as tariff day. The market is reacting to the widespread use of tariffs placed on other countries and it is not taking it well.

As everyone knows Trump has enacted his American First Policies and that includes sweeping tariffs aimed at making the playing field even. If a country charges us, then we charge them. If the communication was that simple it would not be roiling the markets like it is today. In fact, had he come out and said, we are charged $100 Billion in tariffs when we ship to China and we currently bring over the same from China and we do not charge any tariffs and we want to make them equal, it may still hit the market, but at least each country would be charging the exact same amount and then the consumer would make a choice as to which product they buy. However, Trump is used to running his business and not the People's business. With this said, the tariffs initially will decrease profits of American companies who rely on products from overseas and those will either get passed on to the consumer, or the consumer will find alternatives where they can.

The question will be and is yet to be determined what the impact will be on earnings. The next chart clearly shows signs of increased profits for a large part of the economy.

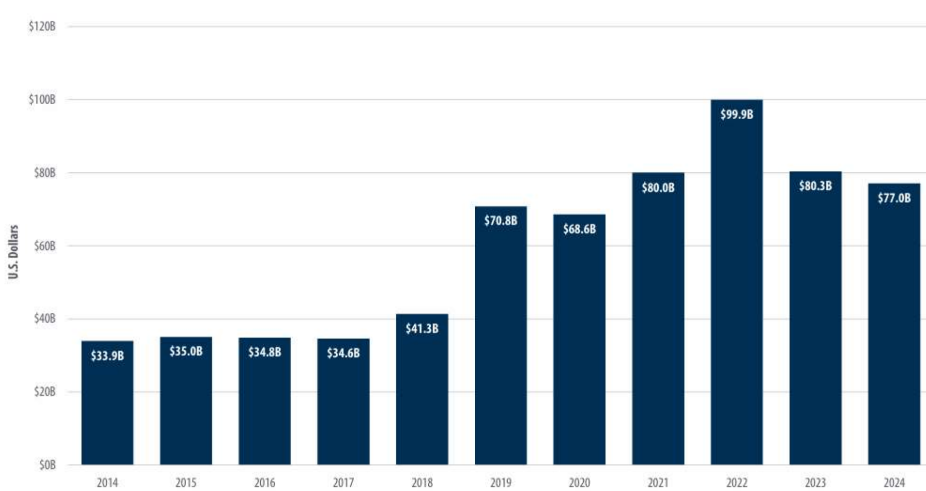


The chart measures whether a company had higher profits in the quarter compared to a year ago, not how much or whether they beat a forecast, but simply higher or lower. In this case in 2025, profits have clearly been higher than the previous year by a margin above the average. We would expect the following quarters will be more subdued with the tariffs reeling in some consumer spending in the short-term.

Let's turn back to tariffs again. We know tariffs will boost prices in the near-term, but they may also reduce the demand of other goods and services, as the consumer rethinks their spending patterns. This will help keep inflation in check. The other side to inflation is what the government prints in US Dollars. The M2 measure of money, which means money we as consumers have to spend was up 4% in February alone. As the government spends money we don't have, inflation will continue to rise while the tariffs will make earnings rise less rapidly than they did the previous year.

Tariffs are not new. In fact, President Trump put additional tariffs in place in 2018 and they created additional revenues while bringing additional jobs and business back to the US. Often times legislation enacted by one President does not get to see the fruition of their decisions until later. Such is the case here.

Total U.S. tariff revenue nearly tripled from 2017 to 2022, largely due to tariffs introduced in 2018. By 2024, they dropped to $77 billion as trade patterns and imports adjusted.



Source: First Trust, U.S. Census Bureau. 2024 data. Customs duties – taxes imposed on goods imported into a country.

The market may be taking a large step back in the first quarter of 2025. However, that is after a large 20%+ return in 2024 and 2023. As investors we need to understand the line is not straight up to the right corner, but a jagged edge that often moves higher and lower in erratic moves that make us nervous. Despite average intra-year drops of 14.1% as shown in the next chart, annual returns were positive 34 out of 45 years. This simply means drops in the market are normal and they are caused by monetary policy issues, tariffs, wars, pandemics, etc. However, the majority of the time the market turns out a positive gain. We think this time is no different and the market will move higher in time.

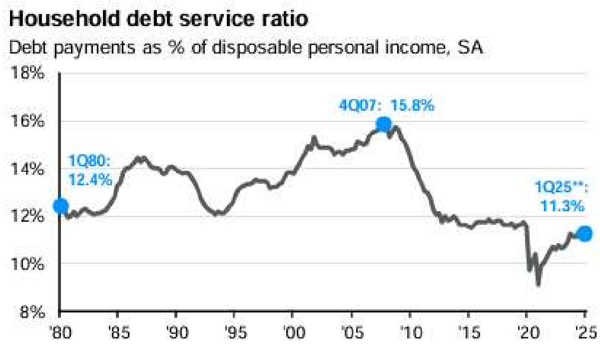
The weakness in the S&P in the chart below clearly illustrates the market although volatile in many years, moves higher over time. It also demonstrates to us investors that we need to be patient and investing is a long-term game. It is very difficult to ascertain what can happen in the short-term, but trying to bet one way or another is usually worse.

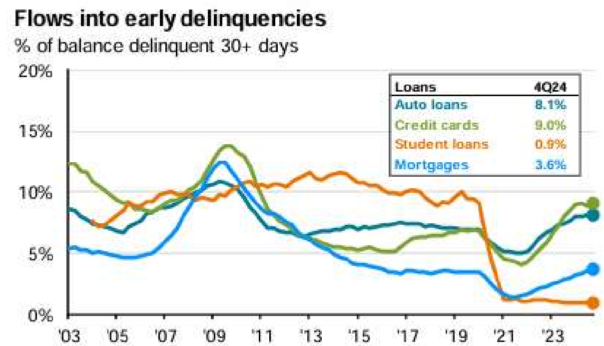
Intra-Year Declines vs. Calendar Year Returns

Volatility is not a recent phenomenon. Each year, there is the potential for the market to experience a significant correction, which for the S&P 500 has averaged approximately 14% since 1980. History has shown that those who chose to stay the course were rewarded for their patience more often than not.

Source: First Trust, Bloomberg. As of 3/31/2025. **Past performance is no guarantee of future results.** The benchmark used for the above chart is the S&P 500 Index. The S&P 500 Index is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. Investors cannot invest directly in an index. Index returns do not reflect any fees, expenses, or sales charges. Returns are based on price only and do not include dividends. This chart is for illustrative purposes only and not indicative of any actual investment. These returns were the result of certain market factors and events which may not be repeated in the future.

Let's turn to the consumer as there has been much talk of the consumer sentiment and how it can impact the stock market if buying stops. All of this is true, however, what the next chart clearly shows is the consumer is still much healthier prior to 2008-2009. There is a lot of runway for the consumer to spend money. The problem with the chart is the consumer who is living paycheck to paycheck did not participate in the most recent stock market advances and those who rented did not participate in creating additional equity. Furthermore, since 2021, delinquencies have risen in Auto Loans, Credit Cards, and Mortgages. These were all created in large part to the inflation caused by the government printing money and wages not keeping up.





Turning back to tariffs, we have pointed out that tariffs can negatively impact the near-term profitability of companies. The most hit industry will be technology as we have outsourced much of our technology manufacturing to China and South Korea. However, let's examine some positives of tariffs as well.

Protecting Domestic Industries: Tariffs can shield local businesses from foreign competition, especially when imports are cheaper due to lower labor costs or subsidies abroad. For example, a tariff on steel might help U.S. producers stay competitive, preserving jobs in places like Pennsylvania or Ohio. This can be a lifeline for industries struggling to match prices from countries with less regulation or lower wages.

Encouraging Local Production: By raising the cost of imports, tariffs can nudge companies to manufacture domestically. Take the 25% tariff on Chinese goods under Trump's administration—some firms shifted production to the U.S. or allies like Vietnam, diversifying supply chains away from over-reliance on one country. This can strengthen economic resilience.

Leveling the Playing Field: Tariffs can counter unfair trade practices, like dumping (selling below cost to kill competition) or foreign subsidies. The EU's tariffs on Chinese electric vehicles (up to 35.3% in 2024) aim to offset Beijing's state-backed advantages, giving European carmakers a fighting chance while pushing for fairer trade. Other countries have invoked tariffs similar to the US, just not as sweeping and significant.

National Security: Limiting dependence on foreign goods, especially for critical items like semiconductors or rare earths, can reduce vulnerability. The U.S. tariffs on Chinese tech imports (e.g., Huawei restrictions) partly stem from fears of espionage or supply chain disruptions in a crisis—keeping production closer to home can be a strategic win.

Negotiating Leverage: Tariffs can be a bargaining chip in trade talks. The threat or imposition of tariffs has historically forced concessions—like when Canada and Mexico renegotiated NAFTA into the USMCA after U.S. tariff pressure in 2018. It's a way to flex economic muscle and extract better deals.

As we noted prior, the messaging has been terrible to say the least from the Administration and that is what foils the markets more than anything. Uncertainty and a message that is haphazard is never good for the stock market. People and companies have difficulties preparing and budgeting, especially those who do not have the resources to absorb higher costs.

As we said in the annual outlook, we expected some disappointment in the markets as the returns of the S&P 500 were ahead of itself and mainly created through artificial boosts in money supply, government spending, and government hiring (during the last 4 years if you take out government hiring, only 40,000 jobs were created per month, well below the average).

We will be diligent in watching earnings, inflation, employment, and the powers-to-be in Washington. We continue to like the prospects of the stock market over the long-term although the short-term may prove challenging. It is possible we will see volatility increase in the markets as the administration implements policy. Overall, the health of consumers and corporations continues to be strong, and this is good for our economy. We also see the prospect for AI continuing to be a boost towards efficiency and increased profits. Good companies are resilient and innovative and will use these new technologies and tools to create profits.

Regards,

The Archer Team

Past performance is not a guarantee of future results.

This Market Update reflects the thoughts of Archer Investment Corporation as of April 3, 2025 All material presented is compiled from sources believed to be reliable and current, but accuracy cannot be guaranteed. This is not to be construed as an offer to buy or sell any financial instruments and should not be relied upon as the sole factor in an investment making decision, nor should it be considered a recommendation. The views and opinions expressed are those of the Investment Managers at the time of publication and are subject to change. There is no guarantee that these views will come to pass. As with all investments, there are associated inherent risks. Please obtain and review all financial material carefully before investing.

The indices cannot be invested in directly. The returns of the index do not include any transaction costs, management fees or other costs.

The value of an investment may fall as well as rise. Please note that different types of investments involve varying degrees of risk and there can be no assurance that any specific investment will either be suitable or profitable for a client or prospective client's investment portfolio. Investor principal is not guaranteed and investors may not receive the full amount of their investment at the time of sale if asset values have fallen. No assurance can be given that an investor will not lose invested capital. The actual performance achieved by a client portfolio may be affected by a variety of factors, including the initial balance of the account, the timing and amount of any additions to or withdrawals from the portfolio, changes made to the account to reflect the specific investment needs or preferences of the client, durations and timing of participation in an investment. A client portfolio's risk tolerance, investment objectives, and investment time horizon should be considered with any investment. All investments carry a certain degree of risk, including the loss of principal and are not guaranteed by the U.S. government.

Archer Investment Corporation ("AIC") is an investment adviser registered under the Investment Advisers Act of 1940. Registration as an investment adviser does not imply any level of skill or training. For more information, please visit adviserinfo.sec.gov and search for our firm name. Opinions expressed by AIC are based on economic or market conditions at the time this material was written. Economies and markets fluctuate. Actual economic or market events may turn out differently than anticipated. Facts presented have been obtained from sources believed to be reliable. AIC, however, cannot guarantee the accuracy or completeness of such information, and certain information presented here may have been condensed or summarized from its original source.