Podcast Transcript: Video Discussion: Staying Focused in 2025's Dynamic Market

Richard S. Brown:

Hi, I'm Richard Brown, chairman and CEO of JNBA Financial Advisors in Minneapolis, Minnesota. It's July 14th, 2025. Joining me are fellow investment committee members, Michael Bilotta and Mark Rosenkranz. Welcome, gentlemen.

Mark Rosenkranz:

Thanks for having us here, Richard.

Richard S. Brown:

It's been a very dynamic year so far. Stocks and bonds have been up halfway through the year, and it's going to be interesting to see what happens the rest of the year. Mike, what do you think our portfolios are doing, and what do you recommend that we do the rest of the year?

Michael Bilotta:

Yeah, I think we should start a little bit in backing up at looking at the first half. It's a logical time to do that here in early to mid-July, and it's really been what some have titled the Rumpelstiltskin market, where you could fall asleep on January 1st and wake up today, and think everything was just normal and positive, but the story over the course of the quarter was nothing short of amazing. We did induct a new president in early January. We focus a lot on the liberation day and market performance following that, but we did have markets already down a little bit going into that. As in the first quarter, in about February, President Trump was eliciting tariffs to Canada and Mexico, and also some targeted tariffs toward China before any of the broad announcement came.

So, the market was undergoing some trepidation at that point. Then, we hit the big day, April 2nd, and that was so-called liberation day with the broad announcement of the tariffs completely taking the financial markets and the community by storm. The market fell 10% in two days, which was the most that it had ever been down in a two-day timeframe outside of the financial crisis, and really, the uncertainty around what these numbers are going to mean going forward. So, the stock market didn't like it. Ended up down about 20% intraday, one of the days.

The bond market didn't like it, meaning interest rates spiked, causing bond market values to go down, and that really caused then on April 9th, a pullback of the broad announcement of the strict tariffs going in and giving us the 90-day pause. Well, that's all the markets needed to hear, was that we're going to kick the can down the road a little bit, and we immediately got a nine and a half percent one-day increase in the market, and that was the largest point increase ever, but the second-largest percentage increase ever after one of the days in 2008. And so we went from, very quickly, a negative nearly 20% scenario to 89 days later, we're back to even, and the important thing through all that, when you talk about portfolios and so on, is that if you would have dramatically changed strategy in the middle of that, trying to position around some of these announcements, short-term trading, or just even panicking and selling out of the market or what have you, you missed then the very thing that you can't miss, and that's the huge increase that usually comes after these declines.

And so, at the end of all of this, here we sit with positive performance across the board. First quarter was only positive for international stocks and bonds, so you had to have those, and second quarter was positive across the board, but it was, again, most positive for international and emerging market stocks. So, at the end of the day, a diversified portfolio, just fine. It was the path to get there, it was anything but calm and orderly. It was chaotic and oftentimes quite volatile.

Richard S. Brown:

Mike, that's why it's always important to have; I think diversification is really important. We all know that. I love our process of reviewing portfolios every 10 business days, because it doesn't mean we're going to trade every 10 business days, but we know if we set our benchmarks, and our percentages, and asset classes, and we stick to it, and we peel off when we're supposed to, and we put in undervalued areas when we peel off, overtime, we're going to do just fine. It's trying to time the market that just doesn't work.

Michael Bilotta:

Well, that's right, and that's kind of pointed out too by the last five, five and a half years. If you think of what's transpired over the last five years alone, I'll back up and say five and a half years because the pandemic initially got announced in the first part of 2020, but the peaks and valleys that we had during that process alone, I think we had a 35% decline in a week, and then we had a very quick rebound thereafter, but we had the pandemic in 2022. We had the interest rate increases from zero to nearly five and a half percent.

Through stocks for a double-digit declined through bonds for their first ever double-digit decline, and then we had some of this this year, and again, trying to position around that is just if you stay disciplined on the diversification, as boring as it might feel at times, it's there when you need it. That's why you're diversified, and you have the repeatable process, as you were talking about, of frequently reviewing things and so on, which Mark may touch on a little bit. You'll end up where you should be at the end of all of it.

Richard S. Brown:

Well, that's why that discipline approach is so important. You can't have a lot of emotions, you got to stick to the plan, ride it out, and the plan will work.

Mark Rosenkranz:

Exactly. And I think the underlying aspect is the plan has to be set in place before all these types of events that come in through.

You touched on the 10 business day review, which is really, one of the main tools in the toolbox to make sure portfolios are aligned to that strategy. But the strategy around diversification, around how we invest across sub-asset classes, that needs to be set up ahead of time, and the last thing you want to be doing is scrambling to reposition during tumultuous periods like the pandemic, like '22, like we've seen at the start of this year. Having that overall structure in place not only benefits in the short-term when you can have those targets and reallocate to, but when you zoom out and look at that five, five and a half year picture, that's where it really comes into play of saying, "Here's how we're positioned for the long-term," and it starts with how we're positioned for our clients' goals and objectives, and making the plan work for them.

Richard S. Brown:

Well, I think you hit the nail on the head. It's really investing for their goals, not trying to hit home runs, not trying to hit triples, understanding what their goals are, putting a portfolio together, and then letting it work, and making sure that you're disciplined throughout the period of time.

Mark Rosenkranz:

Yeah, 100%. And that's the core of what we do at JNBA, but it shouldn't be glossed over that. We are also strategic.

It's easy to say, "Set and forget it." We're far away from that.

But we need to have that kind of core structure in place. From there, whenever we encounter these kind of periods of volatility, these market shifting events, that's where our investment committee is focused day and day out on, "Where do we see opportunities?," not just how to manage risk in the short-term during these periods, but how to position the portfolios coming out of those periods for the longer term.

Richard S. Brown:

And you know how that is. I mean, we see each other quite a bit. We have a weekly meeting, but we're also in each other's offices before. We want to understand what is going on because things are moving so fast. But as long as we understand the disciplined approach, we act with it without emotions, we're going to do well.

Mark Rosenkranz:

Exactly. Yeah, and it comes back to having that plan in place, but those weekly meetings or whenever there's something going on in the markets, there are opportunities for performance, good or bad, and we're laser-focused on how portfolios are living in the moment but always going back to how they're positioned for the long-term. You could point to a lot of different periods in the market, where maybe you can make a short-term call that you're feeling good about, but does that put the long-term at risk? And it's all about bringing it back to that long-term focus.

Michael Bilotta:

And when you say the long-term, it's important to marry the financial planning and goal setting process to the money management. There are money managers who will invest the portfolio, but don't really have a good context of what their goals and objectives are, and then financial planning, which says, "Hey, if you achieve these rates of return, you'll be fine. Now, go get it." And really, it's the coordination of the two, because it will sometimes mean short-term decisions like raising more cash like, "Hey, we need something. We have long-term goals, but we've got some short-term hurdles here that we need to ..."

"Well, let's strategically plan for those in the short-term while keeping the overall long-term focus as the ultimate goal." So it's kind of long-term investing, acknowledging life happens along the way.

Richard S. Brown:

Right. I'm really glad you brought that up because it's so important. That's why it's really important for us to always be in contact with the client, and any big life changes that happen, they have to let us know because that's going to affect how we continue to position that portfolio.

Mark Rosenkranz:

Correct. Yeah, and kind of going back to that 10 business day review, when I joined the firm, I kind of didn't believe that that's actually what happened, but we are actually looking at every portfolio every 10 business days.

When you have the context of what the financial plan is and the life plan around that portfolio, that's when you can have that customization, where we're not making broad sweeping changes across every portfolio, knowing that some situations, it may need to differ from that plan to make sense for that individual client circumstances.

Richard S. Brown:

And that's why technology is so important to us because it allows us to do the intuitive math, but we still, the investment committee, has to use our brain power to pick the right choices.

And as long as we pick the right choices and we stay disciplined to the plan, even in environments like this, or environments before this, even through COVID, as long as you're positioned properly and you stick to the plan, you usually do all right.

Michael Bilotta:

Right. And I think we would all agree as we sit here on July 14th, that the market has surprised us to the upside, especially taking into context everything that has happened over the last six months, but we'd obviously be remiss if we didn't take a forward-looking approach and say, "Okay, now what?" And so for that, I think there are a few things that are important to pay attention to. The one obviously is the global trade agreements or lack thereof. Again, you can't position around daily tweets, you can't position around announcements that have yet to take place, because if you do, the exact opposite might come out two days from now, but I think you have to acknowledge it because it will have ultimately some effect on behavior.

And I think before I turn it over to Mark for a couple of points is, I think one of the biggest things so far this year that has been problematic when trying to evaluate the environment is the data has been very mixed. They have what you call the soft data. That's kind of the survey data, whether it's investor surveys, CFO, CEO surveys, what have you, and those have been pretty pessimistic. And so going into that, you would think that "Well, if CEOs, and CFOs, and investors are pessimistic, they're going to change their behavior. They're not going to spend money. They're going to hold back," and if they do that, that's going to lead to poor growth, and that's when we enter the ultimate recessionary period.

Well, the hard data, the actual data that's been reported has held in there extraordinarily well so far. So even though the soft data points came in, illustrating what should have been a more tumultuous period for the hard data, and it may still trickle through, we don't know. I mean, there are still going to be a lot of data points that come out with inflation, with growth, with employment that the Fed will have to take into account, but I do think that that has been one of the bigger problems and something that we will likely, as the year goes on, trend a little bit more together.

Mark Rosenkranz:

Yeah, and that's been the challenging aspect of this year, is that hard versus soft data that Mike touched on. And a lot of the hard data out there eventually will be impacted by a lot of the policies and various interest rate levels, and tariff policies and things like that, but it's been so tumultuous that there really hasn't been any type of stationary environment where companies can actually assess what they're going to do. Looking back in April, Q1 earning season was reported in pretty much every company just had a free pass of saying, "We don't know what the future holds, and so we're just going to withhold our guidance." It was really hard to kind of paint the picture when there was such a broad range of outcomes. We have another earning season coming up, where it's 90 days removed from that kind of initial liberation day period, but companies have had a little bit better of a sense of how that may impact their business, what moves they're going to make from the capital and expenditure environment, from employment landscape environment, from how they're ordering to get ahead of tariffs or position tariffs, moving, manufacturing.

All those are on the table, and they've had a longer time to kind of digest that environment, but there is still a lot of moving pieces in place. So eventually, some of these impacts will have implications from the soft data kind of concerns that we saw. It's a matter of when they emerge. We have earnings season coming up now, and maybe that's a good kind of first glimpse of saying, "How will companies respond to a very dynamic environment?"

Michael Bilotta:

As long as complacency doesn't set in, and that's what gets a lot of people.

And that's a little bit of a worry with the market today, is that the same exact information that three months ago was causing these big declines is just a daily blip today. Maybe we get a 1% plus or minus here or there, but it's the same information basically, only three months later. So, some of that needs to be, "Is the market price for perfection, such that when we now enter the more seasonally difficult time of the year, August, September are usually the two months in succession that provide the most volatility in the highest percentage for declines?" Not every year, because what's going to happen, of course, is very important. There'll be some Fed meetings, the Jackson Hole speech is in August, and then ultimately, the next Fed decision has a likelihood of interest rates being cut is in September, but it is very important to not whistle through the graveyard, so to speak, through all of this, and again, stay flexible through all this.

Mark Rosenkranz:

And you touched on, back in April, that initial 90-day delay of tariffs in the market rally of almost 10%. I think that's going to live in investors' minds for a long time in terms of the overall data points are still kind of painting that negative picture that we saw in early April, but we've seen how the other side can look, and any type of reprieve or any shift in strategy, and when the strategy or the overall policy can change just essentially from an announcement versus something formal, that can kind of make folks a little nervous of saying, "Things can change quickly, and if I'm not positioned, you get left behind very quickly on a day like that." And really, there's very, very difficult from a portfolio standpoint to come back from missing a day like that.

Richard S. Brown:

I would agree. And as important as we know, you have to be in the market, because if you're not in the market and you miss those days, however many there are, five, six, seven days in a year, you really put yourself in a tough position to make it back out.

Mark Rosenkranz:

Absolutely.

Richard S. Brown:

Thank you, Mark and Mike, for the great conversation today, and thanks for our listeners. We hope you will visit jnba.com, and tune in to our other podcasts and videos, where we cover a variety of topics. Thank you for your continued trust in JNBA, not just as your financial advisor, but also your advocate.