

May 2025 Monthly Commentary

June 2, 2025

Stock Market & Portfolio Performance

Inside this issue:

The Stock Market
Update: Tariff
Volatility 2

Schwab Alliance Access
Will Be Mandatory for
Money Movement
Activity– by Marilyn
Blancarte 3

Our Services 4

May 2025: U.S. and international equities posted solid returns for May. Bond prices fell moderately for the month.

	May '25	YTD 2025	Description:
Without Dividends:			
S&P 500	6.2%	0.5%	500 Largest Public U.S. Companies
Russell 2000	5.2%	-7.3%	2000 of the smallest U.S. stocks
MSCI EAFE	4.0%	15.0%	international stock index
U.S. Aggr Bond	-0.6%	2.6%	index of U.S. bonds
With Dividends, after all fees:			
MAM portfolios	2.9%	1.8%	non-very conservative MAM portfolios
MAM Consv	1.9%	2.1%	portfolios with 45%+ bond allocation

The returns showed above are unaudited. Past performance is not indicative of future results. Returns for McCarthy Asset Management Portfolios ("MAM Portfolios") are net of management fees and transaction costs, and reflect the reinvestment of dividends. Results represent a composite of clients using a similar investment strategy, individual results will vary.

Returns for the indices are provided solely as a general indication of current market conditions. MAM Portfolios are not invested in a style substantially similar to any index. Indices do not reflect the deduction of management fees or transaction costs or the reinvestment of dividends. Performance for the indices would be lower if these costs were reflected.

Advisor Team

McCarthy Asset Management, Inc.

Three Lagoon Drive Suite # 155
Redwood Shores, CA 94065
USA



STEVE MCCARTHY
CPA®, CFP®
Owner and Principal
650 610-9540 x 303
steve@mamportfolios.com



RYAN MCCARTHY,
CPA®, CFP®
Financial Planner
650 610-9540
ryan@mamportfolios.com



MARILYN BLANCARTE
Executive Assistant/
Office Manager
650 610-9540 x 305
marilyn@mamportfolios.com

Market Volatility: Stocks have surged since the White House backed away from sweeping tariffs imposed in early April. It has now been nearly two months since the S&P 500 reached its recent low on April 8th. On that day, after nearly a 10% decline over two days, the index was down 15.3% for the year. On April 9th, the S&P 500 surged 9.5% in response to President Trump announcing a 90-day pause in most of the reciprocal tariffs. Since then, triggered in part by positive tariff announcements with China and the U.K., the market has fully recovered its losses for the year. The question for investors is whether the early April market plunge was more of a short-term COVID-like dip, or the start of a longer, protracted bear market.



What are Tariffs? Tariffs are essentially taxes on goods imported from other countries. They are used to help protect domestic producers from foreign competition, among other purposes. At this point, the Trump Administration has placed a base 10% tariff on the import of foreign goods to the U.S. In addition, reciprocal tariffs are imposed when the U.S. places an additional tariff equal to the tariff placed by a foreign country. After placing a 90-day pause on most reciprocal tariffs, the White House is in negotiation with many foreign governments regarding these tariffs.

Tariff Announcement with China: On May 12th, the U.S. and China agreed to slash their massive reciprocal tariffs, restarting stalled trade between the world's two biggest economies and setting off a rally in global financial markets. For the day, the S&P 500 rose 3.3%. With the temporary deal, the U.S. agreed to lower the base level of tariffs on most Chinese goods from 145% to 30%, while China said it would cut its levies on U.S. products from 125% to 10%. The deal lasts 90 days, providing time for the U.S. and Chinese negotiators to reach a more substantive agreement. But the pause also leaves tariffs higher than before Trump started ramping them up in April. And businesses and investors must contend with uncertainty about whether the truce will last.

Economic Impact and Risk of a Recession: Most economists agree that the impact of tariffs is to suppress economic growth and increase inflation. If the economic impact is strong enough, the U.S. economy could enter a recession. In early April, Goldman Sachs raised the probability of a U.S. recession to 45% due to the potential impact of tariffs on the economy, including slower growth, increased inflation, and risking unemployment. After a pause on the reciprocal tariffs, Goldman Sachs lowered the recession probability to 35%. More recently, in response to the temporary deal with China, they further lowered the probability to only 15%.

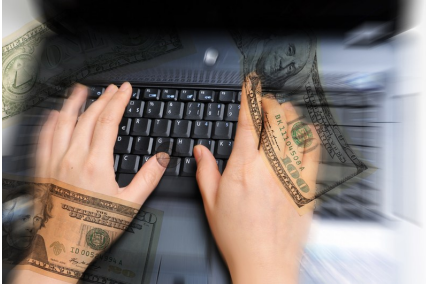
Impact of Tariffs on Inflation: So far, Trump's tariffs have had a muted effect on the U.S. economy. Many businesses stockpiled goods before the tariffs hit, and some businesses absorbed the initial extra costs rather than passing them along to consumers. But higher prices are likely to be coming. Last month, retail goliath Walmart said it plans to raise prices this month and into summer, when tariff-affected merchandise hits its store shelves. More broadly, according to a recent Wall Street Journal article, economists expect the consumer price inflation (CPI) rate to increase to about 3.3% over the next year, from 2.3% now, if current tariff levels remain stable. Furthermore, consumers are expecting higher prices. The Federal Reserve Bank of New York said its April survey of U.S. consumers showed Americans expect prices to rise by 3.6% over the next year. That was up from 3.0% in January.

Comments from JP Morgan: At a recent JP Morgan investor day, Jamie Dimon, the highly respected CEO of JP Morgan, provided his thoughts about the economic and market impact of tariffs. He didn't think the full impact of tariffs had passed through the broader economy and warned that the stock market could slump as companies reckon with the new costs for goods and supplies. He thought stock markets could sell off by around 10% as companies lower their earnings estimates and investors reappraise the value of U.S. stocks.

MAM Comments: We expect tariffs to dominate the economic discussion for the next several months. The president remains committed to his plan to reshape the U.S. economy by encouraging companies to manufacture more products domestically. But he'll likely need a series of major trade deals to convey that his plan is working. Meanwhile, expect the White House to keep a close eye on the markets and the economic data as we head into the summer—and to change course if needed. Given the current economic and market uncertainty, for now we are a little more cautious than normal with the asset allocation of MAM portfolios.

Schwab Alliance Access Will Be Mandatory for Money Movement Activity— by Marilyn Blancarte

Page 3



In 2022, I wrote a short article about the benefits of signing up for Schwab Alliance. For those of you already using Schwab Alliance, you're already ahead. Beginning Q3 of 2025, Schwab will require that all money movement transactions be done using their digital platform.

What does this mean for you? If you're already using Schwab Alliance, there is nothing for you to do. If you do not have Schwab Alliance credentials and you need to transfer money to your bank account, to another Schwab account that is not "like" registration (i.e., IRA to joint trust account is not "like" registration), wire, or any other 3rd party transfer, you will need to create login credentials to approve the requests. You will no longer be able to use a "wet" signature on a paper application.

How to sign up for Schwab Alliance: To get started with signing up for Schwab Alliance, please email marilyn@mamportfolios.com. I will initiate the activation email to get you started with the registration process. Alternatively, you can click [here](#) and navigate to the "New User?" link within the login box. Schwab Alliance's dedicated 800-515-2157 number is for our clients to call if you need assistance or get locked out of your account. Unfortunately, we are not authorized to unlock your account or reset passwords. Please see the attachment to our newsletter to view Schwab Alliance's guide for additional references, including instructions on setting up mobile access.

Sincerely,

Steve McCarthy

Stephen P McCarthy, CPA, CFP®,

McCarthy Asset Management, Inc.

Three Lagoon Drive Suite # 155
Redwood Shores, CA 94065
USA

Phone: 650-610-9540
Fax: 610-9541
E-mail: Steve@mamportfolios.com



Our Services

McCarthy Asset Management, Inc. (MAM) is an independent, privately owned Registered Investment Advisor firm. We provide clients with the peace of mind that comes from knowing professionals are managing their financial affairs. The services we offer include:

Investment Management Services:

- MAM creates and manages customized investment portfolios based on each client's investment objectives, timeframe and risk tolerance.

Financial Planning Services:

- The Net Worth Analysis (NWA) tracks the accumulation of Invested Assets for pre-retirees and the retention of Invested Assets for retirees. Updated annually.
- "Retirement Analysis" a comprehensive analysis of your retirement goals, which produces easy-to-read, interactive working plan, stored in the cloud. Updated as needed for life events.
- Social Security Planning is an analysis of the best strategy for when and how to start claiming Social Security benefits.

Tax Services: Clients are able to utilize the income tax services provided through either the firm Stephen P. McCarthy, CPA or from the CPA firm of Lauren Be. These services are offered at an hourly rate and may include:

- Tax Return Preparation
- Income Tax Projections
- Tax Minimization Ideas
- Tax Authority Representation

Other Services: MAM has retained outside experts, whose services are available at no cost to our clients:

- Long Term Care Planning– Allen Hamm of Superior LTC Planning Services, Inc.
- Medicare Advisory Program (MAP) - Eileen Hamm

Reminders/Updates

- Estimated Tax Payments: Second quarter of 2025 estimated payments are due on June 16th.
- MAM Portal: Please let us know if you have any questions regarding your MAM portal, such as accessing Schwab documents.



Discover the difference with a
Registered Investment Advisor.