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The Pulse

Photo: Country Living Magazine

Please see page 7 for our latest form ADV information.

april 2025
in this issue:

Where We Are Now

Can't stand to watch the news? That's okay, we'll do it for you. Diastole is always here. In fact, in 2026 we will celebrate 30 years in business. Our clients have become our friends, and their families are our families. Do you have a question or concern? Call us!

As for the tumult in the world, we can't control it, but we can control our response to it. First of all, we advise our clients to stay invested, even when the market is falling. The problem with getting out of the market is when to get back into the market. See the bottom chart on page 5 to learn what missing the biggest up days means for investors. Regular, nice, risk-averse people want to sell when the market drops and buy when the market rises. But Warren Buffett of Berkshire Hathaway tells investors to "be fearful when others are greedy, and greedy when others are fearful." So much harder to do than to say. And remember that sometimes cash is a strategic investment, and not just a wad in your pocket.

You have us, and we have studied markets. Stock prices rise over time because there are more people with more money chasing fewer companies. Bond prices are subject to supply and demand pressures, too, but there is no shortage of U.S. Treasurys, since we have to sell bonds in order to fund our enormous deficit.

And remember what Beth always says about owning stock. We do not own the market. We are not "in" the market. Stocks are parts of real companies, chosen by our managers for their potential. We don't go to the market except to buy or sell them.

So, watching CNBC may be too painful on some days, but your results will differ from what the major indices are doing.

“You are perfectly cast in your life. I can’t imagine anyone but you in the role. Go play.”

-Lin-Manuel Miranda

From realtor.com we get the following report on housing:

In 2024, new-home construction outpaced household formations for the first time since 2016. Despite this notable progress, the housing gap persists, totaling 3.8 million.

-Home completions reached the highest level in nearly two decades due to an increase in both single- and multi-family construction.

-An estimated 1.6 million expected Gen Z and millennial households did not form in 2024 due to various factors, including a lack of affordable housing.

-The South has the largest housing gap by number of units (1.15 million), but the smallest gap relative to total construction in the research period. The Northeast has the largest scaled housing gap, followed by the Midwest and the West.

-At a 2024 rate of construction relative to household formations and pent-up demand, it would take 7.5 years to close the housing gap.

-Regionally, if 2024 trends continue, the South would be able to close the housing supply gap in three years, while the West would take 6.5 years, the Midwest would take 41 years, and the Northeast would not make any improvement in the gap.

-The oft-discussed housing supply gap tipped the housing market off-balance over the past 12 years. Home prices started to rise in earnest in 2012, and continued to do so through 2024, suggesting that housing demand has outpaced supply over this time.

Christine Sorrento, Assistant Financial Advisor

Please note:

Your custodian will issue monthly statements for all accounts that have had activity that month. For accounts with no activity, statements will be sent quarterly. Online account values are updated daily. If you have any questions, call us!

Second Quarter Market Outlook

Stocks begin the second quarter of 2025 following the worst quarterly performance in nearly three years and facing dual market headwinds of policy uncertainty and potentially slowing economic growth. However, while clearly markets are facing legitimate headwinds, it's important to realize that stocks fell in the first quarter mostly on fears of what might happen in the economy, not because of what is actually occurring. Point being, if future policy decisions and an economic slowdown aren't as bad as currently feared, it could cause a substantial market rebound in the coming months.

Starting with trade and tariff policy, there can obviously be improvement in the communication strategy from the administration regarding its policy goals and there were signs late in the first quarter that officials realized their errors and were working to communicate more directly, effectively and consistently with markets. Regardless of what actual tariff policy ultimately looks like, improvement in communication of the administration's policy goals will be a market positive and could help end this pullback.

Turning to economic growth, while fears of a slowdown surged in the first quarter, economic data stayed mostly resilient. Jobless claims remained subdued, measures of manufacturing and service activity showed continued expansion and the unemployment rate remained historically low, close to 4.0%. Put simply, there was little in the actual data in Q1 to imply the economy is weakening. If economic data stays solid throughout the second quarter, it will push back on those recession fears and could help fuel a rebound in the markets.

On market valuation, the declines of the first quarter have resulted in the S&P 500 trading at a more reasonable valuation compared to the start of the year, as extremely bullish investor sentiment has been replaced by a decidedly bearish outlook (which has historically set the stage for a market rebound). Bottom line, the market was richly valued at the start of the year and investor sentiment was complacent, but the volatility of the first quarter has removed both of those conditions and that is a general positive for the markets.

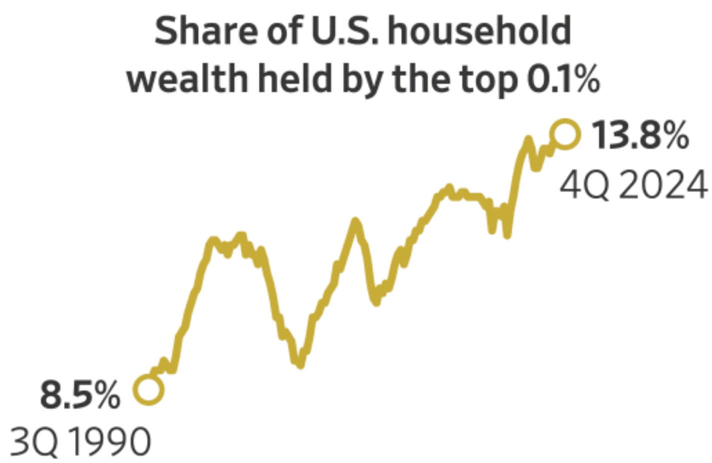
Finally, while the S&P 500 suffered moderate declines in the first quarter, there were many parts of the market that weathered the volatility and posted positive returns. More than half of the sectors within the S&P 500 logged positive returns in the first quarter while two other sectors only saw slight declines, underscoring that the volatility we witnessed in the first quarter didn't result in a broad market wipeout and there are sectors and factors that can continue to outperform in this environment.

Bottom line, the first quarter did contain several negative surprises for investors and we begin the second quarter with significant uncertainty on trade policies and legitimate concerns about future economic growth. But there are also positive factors at work that must be considered, including a

Jennifer L. O'Brien
Senior Financial Advisor

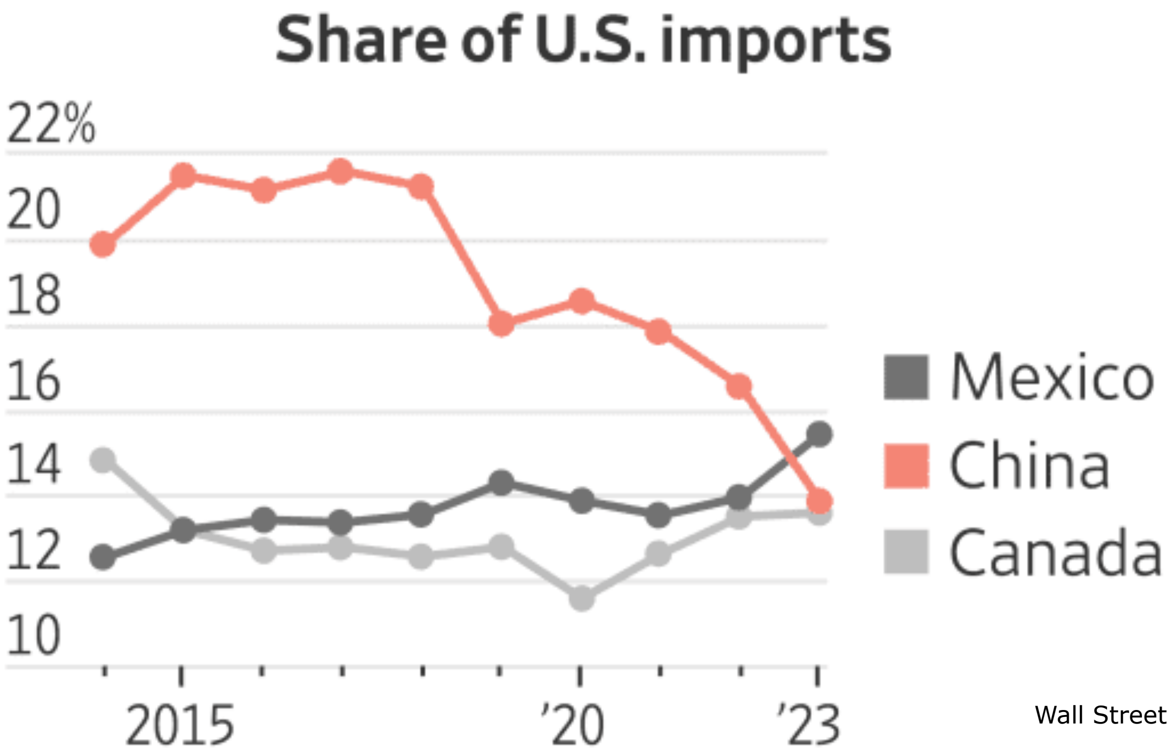
still-resilient economy and looming positive economic policies such as deregulation and potential tax cut extensions. So, despite depressed investor sentiment, the outlook for the economy and markets is not universally negative.

Photo: Brookings Institute

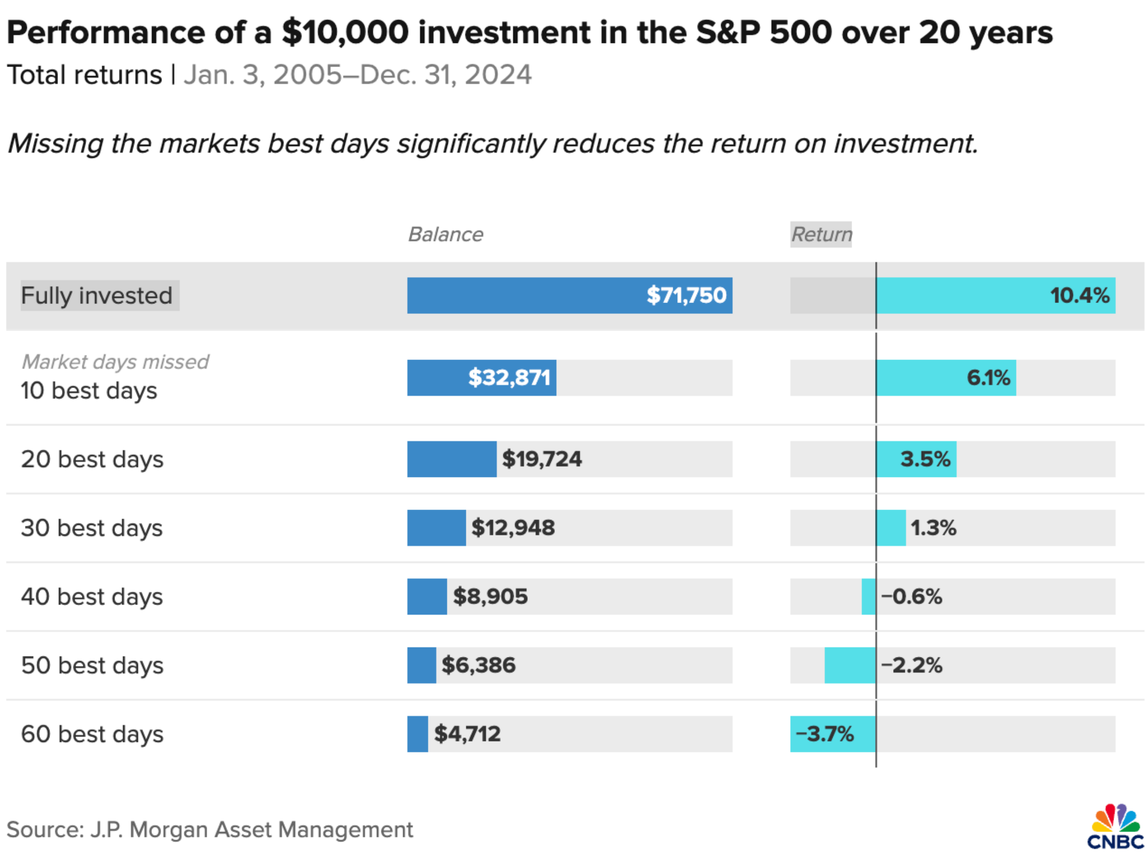


Christine Sorrento recently joined our team as Office Manager. Hi Christine!

Welcome Back Stephanie Ayles! We missed you!



Wall Street Journal



Our Samson Staff recently had the opportunity to visit money manager Columbia Threadneedle (to perform due diligence), and joined the management team to ring the bell at the New York Stock Exchange. Samson is second from the left. Way to go!

The Diastole Guilford Crew L to R, Back to Front:
Kim Staff, Jennifer O'Brien
Christine Sorrento, Meredith Eden, Beth Eden, and Samson Staff
Stephanie Ayles, Barb Buzzelli, Liz Cook, Summer Staff

Did You Hear… ?

- Washington, D.C. has the fastest growing rat population of studied cities, followed by San Francisco, Toronto, New York City, and Amsterdam. Experts say that warmer winters are driving the trend, because "an extra week or two of foraging can result in one or two more reproductive cycles, accelerating population growth." (USA Today). Yikes!
- According to CNN, "human brain samples contain an entire spoon's worth of nanoplastics, study says." Researchers at the University of Mexico determined that cadaver brain samples contained up to 30 times more tiny shards of plastic than their kidneys and livers. Brains of dementia patients had an even higher concentration of plastic.
- President Trump has ordered Treasury Secretary Scott Bessent to "stop producing new pennies," according to Axios' Kelly Tyco. Last year it cost 3.69 cents to make one penny, per the U.S. Mint. The problem is that more emphasis will now be placed on nickels, which cost 13.78 cents to make. Coinage is not profitable until you get to dimes and quarters.
- If you were thinking your kids or grandkids might like to play the violin, the one you had your eye on just sold out from under you. Sotheby's auctioned off the Joachim-Ma Stradivarius violin for $11.25 million, not including violin lessons. The instrument was built by Antonio Stradivari in 1714 in Cremona Italy. For reference, you can get a full-sized fiddle on Amazon for under $100.

Form ADV
Diastole is registered as an investment adviser with the Securities & Exchange Commission (the SEC) under the Investment Adviser Act of 1940. As a result, we are required to annually update our Form ADV with the SEC. We are also required to update our Form ADV promptly whenever certain information becomes materially inaccurate. The ADV Parts 2A, 2B and Form CRS provide information about our firm, our services and our personnel. If you would like a copy of our most recent Form ADV Part 2 and Form CRS, you can access it on Diastole's website at http://dwinvest.com or give us a call at (203) 458-5220. Additional information about Diastole is also available on the SEC's website at www.adviserinfo.sec.gov. We can also provide the ADV Part 2 for any money manager that you may have or are considering. Form ADV Part 1s for all money managers registered with the Securities & Exchange Commission are also available at www.adviserinfo.sec.gov.

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Highs in the 60s, lows in the 40s, Sometimes a sweater is enough. This might be the most perfect time of year. But then, I always think that.

The dogs are staying out longer, the cats are sniffing at the open doors (through the screens) and my grandson is playing baseball once again. Happily, my aunt has come to visit. I hope you and your family are also enjoying spring.

Katie, with Bugsy and Eve

I know that markets are a little crazy, the news is a little crazy, and the world is a little crazy. but that doesn't change the beautiful warm breeze. Both can be true at the same time. When the news gets to be too much, try to remember the breeze. Go outside and tree bathe. If you're near the water, go stick your toes in it. (Brrrr!) Nothing puts things into perspective like the ocean. Or the stars.

Summer is coming.

Elizabeth D. Eden
Senior Financial Advisor
and CEO

The information contained herein is the opinion of Diastole and is based upon news obtained from sources we deem to be reliable, but is not guaranteed by Diastole and is subject to change at any time based upon unforeseen company events or market conditions.

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