



THE EQUUS REPORT

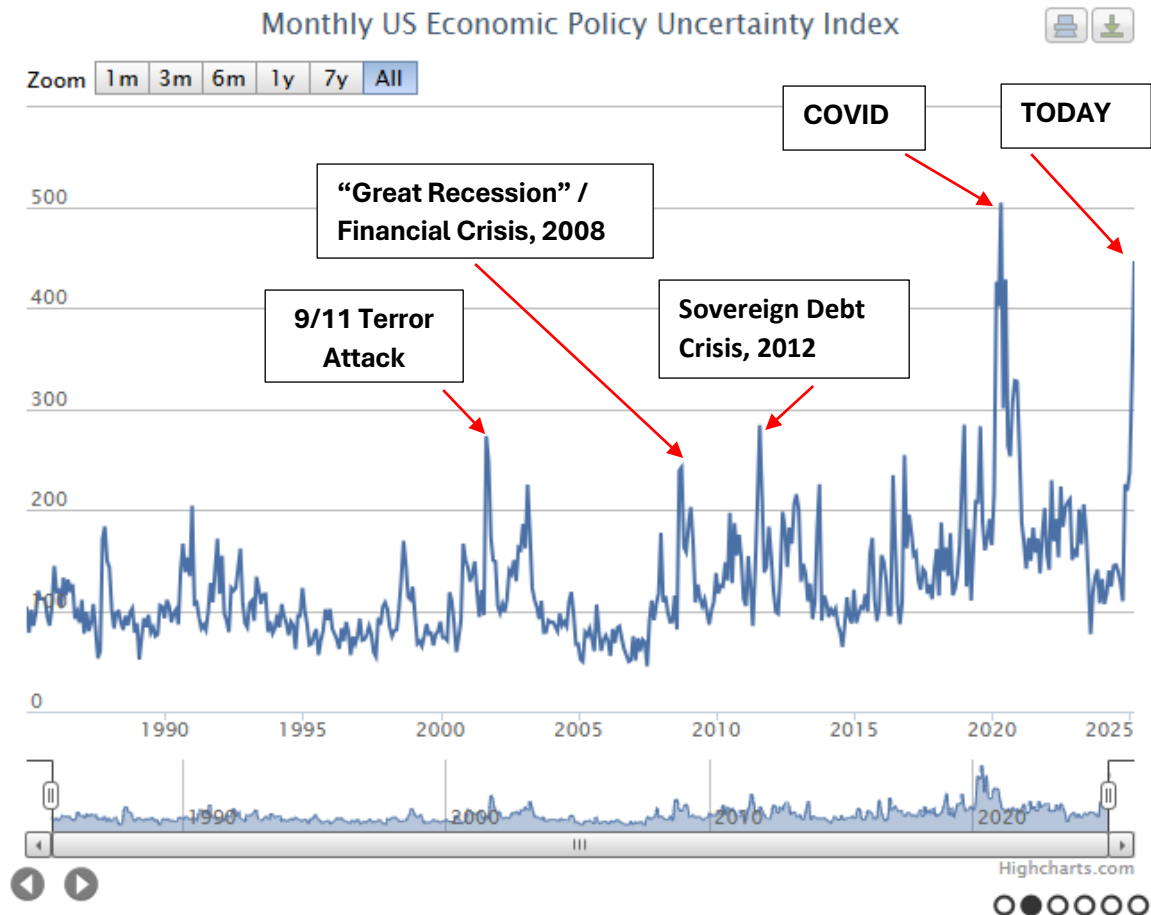
—BY BARNABY LEVIN

BELIEVE IT OR NOT

March 31, 2025

BELIEVE IT OR NOT

If you're reading the headlines or watching most channels, **everything** Trump (and **Elon**) are doing is creating more fear and uncertainty than at any time since **COVID**. In fact, "people" are feeling **more anxious** than they did during the **Sovereign Debt Crisis** in 2012; the **"Great Recession" / Financial Crisis** in 2008; and **9/11** which – if you **truly** believe **Donald Trump** is (as **The Atlantic** said on October 18, 2024, before the election) worse than **Hitler, Stalin** and **Mussolini combined** – it **makes sense!**



• PolicyUncertainty.com



We’ve just been told that “**Inflation**” (now at 2.8%) is creeping up – and getting further **away** from (not closer **to**) the Fed’s 2% target – and according to the chart below, “Inflation **Expectations**” are on the rise as well. **This** survey (for example) is predicting a 5% increase in prices over the next twelve months (and there’s a growing belief they’ll **continue** to rise at an average of 4.1% per **year**, for the next **5-10 years**)! And, of course, we all know rising interest rates aren’t good for **stocks**.



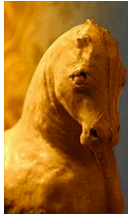
- *University of Michigan Consumer Survey, March 25, 2025*

Also, there’s “Consumer **Sentiment**.” It too is getting worse, falling 11.9% since February – and more than **28%** compared to the way “people” were “feeling” one, short year ago.

Final Results for March 2025

	Mar	Feb	Mar	M-M	Y-Y
	2025	2025	2024	Change	Change
Index of Consumer Sentiment	57.0	64.7	79.4	-11.9%	-28.2%
Current Economic Conditions	63.8	65.7	82.5	-2.9%	-22.7%
Index of Consumer Expectations	52.6	64.0	77.4	-17.8%	-32.0%

- *University of Michigan Consumer Survey, March 25, 2025*



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Of course, “feelings” are “real,” in that they can lead people to act a certain way. And, when thoughts and feelings **are** put into action, those actions have consequences in the “real” world – so we need to take surveys into consideration to **some** degree.

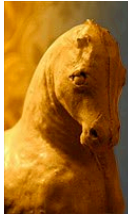
But are the **conclusions** these charts and surveys are leading us to reach actually **accurate**? Because numbers **can** be misleading and – if we’re trying to make **Informed Decisions** based on **facts** – we must remember, first, to make sure we understand what the terms they’re using **mean** and, then, to challenge some of the **Assumptions** we may be making without realizing it.

To begin with, “**Inflation**” can be measured by any number of indexes, including **CPI** (the “Consumer Price Index”) and **PCE** (“Personal Consumption Expenditures”).

CPI is produced by the Bureau of Labor Statistics (BLS) and is based on **Household Surveys**. It seeks to measure the average change in prices paid by consumers, based on “out of pocket” expenses, supposedly for a “**fixed** basket of goods and services.” And it’s widely used for some of the most important, government-related “cost-of-living” adjustments, like Social Security and the Minimum Wage.

That “basket,” however, is anything but “fixed.” In fact, it’s “updated” periodically to account for changes in **consumer behavior** – like **Michael Boskin**¹ did when he swapped beef for steak many years ago – because (he reasoned) when times are tough, people opt for cheaper alternatives so they can continue to live within their means. That makes **sense**, of course. But then I have to ask: while **true** (that people **do** change their spending habits when prices rise) – if the “**basket**” you’re trying to **measure** is constantly changing – by ceasing to be “like for like,” I don’t see how it can **truly** be used as an indication of **price over time**? Which (by the way) is **exactly** the way I think of **Tariffs**. Like I said in a recent Podcast (when discussing some of the things Trump has or is about to do), if we slap a 25% tariff on a **Mercedes** (for example) most pundits say **inflation** will rise. But as I just said, that ain’t **necessarily** so. In **many** cases, **that** kind of increase may push **that** car out of **some** people’s price range and – if they **still**

¹ Michael Boskin is a Professor of Economics at Stanford University and Senior Fellow at the Hoover Institute. And, from 1989 to 1993, he served as Chairman of the President’s Council of Economic Advisors (CEA) under President George H. W. Bush. Later, in 1995 under then President Bill Clinton, he formed the “**Boskin Commission**” to study the Consumer Price Index in the belief it was often overstating inflation by not taking consumer behavior into account.



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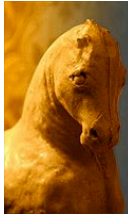
need to buy a car – they’ll simply buy **another, less expensive** one (including, god forbid, a US made Tesla or Rivian) and **that**, in fact, might prove **deflationary**..

PCE, on the other hand, is based on **Business** Surveys which (in a way) are more pragmatic (insofar as they’re constantly **and unabashedly** adjusting to reflect changes in behavior). **These** numbers are supposedly what people are “actually” buying, as they switch (say, from steak to beef or chicken, and back) in “real time.” And (it turns out) because PCE **is** changing **its** basket **all** the time, it often seems to report a **lower** rate of inflation (than CPI), due both to a broader scope of items and those ongoing adjustments (which, to be honest, is what **incumbent** Governments **like** – because it makes them **look** better). But **because** of this – because (again) it doesn’t **really** track the change of prices for **specific goods and services themselves, over time** – that (in my opinion) makes its usefulness as a tool on which to measure and make judgements about **how inflation is trending ... questionable**.

In any event, PCE (as measured by the Bureau of Economic Analysis) includes a broader set of spending data, including items paid for by third parties (like medical costs, whether they’re covered by insurance or government programs) and (at least, under Powell) it has become the **Fed’s** “favorite indicator” – and “**Core**” PCE (which excludes “more volatile” things, like food and energy) is supposed to give the Fed the “clearest” picture yet on which to base their policy decisions (which, of course, is a “mystery” again – since, if you’re trying to figure out the Cost of **Living**, I don’t see how we can exclude things like **food**). But the **fact** (according to most pundits and Market participants) is the “**Personal Consumption Expenditures Ex Food and Energy**” Index is now used as “the primary measure of consumer spending” and, when it rises, people react. And it’s by **this** measure the Fed has set its sights, for getting “inflation” back down to 2%.²

So, as we showed earlier, “Inflation” has supposedly been rising recently – and people are worried things aren’t going the way they’re “supposed” to, anymore. And they’re **even** beginning to utter the most-**worrisome** of words: **Stagflation!** (when prices are

² Fed Funds remained at 0% from December 16, 2008 until December 17, 2015, when the Fed raised them a “whopping” 0.25%. They remained there for another 7 years. But for nearly 16 years (from 2008 to 2024), the Fed maintained rates at or near ZERO.



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rising, while the economy is weakening and unemployment is getting **worse**, all at the same time). Against this (as I've said), the Fed has **no defense**, because their **typical** reaction is to **raise** rates when inflation rises (to **stifle** Demand) and **lower** them when unemployment does (to **stimulate**). That's their Mission: "to foster a stable and healthy economy by promoting **maximum employment, stable prices, and moderate long-term interest rates.**" But Inflation and Unemployment are supposed to move in **opposite** directions and (when they **don't**) that's the dreaded ogre Paul Volcker faced in the early 80's, when he was forced to raise rates to 19% (aka, the "Volcker Shock") before he finally succeeded and (in the process) caused a lot of pain (as **some** of us remember).

Nor can we forget that **Fear** of a Recession **can** become a "self-fulfilling" **prophecy**. If people are afraid enough, they might just hunker down and stop spending whether they "need" to or not – to preserve cash "in case" or because they expect prices to fall and, by waiting, think they'll get a better price later. It has happened before and (of course) can happen again!

But here's the question: while people see numbers and charts like these – and they tend to accept them at face value – **should** they?

We know **some** people like Richard Gere, Rosie O'Donnell and Ellen DeGeneres have already moved (like they **said** they would, if Trump was elected) to places like England, Ireland and Spain – to get away before it's too late and things **really** go down the tubes.

But let's consider **the Source** of all this information...

Whenever we consider **any** "Poll" – especially when that Poll (as most **do**) claims to represent how "America" is thinking – we should ask

1. **Who** is doing the polling – and do they have any sort of vested interest in the answer (because they *usually* do);
2. **What question(s)** are they asking (because the question **can** be "leading," like: "when did you stop beating your wife?");
3. **Who** are they asking (because, I assure you, it's never "random"); and (finally)
4. **How big** is the group of people surveyed (that is, how "representative" is it **truly** of "the country as a whole")



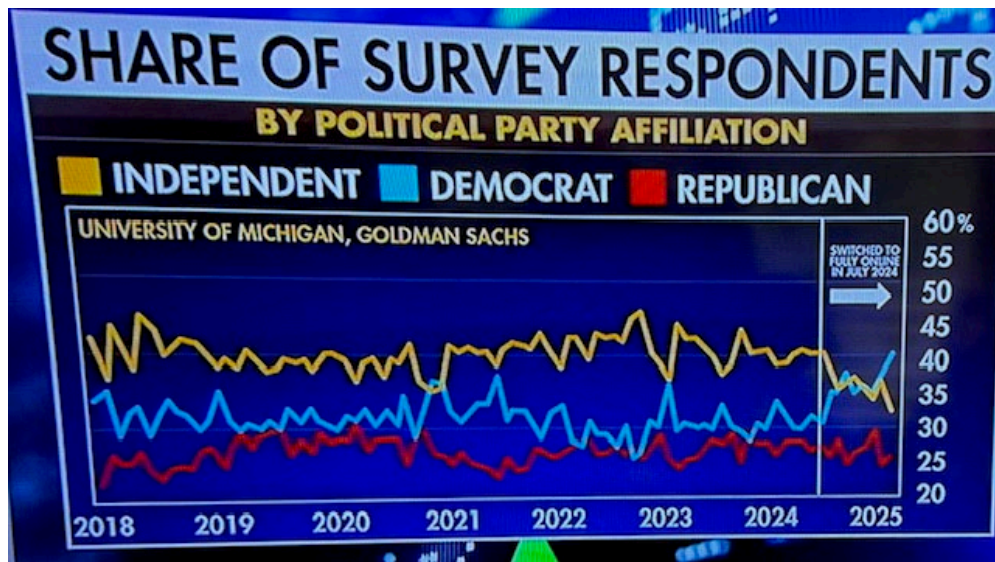
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George Shultz³ used to say “There are three kinds of lies – lies; damned lies; and **statistics**” – his point being, you can make up **any** set of “statistics” you want, to justify any point of view or premise. And, like I often say: “where you **Stand** depends on where you **Sit**.”

The fact **is** – if **you’re** the one whose “**cheese**” is getting moved or taken away⁴ – you’re going to be pissed off. You’re going to scream bloody murder and do everything you can to stop it from happening. You’re going to demonstrate and (possibly) set things on fire. And you’re going to speak to every “reporter” who’ll listen, to let them know (like the guy in the movie, “Network”) you’re “mad as hell and you’re not going to take it anymore!”

Most of the charts and surveys in **this** article come from what’s known as the **University of Michigan Survey** – and I’d like to point out the changing composition of the **Respondents** they’ve been selecting from, over the past **two** years:

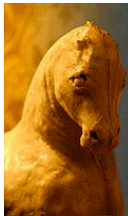


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For many years, the Survey was fairly consistent – with more or less the same number of Republicans and Democrats – and a heavier weight for those who considered

³ George’s accomplishments are almost too long to list, but include Captain in the Marine Corps during WWII; Professor of Economics at MIT and the Sloan School of Management from 1948 to 1957; US Secretary of Labor, 1969 - 1970; US Secretary of the Treasury, 1972 - 1974; and Secretary of State, from 1982 to 1989, under Ronald Reagan.

⁴ “Who Moved My Cheese,” by Spenser Johnson, published in 1998



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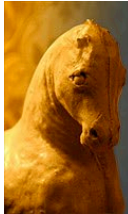
themselves “Independent.” Yet over the past two years, the number of Republicans has declined; the number of Independents (perhaps because they were beginning to take “sides”) declined *more* – and **the number of Democrats increased substantially**, to become (by *far*) the largest contingent.

Now I’m not saying this is “right” or “wrong.” Of **course** not. But surely this **fact** suggests a changing **Bias**, when it comes to the validity of this supposedly “impartial” Survey of how “people” are feeling.

So let’s look once more at the differing “Expectations” of those three groups, month over month, as Trump took office and began to issue his Executive Orders – and remember (from earlier in my article) that “Inflation **Expectations**” and “Consumer **Sentiment**” have (supposedly) **worsened** over the past month and year.

DATE OF SURVEY		INDEX OF CONSUMER SENTIMENT			CURRENT ECONOMIC CONDITIONS			INDEX OF CONSUMER EXPECTATIONS		
		Dem	Ind	Rep	Dem	Ind	Rep	Dem	Ind	Rep
May	2023	76.5	55.5	45.4	78.4	63.6	53.6	75.3	50.3	40.1
June	2023	84.5	61.0	46.0	83.3	69.9	50.8	85.4	55.3	42.9
July	2023	92.6	68.7	51.1	93.9	76.8	56.0	91.7	63.5	48.0
August	2023	85.8	69.0	54.8	84.0	75.2	67.5	86.9	65.1	46.7
September	2023	88.6	64.1	50.5	85.3	70.5	56.6	90.6	60.0	46.5
October	2023	83.4	63.5	46.9	83.6	75.5	55.1	83.2	55.8	41.7
November	2023	83.9	56.6	43.1	89.5	62.7	53.4	80.3	52.6	36.5
December	2023	90.6	64.5	57.0	89.8	73.4	58.5	91.2	58.8	56.0
January	2024	101.7	74.6	56.3	106.7	76.1	58.1	98.5	73.7	55.2
February	2024	94.6	73.4	62.3	95.2	77.0	63.9	94.2	71.1	61.3
March	2024	101.1	73.1	67.0	102.8	78.5	66.9	100.0	69.5	67.0
April	2024	101.1	72.5	60.7	102.4	77.3	58.1	100.2	69.4	62.3
May	2024	91.3	62.5	53.0	92.1	64.5	51.4	90.8	61.3	54.0
June	2024	90.8	62.1	51.3	88.0	61.6	47.9	92.6	62.4	53.4
July	2024	83.0	59.8	52.6	85.0	56.4	42.3	81.7	62.0	59.2
August	2024	90.9	62.2	47.4	86.1	59.3	33.5	94.0	64.1	56.3
September	2024	92.6	63.2	49.7	89.9	57.4	34.6	94.4	67.0	59.3
October	2024	91.4	65.8	53.6	88.8	61.7	41.4	93.1	68.4	61.4
November	2024	81.3	63.1	69.1	90.5	55.8	37.9	75.4	67.8	89.2
December	2024	69.6	70.2	85.4	98.9	71.4	52.0	50.8	69.5	106.8
January	2025	65.0	68.3	86.7	89.3	72.7	59.3	49.4	65.5	104.3
February	2025	51.3	62.6	86.7	73.9	68.0	55.7	36.8	59.1	106.6
March	2025	41.3	55.7	87.4	62.1	63.7	70.6	27.9	50.6	98.2

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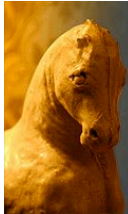
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While expectations for Republicans **and** Independents have deteriorated – due (no doubt) to people’s fear what the economic impact Trump’s pending Tariffs **might** be – those of **Democrats** have “virtually” **fallen off a cliff**, both from this and the fact that Trump’s in office at **all**. From an already low 36.8% to (I believe) an **all-time** low of **27.9%** **this** month, the numbers have completely flipped (and **then** some!) the way Democrats and Republicans felt about the way things were going, versus the year **before** the election.

Now, going back to the source of this information, it’s important to note the **number** of respondents in this recent, University of Michigan Consumer Survey is only about **1,000** people – out of (according to the US Census Bureau, dated January 1, 2024) an estimated **335,893,238** nationwide. To suggest that such a small **fraction** of the population – in a Survey whose Bias recently skewed significantly toward the Party that **was** in control but no longer **is** (at least, based on the House, Senate and number of people who voted for Trump in last November’s election) – to say it represents the way “**America**” is feeling and thinking... well, it seems a **bit** of a stretch, don’t you think?

My **Point** (as you may, by now, suspect) is it’s kinda questionable for people to be making claims about the **economy** (and, even more importantly for us, how best to **invest**) on **any** of these Surveys the Media is constantly throwing at us to create a reaction and sell clicks – especially when the Media is mostly run by the people who are pissed off. That bears keeping in **mind** – that the (vast) majority of our Legacy Media is (still) highly biased to the Left – and I’m **not** just talking about **NPR**, where all 87 of their “journalists” are self-declared Democrats and **none** are Republican (Yet, under oath, with a straight face before Congress, their CEO, Katherine Maher, said she wasn’t aware of anyone at **her** company having any bias – especially when, at her TED talk in June 2022, she said “**our reverence for the truth** might be a **distraction** that’s **getting in the way** of finding common ground and getting **things done**.” Whatever **that** means!

The **truth** (as I say in the Intro to my **Plutonomix Podcast**) is that **all** of us are **biased**, one way or the other – and **most** of us are most-likely stuck in our own Echo Chambers, to a large degree, so all we hear is **one** side, **all** the time. And (while we must try as hard as we can, to look at things as **objectively** as possible) the fact is (more or less) **half** the country isn’t happy with the outcome of the recent election so what do you **expect**



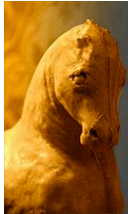
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their attitude to **be**? Whether it's in their interests or not (with the rare exception of John **Fetterman**), the Democrats in the House and Senate are going to vote against **whatever** it is the Republicans are proposing **100%**, 100% **of the time!** And, while I may find that sort of unflinching ... solidarity ... astonishing – the fact is, they're sticking together and are going to assume nothing good can **ever** come from **anything** Republicans have to offer. Yet (with the exception of the crackdown on Immigration, perhaps), it looks like many of Trump's "Executive Orders" will remain tied up until they, ultimately, reach the Supreme Court – or they'll take **months** to work their way through the economy. So until these things shake out, it'll just be a bunch of Talking Heads; who have a vested interest in the Status Quo; who will see everything through their own distorted lens; because (all together now) **There are NO Unbiased Opinions!**

The Bottom Line (I'm sorry to say) is it's already been painful and may continue to be so for some time. But I **also** believe that everything I said – both in my article and podcast titled "**GOOD!**" – remain **worthy of your consideration** and are some of the best, most heart-felt things I've ever written. And you might find **this** little tidbit (offered tongue-in-cheek more than 60 years ago, by **Paul Samuelson** – one of our Country's most highly-regarded, Nobel Award-winning economists) of interest: that the **Market isn't very good at predicting**: "The stock market," he famously said at the time, "has predicted **nine** of the last five Recessions."

So by the time you read this, **April 2nd** will (most likely) have come and gone – and nobody knows, **until** then, which way the Markets will go (or have gone) in reaction. Will this past month prove to have been "shoot first, ask questions later"? or will we experience yet **another** leg down (if our biggest "Partners" **truly** act on their threat to engage in an all-out Trade War, whether it means cutting off their own noses or not)? We'll see. But as far as **I'm** concerned, at least we'll have **real** numbers to work with – and we can begin to make **informed** decisions again, from that point forward. Until then, "people" will be fearing the worst – and (based on what I've said) most everything we've heard, seen and read has concluded it "**literally**" (as many often say, **incorrectly**) will be **the end of everything we know and hold dear.**



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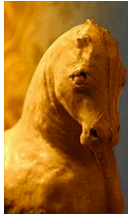
But **until** everything goes to “hell in a handbasket” – **please** keep my Motto in mind – that “There are **always Two Sides** to every Issue, **both of which have Merit**” – as you read or listen to whatever it is you read or listen **to**.

And while I have very little hope that very many of you will actually **do** this, I **wish** you’d listen to **Brett Baier’s interview** of some of the **other** people leading the President’s “**Department of Government Efficiency**” Team that was recorded on **March 27th** – to see it **isn’t** just **one** “unelected (Nazi) Billionaire” who’s out there with a bunch of “19-year-olds,” all bent on “stealing” your money and “destroying Democracy.” These eight (plus many others, like Antonio Gracias, CEO of Valor Equity Partners) are some of the brightest, most successful people our country has to offer.⁵ And once you hear how much they **care** – how **thoughtfully** they’re working, first to unravel and, then, eliminate as much of the **fraud and abuse** as they can, **without** touching a **nickel** of the money that’s supposed to be going where **Congress intended** in the first place (like **all** the people who are **truly** eligible for and **entitled** to Social Security) – it **may** make a difference. If you think about it, you **might** just realize that **nobody** has said **anything** about **any** of the **hundreds of BILLIONS** of your dollars (being spent on everything from US AID to Social Security to the Department of Defense) that, **without your knowing**, have been (egregiously) misappropriated for **years**, for things that **nobody** can **possibly defend**.

This is why those screaming the loudest (like the “Magicians” they are) resort to sleight of hand and Mis-Direction – like modern-day **Wizards of Oz**, when he says “**Pay no Attention to the Man behind the Curtain!**”

And **whatever** you do ... “**don’t believe your lying eyes!**”

⁵ Elon Musk (enough said); **Steve Davis** (who has worked, as an engineer and executive, at SpaceX; as President of The Boring Company; and spearheaded the restructuring of Twitter, before it became “X”); **Joe Gebbia** (Co-Founder of Airbnb whose goal, with DOGE, is to overhaul the Government’s Retirement System, to create an “Apple-like User experience”); **Aram Moghaddassi** (one of those “19-year old” Software Geniuses, who’s working to improve the Social Security System, with an emphasis on Fraud Protection); **Anthony Armstrong** (former Morgan Stanley Investment Banker, whose role is to analyze government spending and payment systems); **Brad Smith** (Chairman, CEO and, in some cases, founder of Main Street Health, CareBridge, Aspire Health and COO of Anthem – with “time-served” in Tennessee politics and policy, working with Senators Bob Corker and Bill Frist, who’s tackling inefficiencies in our Healthcare-related programs); **Tom Krause** (CEO of Cloud Software Group, leading the effort to review and audit the Treasury Department’s payment systems in an effort to curb improper payments); and **Tyler Hassen** (a former Oil executive, whose role involves applying industrial and operational insights into many of the 400-plus Agencies and Sub-Agencies our Government has today).



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Haven't we **all** had enough of **that** for a while?

Barnaby Levin

Partner | Managing Director | [HighTower Advisors](#)
LK Wealth & Asset Management

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