

The Disciplined Investor Podcast – Guest Interview Summary

Guest: Patrick O'Hare, Briefing.com

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Quick recap

Andrew and Patrick discussed the current market trends, the impact of the new administration's policy settings, and the potential impact of tariffs on the market. They also analyzed the current economic situation, the potential for a recession, and the state of the US economy, focusing on consumer spending and the housing market. The conversation also touched upon the functionality and usage of Briefing Trader, a product that provides live training calls throughout the day, and the potential impact of the current trade embargo on the US Treasury market.

Market Trends and Portfolio Impact

Andrew and Patrick discussed the current market trends and their impact on their portfolios. Andrew mentioned that his personal portfolio is at its highest ever, while some client portfolios are flat or slightly down. They also discussed the uncertainty surrounding the second quarter of the year and the potential impact of the new administration's policy settings. Patrick mentioned the increased volatility in the market due to heightened uncertainty. They also touched upon the Chinese market, which is expected to be one of the leading areas in the world due to the government's proactive fiscal and monetary policies.

Briefing Trader's Live Market Insights

Andrew and Patrick discussed the functionality and usage of Briefing Trader, a product that provides live training calls throughout the day. Patrick explained that the traders follow the markets all day long, using both chart-oriented and macro perspectives to provide insight on when to enter and exit positions. He also mentioned that the traders have experience in various market cycles and have traded through significant events like the dot-com bust, the financial crisis, and the COVID-19 pandemic. Andrew asked about the functional usage of the product and whether there is a page that shows open and closed trades. Patrick clarified that the information is available on the live in play page, but it is not organized in a way that shows all open and closed trades. Andrew suggested the need for a quad in play feature to better organize the information. Patrick also mentioned that Briefing.com offers free trials and other resources for users to stay ahead of the research and markets.

Market Conditions and Historical Parallels

Andrew and Patrick discussed the current market conditions and their historical parallels. Patrick mentioned the CBOE Volatility index as a measure of abnormal periods, and he compared the current situation to the .com days, the financial crisis, and the Covid pandemic. He also highlighted the fear of high inflation due to potential disruptions in supply chains. Andrew brought up the issue of canceled Chinese cargo ships and the potential for further disruptions, which Patrick acknowledged as a risk. They also discussed the risk of being out of stock due to the trade embargo.

Tariffs' Impact on Market Uncertainty

Patrick and Andrew discussed the potential impact of tariffs on the market. Patrick highlighted the uncertainty surrounding the resolution of the tariff situation and its potential effects on businesses. Andrew emphasized that even if the tariffs were removed, prices might not decrease due to the long-term impact of the tariffs. They also discussed the potential for inflation and its

effect on disposable income. The conversation ended without a clear plan or positive outcome being identified.

Trade Embargo Impact on US Treasury Market

Patrick discussed the potential impact of the current trade embargo on the US Treasury market, noting that China's reduced investment in US treasuries could contribute to higher 10-year note yields. He also highlighted the market's current range, which has remained relatively stable since the inauguration. Andrew analyzed the market's performance, noting that the dollar is at a multi-year low and that sectors like staples, utilities, and healthcare are performing well, which he interpreted as a sign of a potential slowdown or recession. Patrick agreed with Andrew's observations, emphasizing that these sectors typically exhibit strength during periods of economic weakness.

Market Trends and Political Implications

Patrick and Andrew discussed the current market trends and their implications. They noted a defensive leaning in the market, which could be attributed to the anticipation of a slowdown. They also touched upon the impact of tariffs and trade issues on US multinationals. Andrew expressed his concerns about the Fed's stance and its potential evolution, while also acknowledging the potential for political backlash.

Tariffs and Inflation Impact Discussion

Patrick and Andrew discussed the current economic situation and the potential impact of tariffs on inflation. They agreed that the Federal Reserve is in a difficult position, as they are trying to balance the risk of cutting rates too soon and the potential for a slowdown in growth. They also discussed the recent statements from David Solomon, who expressed optimism about the first quarter but noted that the second quarter would be a different story. Patrick emphasized the importance of the Federal Reserve's cautious approach to avoid making similar mistakes as in the past.

Earnings Growth and Market Valuation

Andrew and Patrick discussed the current state of the economy and earnings. They noted that earnings were up 18% in the fourth quarter, but the growth rate has been marked down from a projected 14% to 8%. Despite this, earnings are still expected to grow, albeit at a slower rate. The consensus estimate for the full year is just north of \$264, down from about \$272 at the start of the year. Patrick also mentioned that the market is not cheap, with a forward PE multiple of 19.3, which is above the 5-year average of 19.9 and the 10-year average of 18.3.