



Quarter 1 Sector Overview

This document provides a Quarter 1 overview of key developments and trends across the healthcare services, energy, cryptocurrency, and real estate sectors.

The U.S. Auto Industry

Lucas Kopp

Trump has just announced his plan for Auto Tariffs taking effect on April 2nd. The post market has already shown signs of volatility. The auto industry is bound for a shakeup and in this research, we look for the potential winners and losers in the near term and for years to come.

Background

In 2022, we saw a nationwide hike in prices for automobiles. The inflation adjusted prices of raw materials such as nickel, aluminum, and steel grew by over 50% in 2021 and 2022. However, the main cause of this worldwide shortage of vehicle production stemmed from a semiconductor shortage that would remove 19.3 million vehicles from production in that same period. It's estimated that 273 million dollars of revenue was lost from this cutback in production. American Automakers such as General Motors and Ford Motor Company were hit the hardest, with share prices plummeting. GM lost 42.64% and Ford 41.18% in 2022. This is mainly because of General Motor and Ford's focus on high-margin SUVs and pickup trucks, which in some cases have 4-5 times more chips than a typical car. Companies like Toyota, that had stockpiles of semiconductors and higher production of less chip dependent cars, saw a smaller decline of share prices in that same year. The year following, a UAW strike prolonged the financial struggles of the US Auto Industry and both GM and Ford lost over a billion dollars each in EBIT-adjusted earnings. Since then, GM has shown resilience and a growth in MP of 42.34% from the start of 2023, while Ford has continued to decline in MP by -14.26%.

Incoming Tariffs

The US Auto Industry, from the bailouts in the late 2000s, rising global competition, China's rapid growth in market share, and the recent UAW strike, has been declining for decades. At the start of 2025, auto prices were anticipated to drop from several factors including potential rate cuts, tightening lending standards, and a continued recovery from a supply chain shortage. Now most predictions are full of uncertainty. Will the Auto Tariffs on April 2nd raise prices on consumers for **American** cars? The details were announced on March 26th and the post-market reaction is based on each auto company's exposure. Donald Trump announced a 25% tariff on automobiles applies to finished goods being imported into the US. Some auto parts could face



tariffs as well, but full details are yet to be released. So, exposure depends on the company in question and how much of their production is done domestically.

General Motors has had a better recovery than Ford since the UAW strike and the supply chain issues just two years ago. However, their domestic vehicle production for US sales sits at around 55%, with the remainder of production sitting in Mexico and Canada. This means GM has dangerously high levels of exposure to a 25% tariff. This has already been reflected in the post-market, with GM falling 6% in MP. This puts GM in a bad position in the short term. CEO Mary Barra believes GM can mitigate only 50% of North American tariffs through short term supply chain adjustments. However, GM sustains an advantage over many auto companies with a head start in American based production. This gives GM an opportunity to gain market share in the long term if they can manage losses from tariffs and rising labor prices from their contract with UAW.

On the other hand, there is **Ford Motors**. Ford has seen a continued decline in MP since the UAW contract and supply chain issues in 2022. However, the strong US domestic production base that would give them almost double the extra labor cost per vehicle than their counterpart GM from a UAW contract is now their biggest opportunity for a growth in market share. GM has a much higher 80% of US sold vehicles assembled in the US. Vehicles such as the Mach-E, Maverick, and Bronco Sport take up most of the share of non-US assembled vehicles, being in Mexico. A 25% tariff on 20% of their US production could cause thinner margins for those vehicles, however, barring bad mitigations, Ford stands far less disadvantaged than the rest of the auto market, giving them a huge advantage to gain market share. Ford's biggest potential issue is auto part tariffs, which are yet to be laid out in detail. Overall, Ford stands with much less exposure to these tariffs than the rest of the industry.

The biggest winner here is **Tesla**. Tesla does have foreign production but none of those vehicles are sold in the US. In fact, 100% of US vehicles sold from Tesla are finished in the US in California and Texas. Tesla has continued to grow rapidly in sales and production. Despite political issues that have resulted in boycotts in recent months, Tesla's prices will drop relative to the overall industry, making it difficult for consumers to avoid. Additionally, investors have been less bullish on Tesla in some recent years as their share of the EV market has thinned. Tesla still stands as one of very few companies that have been able to make profitable EV models, let alone very profitable EV models. This gives Tesla an almost guaranteed gain in an already substantial market share for EV's, as the already thin margined or unprofitable EV models of other companies become more expensive to produce. Tesla's only risk is a minor margin impact from potential hikes in tariffs for some auto parts.

Outlook for 2025 and 2026

Our outlook, as of March 2025, is potential short-term pain that will be displayed on many auto company's bottom lines. How much pain will be determined by how these companies have based their production over the years. GM stands to lose more ground in the short term than Ford, yet both companies have an advantage in the US market with the ability to mitigate higher costs and shift production back to the US. Tesla stands as the winner, holding no risk to auto tariffs as of now, with a sure short-term and potential long-term gain in market share.



Healthcare Sector

Daniel O'Hara

The Dow is down 3,000 points and the Nasdaq is down 2,500 points at the time of publication. Technology and Artificial Intelligence sectors are down 13% overall as of 3/11/25. Finance sectors are down 4%, and consumer cyclical sectors have fallen roughly 14% since the beginning of 2025.

If you're not up to speed on why the market has been in a free fall, here's a breakdown. Trump has placed costly tariffs on key global competitors, restricting trade and driving up the cost of goods. Conversely these countries have imposed their own tariffs on American goods, creating a full-blown trade war. Sectors like technology and energy are particularly dependent on global trade due to their finite amounts and the necessary production costs. With expensive tariffs, there is also the looming question about the future of tech and AI industries. Questions like how AI can be used to make money, leave investors pondering if these securities are valued properly. There is rampant speculation that we could be in a bubble again, like the dot-com bubble in 2001. BayMar's outlook is just like the rest of the market, Uncertain. Until we know President Trump's ultimate strategy, we can only take advantage of the short-term swings occurring in a highly volatile market.

Now let's talk about navigating these turbulent times. The solution to navigating troubled waters is to first make sure your craft is secure and secondly find the least dangerous path. Right now, healthcare sectors are offering that stability. With all the calamity going on right now, healthcare has been predominantly the only sector to keep afloat and stay on course. The following healthcare ETFs have delivered above expectation since the start of the year. XLV up 8.51%, VHT up 7.04%, IXJ up 9.22% and the list goes on.

Symbol	ETF NAME	Industry	Total assets (\$MM)	YTD%	AVG VOL	Previous close 3/11/25
XLV	Health Care Select Sector SPDR Fund	BROAD HEALTHCARE	\$39,265.30	8.51%	8,629,671	\$149.28
VHT	Vanguard Health Care ETF	BROAD HEALTHCARE	\$16,993.10	7.04%	311,500	\$271.55



IBB	iShares Biotechnology ETF	BIOTECHNOLOGY	\$6,241.96	3.59%	1,404,016	\$136.95
XBI	SPDR S&P Biotech ETF	BIOTECHNOLOGY	\$5,687.10	- 3.06%	8,904,746	\$87.30
IHI	iShares U.S. Medical Devices ETF	MEDICAL DEVICES	\$4,886.93	6.12%	847,816	\$61.92
IXJ	iShares Global Healthcare ETF	BROAD HEALTHCARE	\$4,070.00	9.22%	200,830	\$93.90
IYH	iShares U.S. Healthcare ETF	BROAD HEALTHCARE	\$3,283.02	7.26%	359,241	\$62.50
FHLC	Fidelity MSCI Health Care Index ETF	BROAD HEALTHCARE	\$2,809.96	7.12%	159,228	\$70.00
IHF	iShares U.S. Healthcare Providers ETF	HEALTHCARE SERVICES	\$692.97	7.98%	119,072	\$51.82

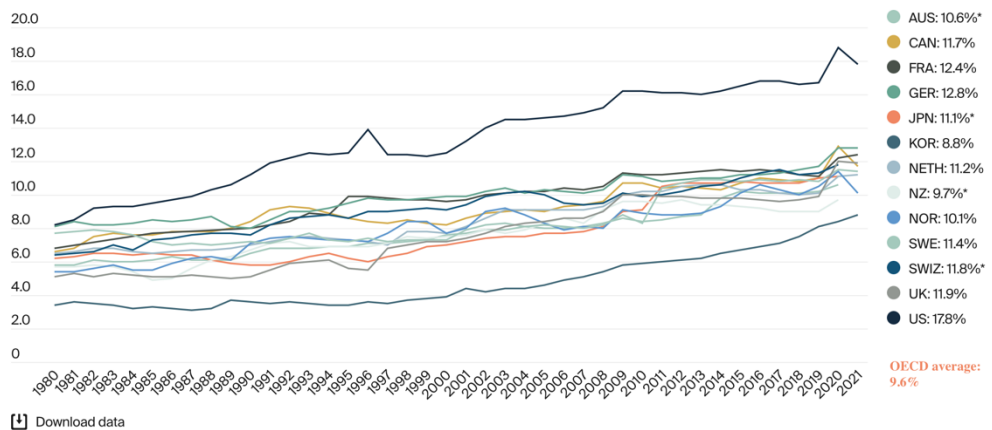
We are not recommending a buy or sell on any kind of healthcare security, but we do see present and forward value. The healthcare industry remains largely unaffected by global trade tensions and tariff impositions. Historically this sector has shown its strength in times of economic uncertainty. In past global crises like the 2008 financial meltdown and the 2020 pandemic, the value of the healthcare sector has remained stable. In some cases, it even thrived. In 2020 the healthcare sector surged after the increased panic and need for innovation in medicine, providers, and assisted living as a result of the global Covid-19 pandemic.

You still might be wondering that, yes, health care has shown strength in times of uncertainty but how will it still be a haven in the future, and the answer to that question doesn't have to do with government or trade, more so insurance. American healthcare is the most expensive in the world compared to every other nation and if a third-party spender exists it will always perform robustly.



The U.S. is a world outlier when it comes to health care spending.

Percent of GDP spent on health, 1980–2021*



In 2023, private health insurance paid \$1,464.6 billion for American health care, which was 30% of total health spending, according to CMS. This sector is propped up by insurance spending and until reform occurs, we won't see underperformance. Thankfully that isn't the approach Trump is taking to reform the healthcare system.

So, one asks what kind of innovation the field will see, and how will the political climate affect its growth "President Trump's strategic agenda for healthcare is taking shape and setting the stage for a horizon of healthcare transformation. This revitalization aims to shift the emphasis from treatment to prevention while enhancing personalized care and continuing to push to cut drug costs." (PWC 1.) Trump wants to shift the choice of healthcare from a federal level to a state and individual level. Different states have different age demographics, needs, and region related health issues. So, shifting the decision to a local level will cut costs in Medicaid and many subsidized healthcare sectors.

Trump's "Make America Healthy Again" spearheaded by Robert Kennedy, seeks to give autonomy to states and individuals and to cut federal spending on Medicaid. With republican control in congress, we can expect to see costs cut in Medicaid to make room for the future tax cuts. Look, we are not happy about senior citizens losing Medicaid and affordable insurance, but Healthcare sectors will increase profit margins from these drawbacks, and it would make sense to profit from this as an investor

We've discussed how healthcare has remained stable in uncertain times, but what does its future look like for innovation? Republican policy is shifting focus toward prevention, meaning Trump aims to loosen regulations on clinical trials and emphasize preventing health crises rather than just treating them. While this could drive innovation, it's also a risky business—clinical trials are notoriously unpredictable, and failure at any stage can derail progress. Investors should exercise caution when evaluating clinical development companies, as unexpected setbacks are always a possibility. At BayMar, we believe that lower market capitalization companies have the potential for significant returns with additional risk. Specifically, ones that are facing regulatory gridlocks. Larger Healthcare companies will likely continue to hold steady and perform according to historical data.



Energy Sector

Chase Boddison

In the first quarter of 2025, the U.S. energy sector experienced a variety of different trials and tribulations across many different sectors:

Oil Industry

- **Oil and Gas Production:** President Donald Trump declared a national energy emergency, aiming to boost domestic oil and gas production by expediting permits and reversing previous restrictions. However, global factors, including OPEC's decision to increase output starting in April, have led to declining oil prices, challenging the profitability of new drilling ventures.
- **Trade Policies:** The administration imposed new tariffs on imports from Mexico and Canada (25%) and doubled duties on Chinese goods (20%), triggering retaliatory measures. These actions have significant implications for the energy sector, potentially affecting exports and refinery operations, thereby influencing domestic gasoline prices. There has been some level of optimism towards potential tariff relief for oil companies, however per *The Wall Street Journal* Trump told oil executives last week during a meeting at the White House that “he didn’t want to grant exceptions on tariffs, according to a person who attended the meeting, but said he would consider occasional ones.” The Oil industry will experience fluctuation in stock price depending on the frequency of these occasional exceptions.

Renewable Energy

- **Wind and Solar Expansion:** For the first time, wind and solar energy combined surpassed coal in the U.S. electricity in the renewable energy mix, with wind contributing 17% and solar 17%, while coal declined to 15%. This shift displays the rapid growth of industries like solar.
- **Nuclear Outlook:** Nuclear energy has come with its critics, but there has been a recent shift in the safety procedures and technologies that nuclear energy companies are implementing. It is worthy to take note of these shifts and be mindful of the administration's stance towards nuclear, as it provides a strong and viable source of energy.



Our Picks:

- Cheniere Energy (LNG):

LNG has stayed steady since we picked it in December, only moving up 4 points. However, considering the current market volatility LNG remains a safe option for investors with a target price of 254. Promising earnings and internal reinvestment showcase a broad area of growth over the 2025 calendar year.

- Imperial Energy (IMO): 69.19

IMO has had similar growth to LNG, only moving 3 points in a positive direction since we called it back in January. They have a promising outlook with record production levels, which will strengthen their revenue returns. There has been a recent push internally in building advanced recovery techniques that could unlock additional reserves and expansion of the life expectancy of oil fields. IMO remains a low-risk option for investors and has a stable outlook to take note of.

- Nano Nuclear Energy Inc. (NNE): 25.75

NNE hasn't had much movement since we picked it in February, which is understandable with current market uncertainty. NNE specializes in cutting edge nuclear power solutions and safety measures. Currently they are developing fully transportable nuclear reactors that would completely rewrite the nuclear power industry. They raised over 150 million dollars in 2024, and they are planning on displaying their prototypes soon to a variety of government agencies and private defense contractors.

Potential Risks:

In the light of the current market uncertainty, it's important to note the risks associated with investing in the energy sector right now. The new steel tariffs placed on Canada by the US will affect US energy companies, it's hard to tell how much they will be affected, but there is certainty that it will. Specifically oil and natural gas companies will feel this the most because they use Canadian steel for pipelines, oil rigs, and drilling techniques. Another potential risk is the demand for oil, as it is still on the rise now and has been for quite some time now; the global demand for oil is completely contingent on geopolitical shifts, wars, consumer demand, and government intervention which is all subject for change. Renewable energy has had a growth rate in the last decade and is expected to continue. In the short run, administration policy may hurt industries like solar because of a push for more oil production. Nuclear energy could fluctuate based on new technologies and safety measures that are showcased to government agencies. If the government deems certain projects safe and efficient it will likely help the stock prices of the respected companies, if their projects are pushed back due to safety concerns it could hurt the industry.

Future Outlook:



Oil and Natural Gas

Oil remains the most demanded resource on earth aside from water and has a great outlook in the US. The Trump Administration aims at lower regulations and greater oil production domestically to help drive the oil economy in the US, their goal is to make the US a main player in global oil exports once again. This is all contingent on how much involvement the administration is looking to take on with US oil companies, and what kind of tax and regulation breaks that they grant the oil giants. Top oil and natural gas companies like Chevron and Exxon have also put a lot of investment into their drilling techniques that could help prolong the life of oil fields, yield greater production, lower emissions, and lower production costs, which will drastically increase their profit margins in the years to come. The Oil Industry remains a solid investment for investors looking to dip their toes in the energy sector.

Renewable Energies

Renewable energies have a very positive outlook with a push towards lower emissions and sustainable energy for the future. Solar projects will persist across the nation which will aid in the growth of stock prices of said companies. Nuclear has a very solid outlook with new innovative technologies in the works and an administration open to nuclear power as a sustainable energy for the future. New safety measures have been developed in recent years that may ease public and government perception of nuclear energy. Nuclear remains the most efficient source of sustainable energy and has a bright outlook.

Crypto Q1 Overview

Sean Murphy

	Beginning of Quarter (Jan 1)	End of Quarter (March 26)	Percent Change
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Crypto Market Cap	3.32T	2.85T	~14.2%
Bitcoin Price	93.5k	87k	~7%
Ethereum Price	3.3k	2k	~39.4%
Solana Price	189	140	~25.9%

Market Sentiment:

As it currently stands, the crypto market is down 14.2% in the first quarter of 2025. The crypto space is filled with abundant uncertainty for a variety of reasons which we will discuss in our next section.

Fear and Greed Index ⓘ



“The CMC Fear and Greed Index is a proprietary tool developed by CoinMarketCap that measures the prevailing sentiment in the cryptocurrency market. This index ranges from 0 to 100, where a lower value indicates extreme fear, and a higher value indicates extreme greed. It helps investors understand the emotional state of the market, which can influence buying and selling behaviors. The index provides insights into whether the market may be undervalued (extreme fear) or overvalued (extreme greed).” - CoinMarketCap

Key Events:

- I. Crypto Ball (*January 17th*)
 - A. On January 17th, President-Elect Donald Trump hosted a crypto ball event to make announcements and spread optimism about crypto in his administration.
 - a. **Discussed Regulatory Reforms** to make the US a more crypto-friendly environment to encourage innovation and investment
 - b. **Establishment of a Crypto Advisory Council** of experts that aims to guide administration in crafting policies that balance innovation with consumer protection



c. The **Integration of Cryptocurrencies into the Financial Systems** was discussed which was to promote the accessibility and credibility of cryptocurrency

d. **Launch of \$TRUMP Memecoin** on Solana block-chain

B. Results:

1. Trump's Crypto Ball left investors feeling very optimistic about the future of crypto. Trump calling himself the first "Pro-Crypto President" and discussing the future of deregulation and the digital asset reserve was very bullish for crypto. After the Crypto Ball, we saw Bitcoin gain 5% in two days and it would make an all time high of 109,000 dollars. Along with this, the launch of Trump's memecoin on the Solana block-chain was an even stronger bullish indicator of Solana and altcoins. In just over a day after the crypto ball, Solana rose 35% and made an all time high of 295 dollars.

II. Trump's Tariffs (*February 1st*)

C. On February 1st, Trump signed three executive orders that imposed 25% tariffs on all goods from Mexico and Canada, along with a 10% tariff from all goods from China.

1. Effects of this announcement were felt throughout the market:

- a. S&P 500 -4.42%
- b. NASDAQ -6.29%
- c. Bitcoin -7%
- d. Ethereum -39.4%
- e. Solana -25.9%

1. *All percents are since February 1st*

D. The announcement of these tariffs fueled financial uncertainty due to a variety of reasons. These factors include: increased volatility, investor uncertainty, inflation fears, trade retaliation risks, supply chain disruptions, and the potential impact on small businesses. Overall, the tariff announcement was bearish for crypto as people are faster to remove their capital from crypto compared to the stock market.

2. \$Libra Launch (*February 14th*)

On February 14th, President of Argentina Javier Milei posted on his X, Instagram, and Facebook accounts promoting the coin \$Libra, describing it as a private economic initiative to stimulate economic growth in Argentina. The coin was wildly successful from launch running to a market cap of 4.6 billion within 40 minutes. The founders of \$Libra owned 70% of the supply, and after 40 minutes sold their holdings for a profit north of 100 million dollars. This was one of if not the largest "rug pull" scams in history, and hurt not only the reputation of President Milei, but the crypto space. This was incredibly bearish for crypto as it scared away retail investors who are often fearful of the scams associated with crypto.

III. ByBit Hack (*February 21st*)



A. On February 21st, a North Korean hacking group known as the Lazars group, was able to access a ByBit developers workstation, likely through social engineering, and stole their credentials. From there, the hackers were able to inject malicious code into ByBit's transaction signing process. Now they were able to manipulate a routine transfer from one of ByBit's cold wallets and redirect the transfer to their own wallets without requiring a multisig approval. The hackers got away with 401,000 Ethereum, valued at 1.5 billion dollars. This stands as the largest single theft in history.

1. This was bearish for crypto as this furthered fears of insecurity as no one believed such a large exchange had the potential to be hacked. While this was a terrible event for crypto, ByBit was praised for their handling of this theft, as they quickly responded to their customers ensuring their assets were safe and one to one backed, along with swiftly replacing their reserves.

IV. White House Crypto Summit (*March 7th*)

A. On March 7th, President Trump inaugurated the first White House Crypto Summit, aiming to set the U.S. apart as the global leader for the adoption of cryptocurrency.

1. Notable Attendees

- a. **Michael Saylor**, MicroStrategy Co-Founder & Executive Chairman
- b. **Brian Armstrong**, CEO of Coinbase
- c. **Brad Garlinghouse**, CEO of Ripple
- d. **Vlad Tenev**, CEO of Robinhood Markets
- e. **Cameron and Tyler Winklevoss**, Co-Founders of Gemini
- f. **David Sacks**, White House AI & Crypto Czar
- g. **Hester Peirce**, Commissioner of the SEC

B. Announced in this summit was the U.S. developing a “digital Fort Knox”, a reserve of a variety of cryptocurrencies, primarily Bitcoin, to continue to strengthen the U.S. financial sector's innovation. Announced to be included in this reserve is: Bitcoin (BTC), Ethereum (ETH), Solana (SOL), Ripple (XRP), and Cardano (ADA). This news was very bullish for crypto as a whole, but especially alt-coins as no one was expecting Trump to announce the addition of alt-coins for reserves. Although this news was bullish for crypto, anticipator investors were disappointed that the U.S. did not announce a plan to buy any more additional Bitcoin, but rather build up the reserve using seized Bitcoin from illicit activities.

V. SEC Drops Lawsuit Against Ripple/XRP (*March 19th*)

A. In December of 2020, the SEC filed a lawsuit against Ripple Labs, which is the company banking the well-known cryptocurrency XRP, which is the third largest cryptocurrency with a market capitalization of 144 billion dollars. The lawsuit came after Ripple raised 1.3 billion dollars through the sale of XRP in an unregistered securities offering, basically ruling XRP as a security.



B. On March 19th, the lawsuit was finally dropped, ruling that XRP was not a security. This is large for crypto as a whole as this stands as a turning point for the regulation of crypto. With Trump taking office, standing out as a crypto supporter and the new SEC chairman, crypto now stands as an asset more prepared for mass-adoption. After this announcement, XRP saw a sharp 10% gain within 30 minutes after the announcement of the lawsuit being dropped

Last Quarter Overview:

The last quarter for crypto and the market has been hectic, to say the least. From tariffs to massive hacks, being a crypto trading in this past month has been stressful. But not all has been bad. Bitcoin and Solana both made all time highs in January. Bitcoin peaked at a price of 109k, and Solana peaked at a price of 295. Both are down since that point, but it's still important to recognize the significance of these events. Early in the month of March as Bitcoin dropped below 80k, market sentiment was at a major low. The Crypto Fear and Greed Index had a yearly low of "15" showing that sentiment was showing "Extreme Fear", since that point, prices across the market have stabilized and fear is decreasing.

Looking Towards Q2:

Looking Forward towards Q2, as market sentiment shifts from fearful to more hopeful, we are expecting to see a resurgence of crypto this upcoming quarter. With the immense fear in the market, it makes sense that we saw a retracement, but smart investors buy when people are fearful. With the official announcement of the U.S. establishing a Bitcoin reserve, along with countless other states, as well as a new administration looking to rapidly adopt and deregulate the crypto space, the future for crypto in the U.S. and the rest of the world has never looked better. Smart crypto investors know the value of the asset they hold and will see dips as additional entry opportunities, and not a reason to be fearful.

Best of luck and thank you for reading

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