

## The Show Goes On

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After a whirlwind week that began with the announced 'reciprocal tariffs' on April 2<sup>nd</sup>, a Truth Social post on Wednesday announced the executive order that lowered tariffs for 75 countries, outside of China. President Trump declared many countries are coming to the table to offer concessions, lower tariff levels for US imports, and reducing non-trade barriers. He acknowledged that bond prices selling off along with Jamie Dimon, CEO of JPMorgan, speaking on a potential negative economic shock on Fox Business led to a change in the policy.

As of this writing, the tariffs that are in place:

145% on Chinese goods imports

25% on steel, aluminum, autos and non-USMCA goods from Canada & Mexico

10% on nearly all other imports, starting in July

In response, China increased tariffs to 125% on US goods. Economists remain concerned about the drag from growth due to the high level of tariffs on China. Goldman Sachs estimates that the increased tariffs from the beginning of the year lower growth for China from 4.5% to 2.3% in 2025. The research team also lowered the US growth estimate to 0.5%.

When looking back at the multiple tariff policies over the past two months, change is the only constant. Canada and other countries, had tariffs on, off, lowered, increased, and then lowered again. The intended target of the trade war all along is China. We think there remains a possibility that an agreement with China is made that ultimately results in fairer and mutually beneficial terms. The path to get there could be rocky, but it seems the end goal. It could even create more global trade in the years ahead.

The institutional pressure to keep the economy on solid footing cannot be understated. Members of Congress know that job losses, a weak economy, and volatile equity markets works against them going into mid-term elections.

In addition, there were three op-eds in the *Wall Street Journal* this weekend detailing court cases against the use of executive orders for blanket tariffs across countries. The President is using a state of emergency due to trade deficits as a basis for tariffs. Some legal scholars say that Congress did not grant the executive office the power to tax across so many countries. There were similar cases lost by Presidents Biden and Obama for executive orders that were not explicitly granted by Congress. In the cases for student loan cancellation and a climate change case in West Virginia, the Supreme Court overruled the executive orders. There are several current cases with small businesses in the US that may have to close due to tariffs – these remain stories to watch.

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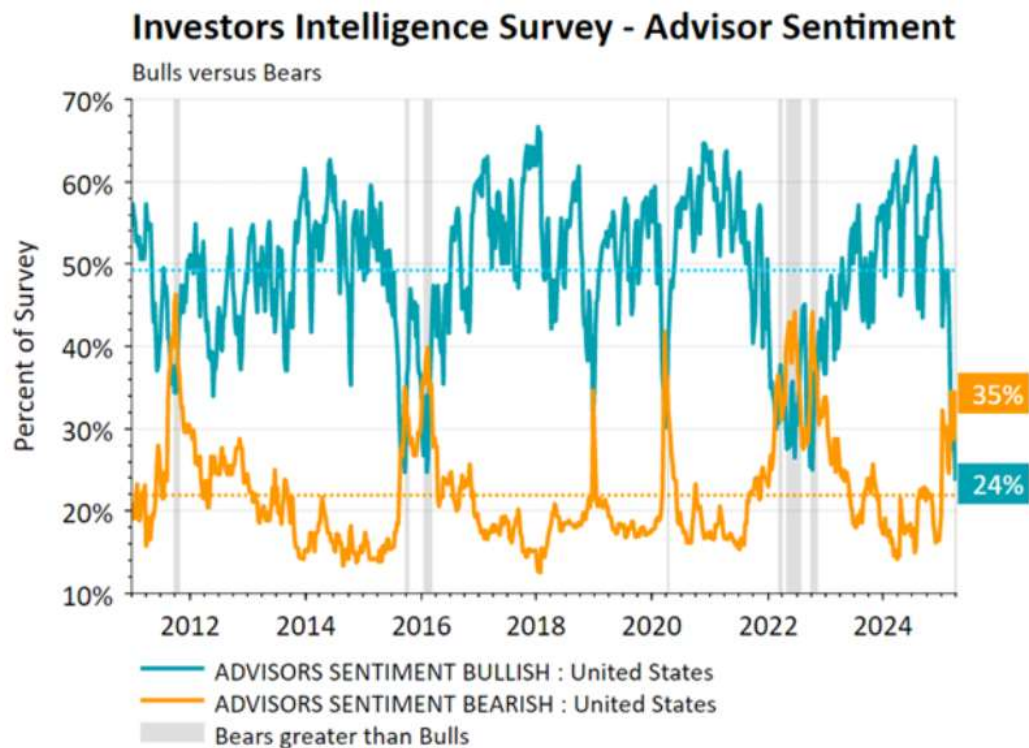
With so many press conferences, social media posts, and events moving markets, the ratings must be through the roof. The day-to-day volatility can be a challenge, but the show goes on like it always does.

Markets worried about tariffs putting sand in the gears of the global supply chain, a movie we have all seen before in 2020. The potential negative impact to company earnings came into focus. It seems much of the negative views are beginning to

be reflected in market expectations. This creates a lower bar if there are surprises on the upside.

For our part, we remain focused on our investment process and client portfolios. After sharp selloffs in prices, it is time to think about going on offense. While we want to look for long-term opportunities, we must be thoughtful about risk. Holding a diversified portfolio allows investors the chance to rebalance during times like this.

Today there are more bearish investment advisors than bullish ones. This happened just 7% of the time since 2011 and is viewed as a contrarian indicator. Typically, investors did not get negative until after these selloffs as marked by the gray bar time periods below. These were historically great time periods for long-term investors.



Source: LSEG Datastream / Marcum Wealth

After equity price declines, the estimated equity premium over bonds goes up. US large caps stocks look more attractive while earnings estimates remain intact. US mid and small caps only traded at cheaper levels briefly in 2008, 2020, and 2022.

While international investments have been out of phase the last few years, this may be changing. International stocks are up on so far in 2025. We see opportunities in both foreign equities and bonds. The weaker dollar being a goal for this administration combined with foreign investors bringing their investments home are both strong tailwinds.

Our team has navigated many of these types of markets this in the past. We will continue to stick with our investment philosophy aligned with our clients' financial plans.

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