



NAVIGATING *The Markets*

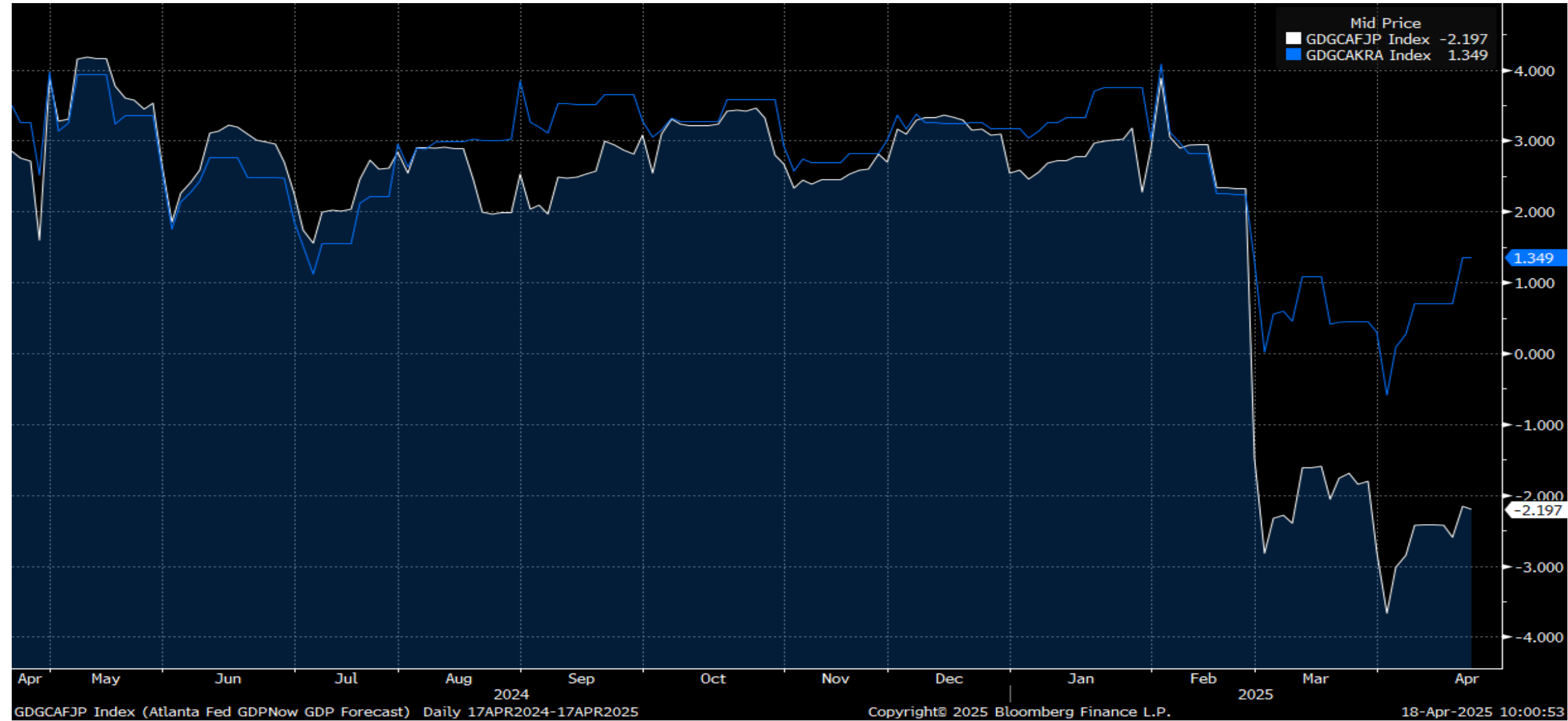
ANNEX
WEALTH MANAGEMENT
Know The Difference™

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Chief Economist

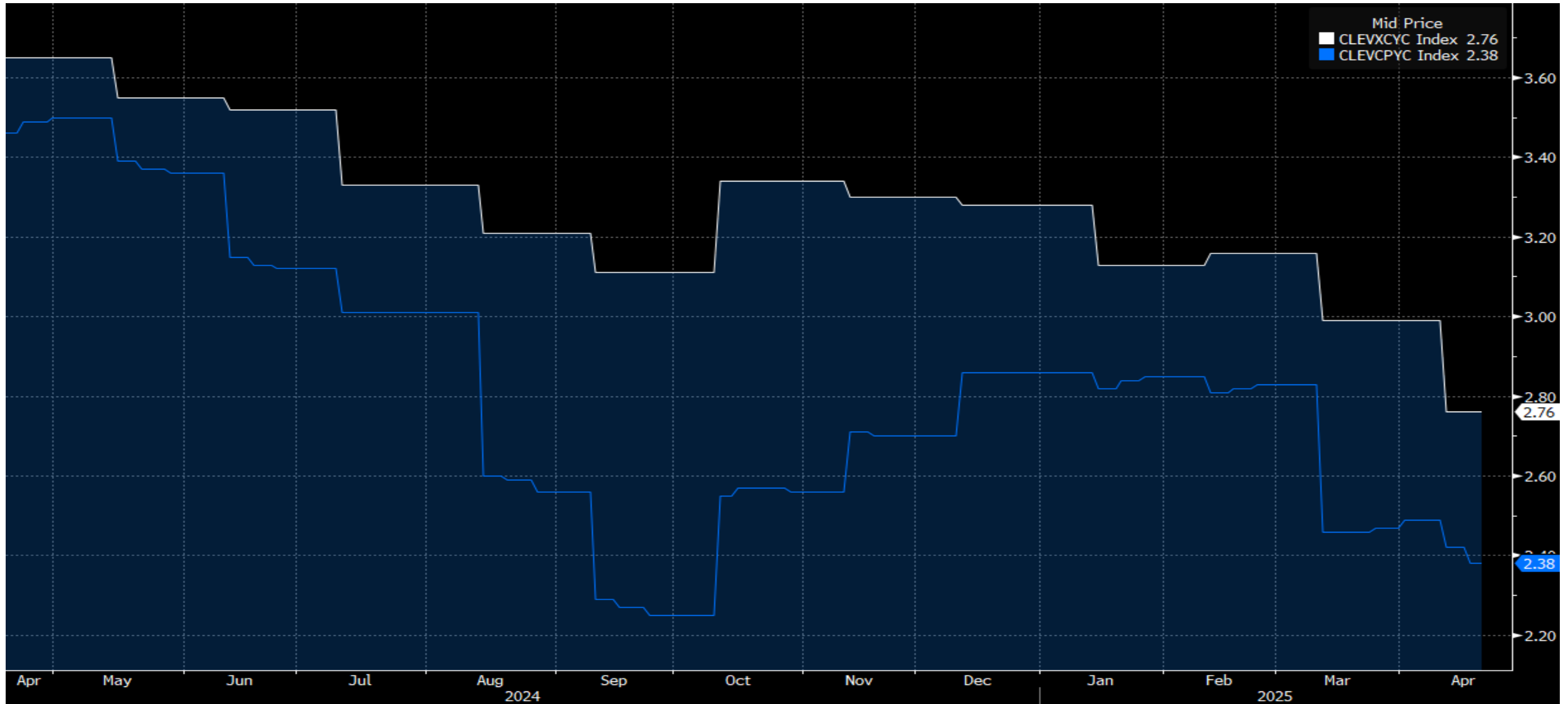
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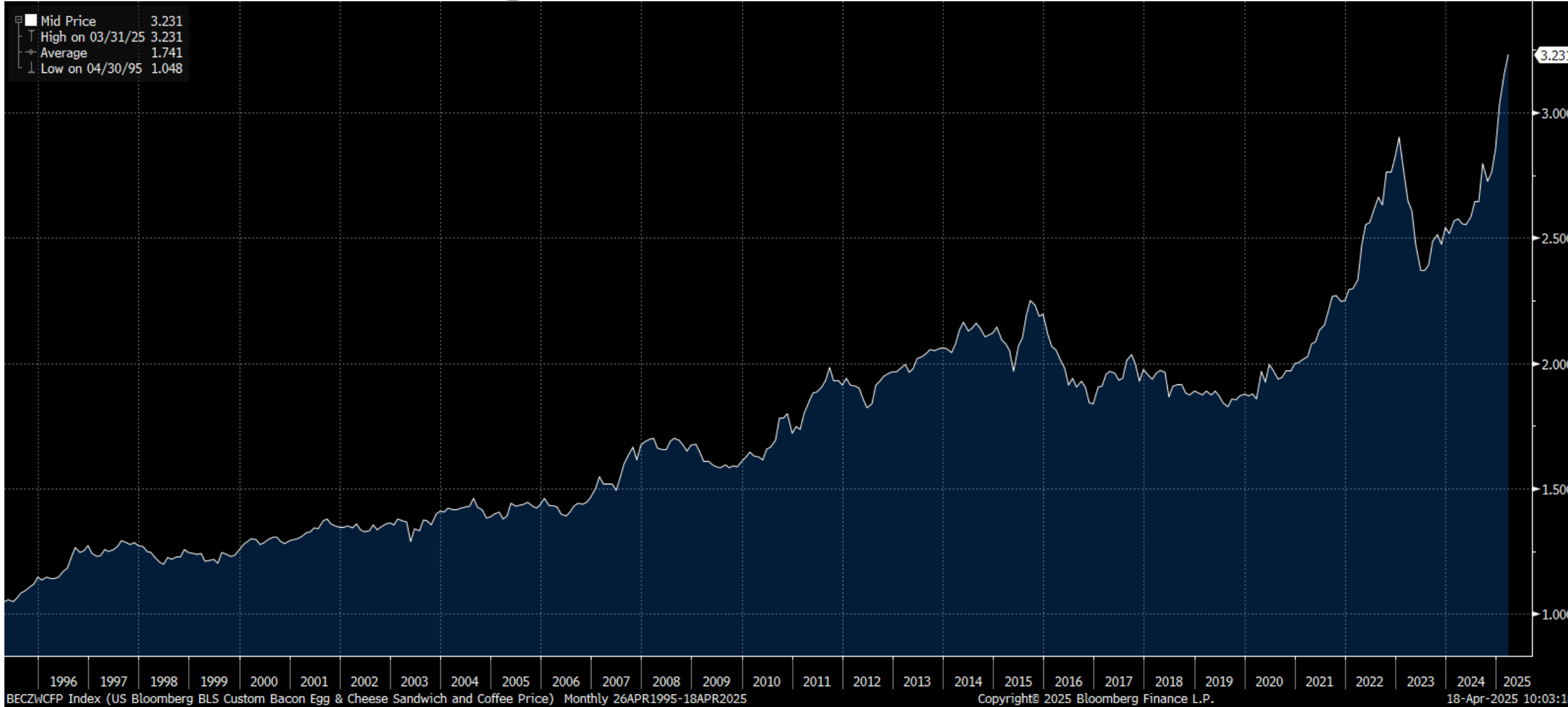
Growth

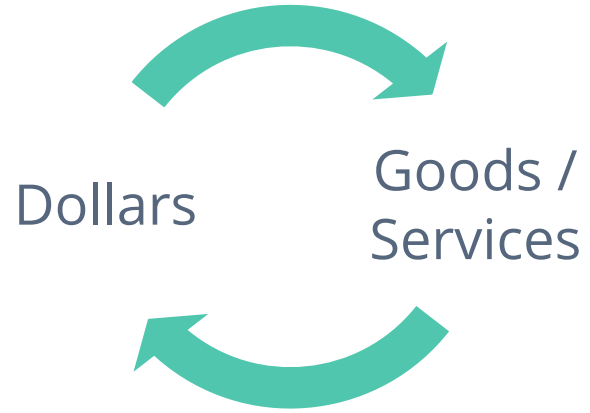
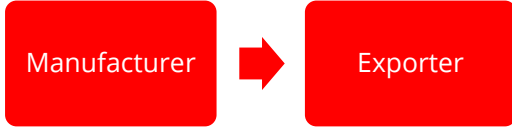


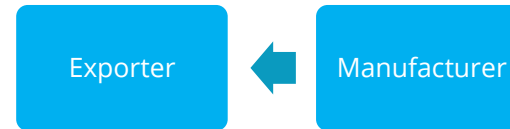
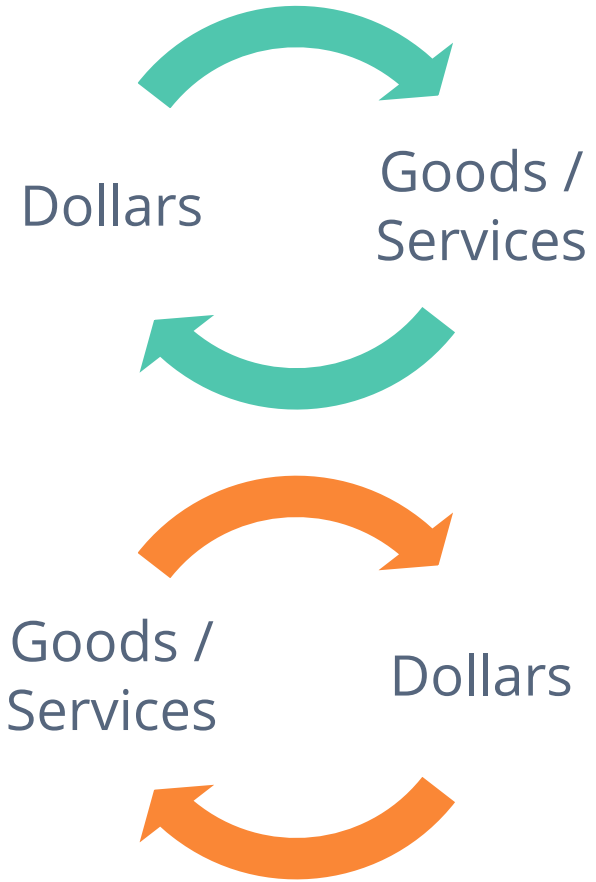
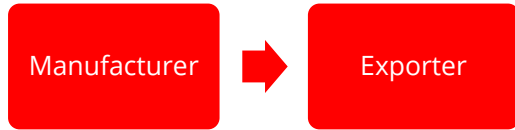
Inflation

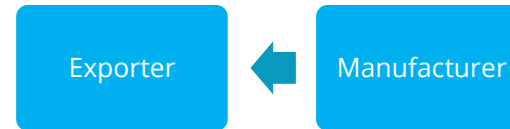
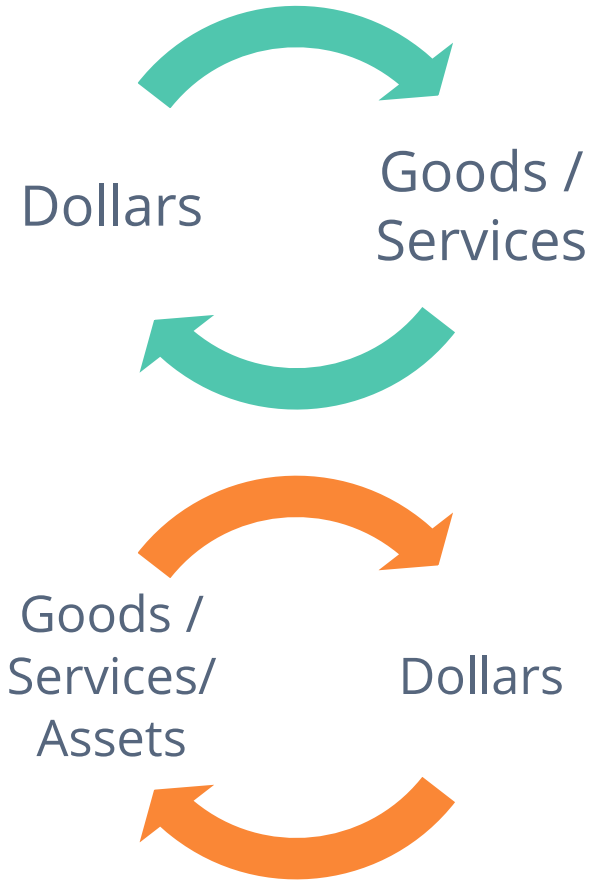
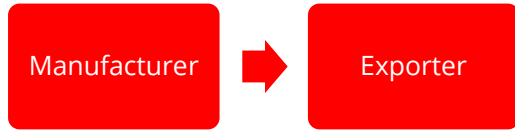


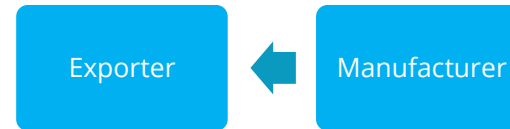
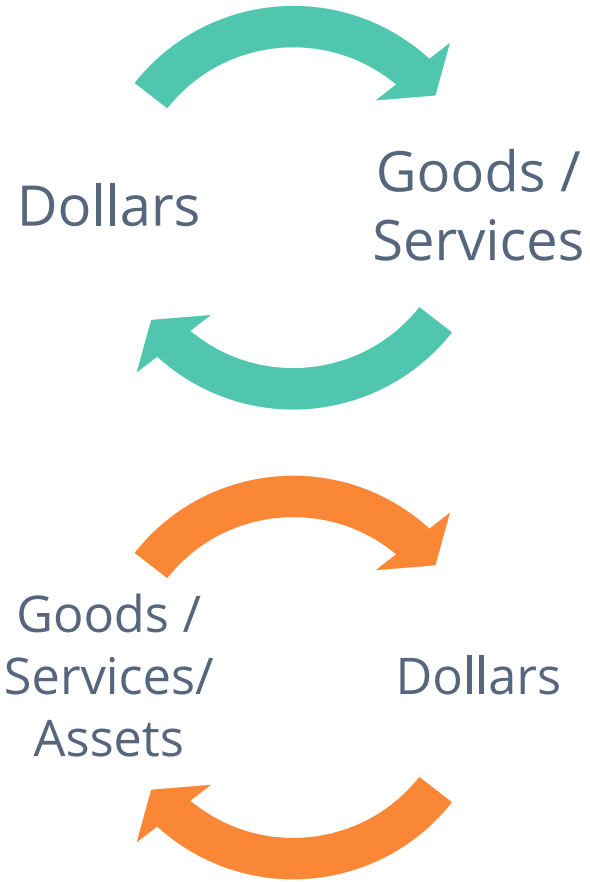
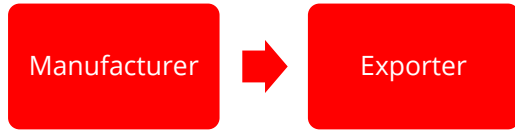
Cost of living











A trade deficit is equal in magnitude to a capital account surplus



Manufacturer



Exporter

Dollars



Goods /
Services



Importer

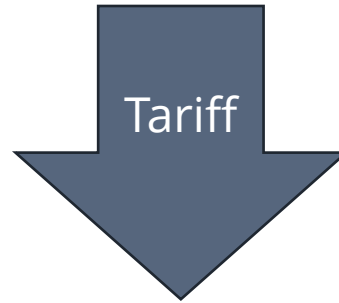


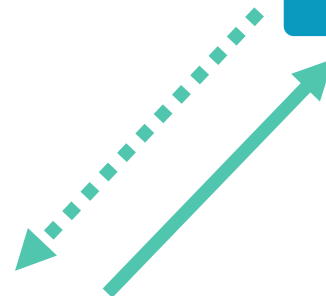
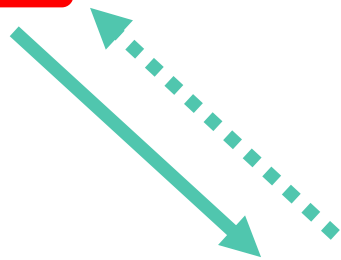
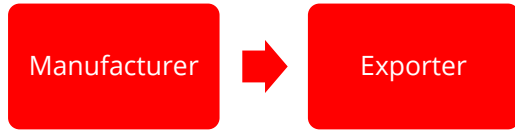
Distributor



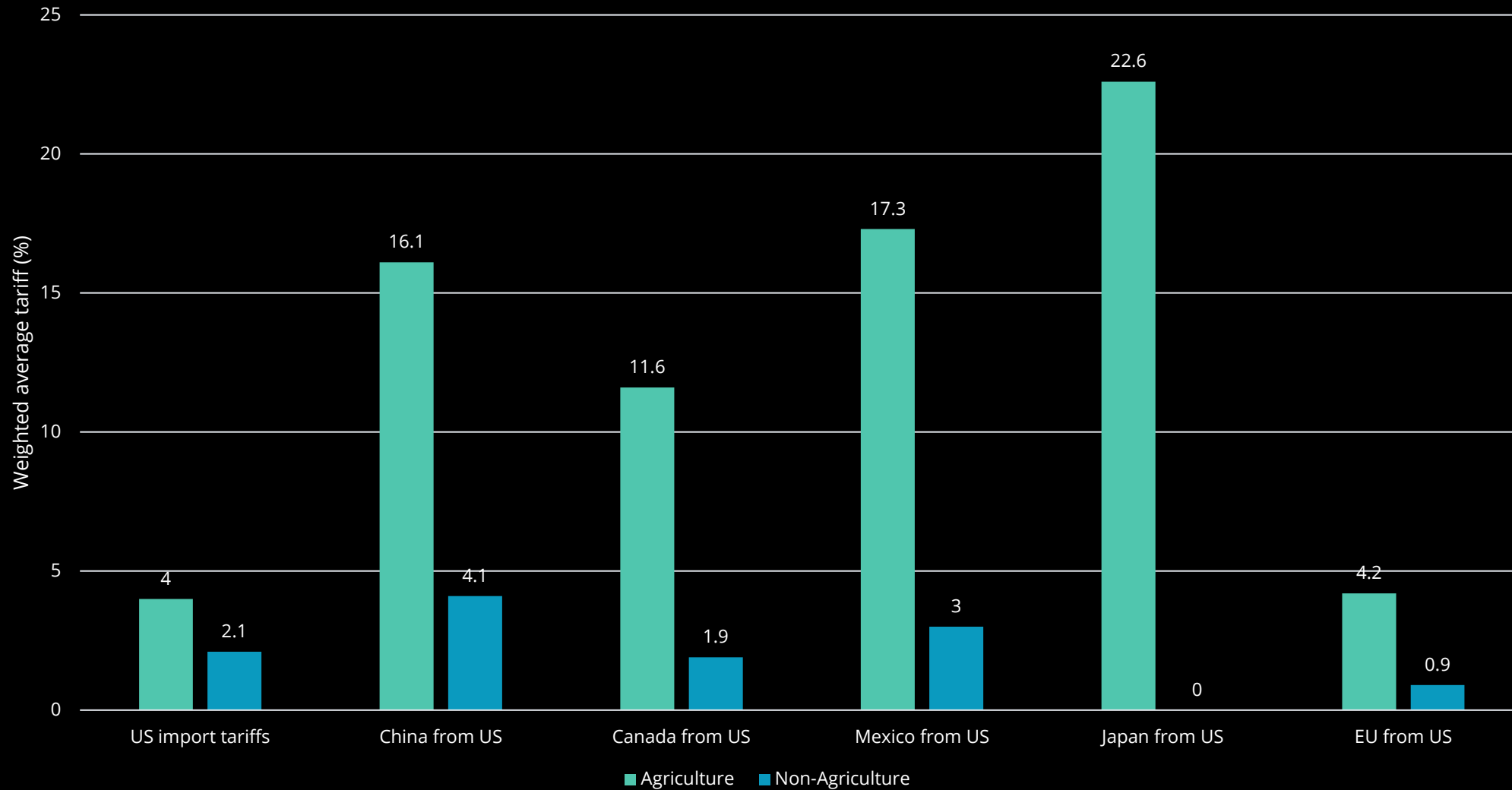
Consumer

Tariff





Tariffs: Tariffs before Liberation Day



The shock and awe

April 2, 2025—Liberation Day

- Baseline tariffs: 10% as of April 5
- Reciprocal tariffs: various as of April 9

The shocking parts:

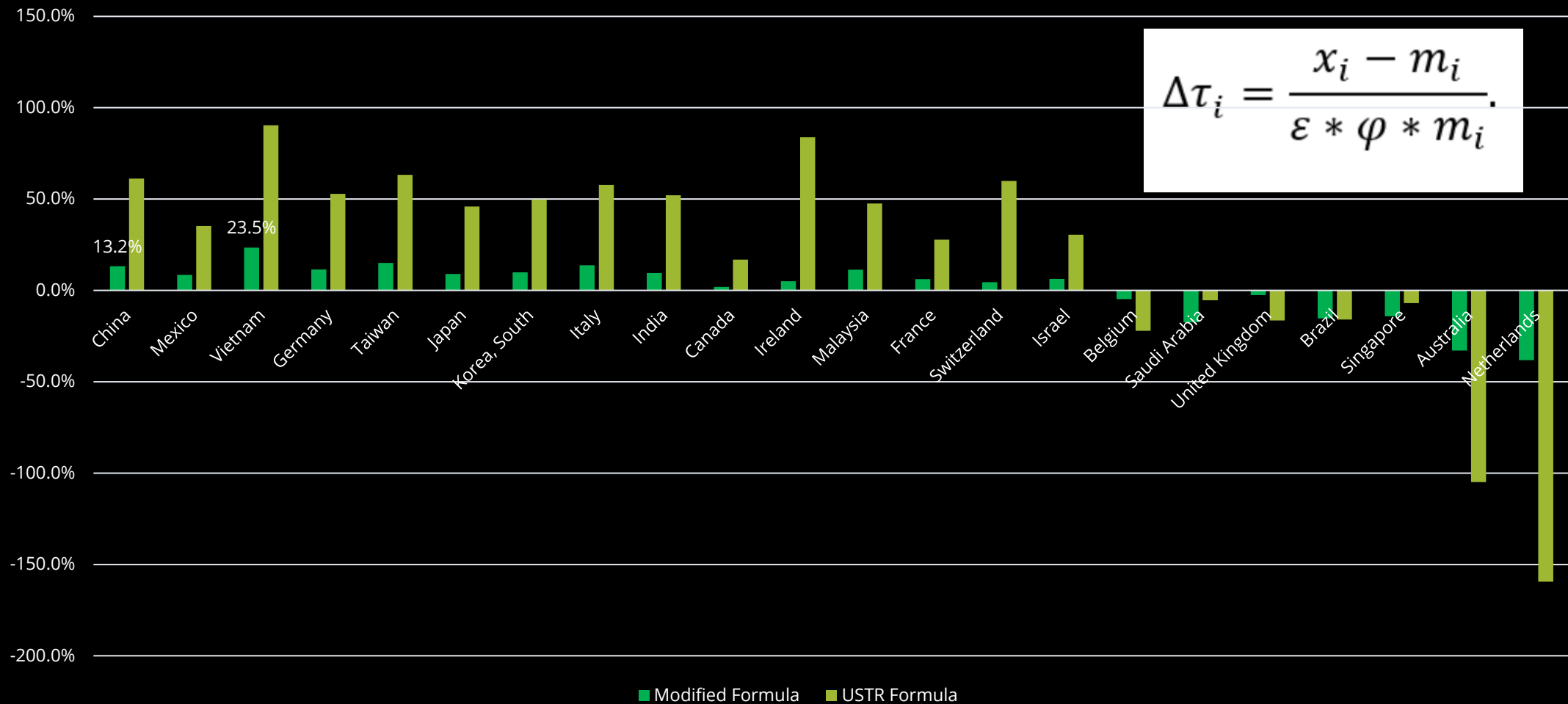
- Calculated from a formula based on trade balances, not tariffs or barriers.
- Israel cut tariffs on US goods to 0%. The next day, they get hit by 17% tariff.
- Lesotho, tiny poverty-stricken African nation faces 50% tariff.
- Heard and McDonald Islands face 10% tariffs despite no residents (except penguins)

The not-so shocking parts:

- 1987: "The fact is, you don't have free trade."
- 1988: "I'd make our allies pay their fair share."
- 2011: Backed a universal 20% tariff. "No more free admission into the biggest show in town."
- 2016: "It is time to declare our economic independence once again."
- 2024: "The word tariff, properly used, is a beautiful word."



Just the facts: The infamous equation



Source:
<https://ustr.gov/issue-areas/reciprocal-tariff-calculations>



The caveats

Exemptions

- Steel/aluminum and autos/auto parts already subject to tariffs
- Copper, pharmaceuticals, semiconductors, and lumber
- Articles that could become subject to future tariffs
- Bullion
- Energy and other certain minerals that are not available in the US
- Mexico and Canada: 25% tariffs for the fentanyl/immigration issues with carve-out for USMCA-compliant goods. Non-USMCA compliant energy and potash 10% tariff.

April 9: The Pause

Escalate China's tariffs to 145% (excluding electronics—subject to 20%)

Everyone else = 10%

Keep auto tariffs at 25%

Steel and aluminum at 25%

Exclude USMCA-compliant



Non-tariff trade barriers

Examples:

- Import policies
- Technical barriers (restrictive standards)
- Sanitary and phytosanitary measures)
- Government procurement
- Intellectual property protection
- Services barriers (discriminatory licensing)
- Electronic/digital trade barriers
- Subsidies
- Anticompetitive practices
- State owned enterprises
- Labor rights
- Environmental protections
- Others (bribery/corruption)

Accusations:

China

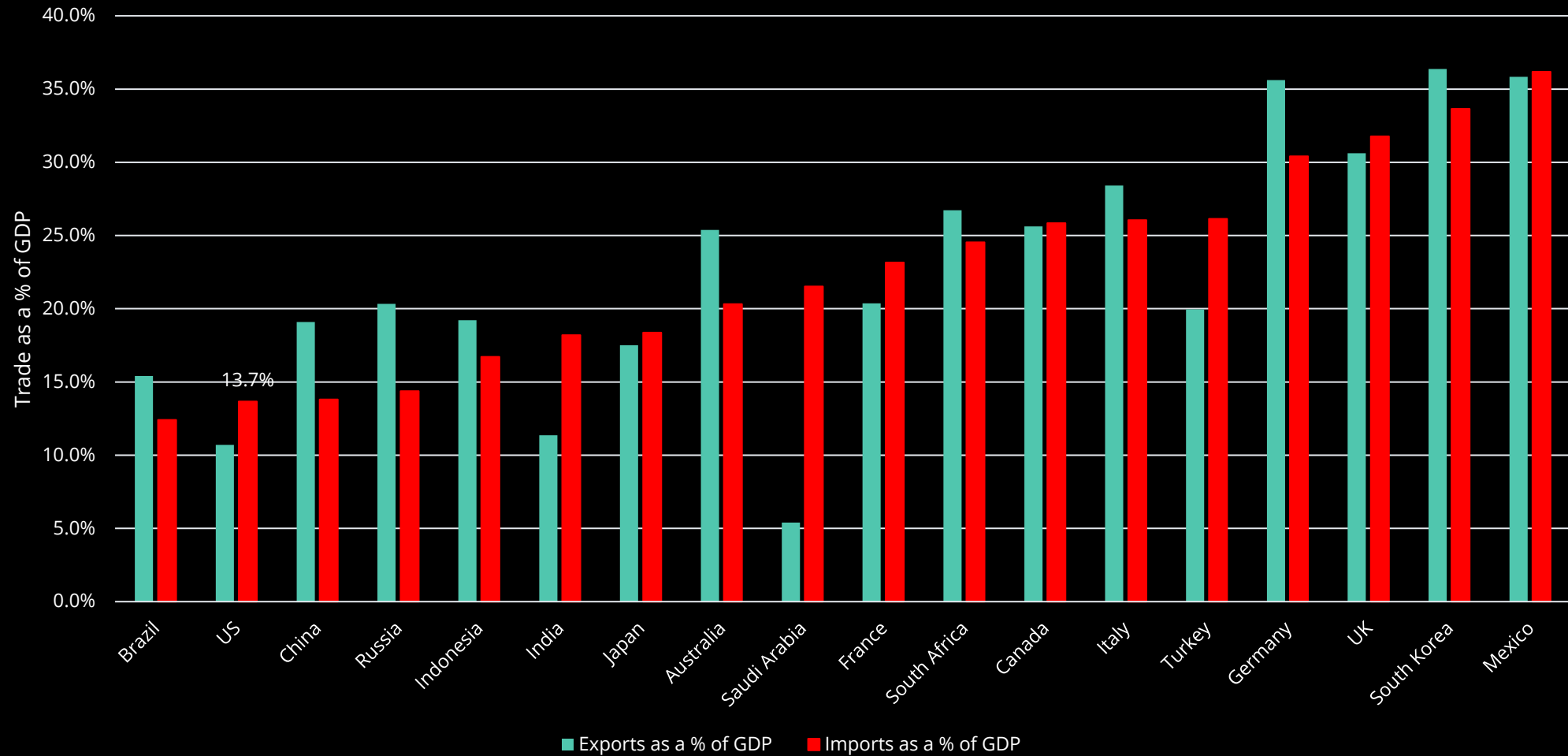
- Intellectual property theft
- Forced technology transfers
- State subsidies
- Market access restrictions

European Union

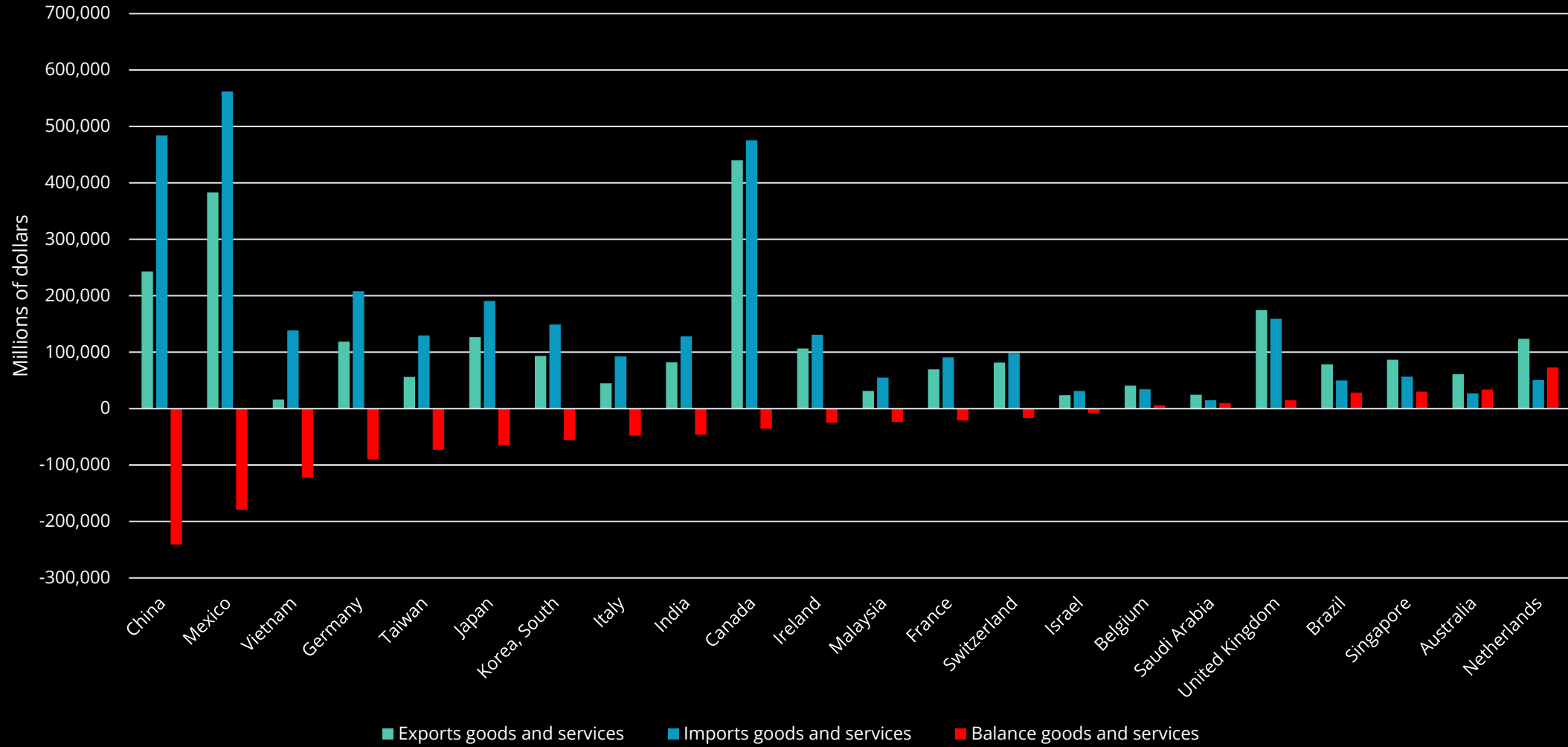
- Agricultural subsidies
- Regulatory standards



Import Importance



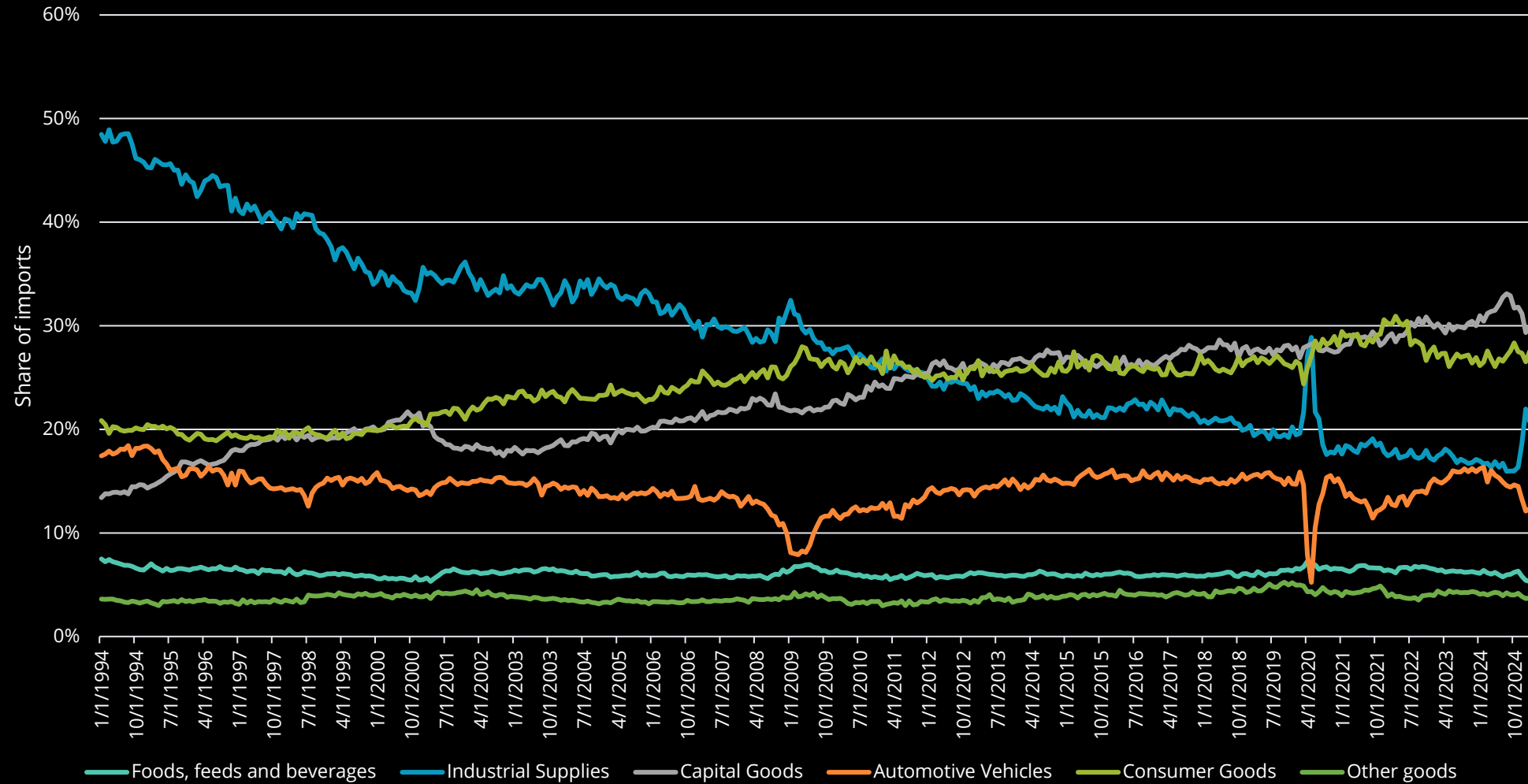
Just the facts: Import importance to the US



Source: <https://www.bea.gov/sites/default/files/2025-04/trad0225.xlsx>



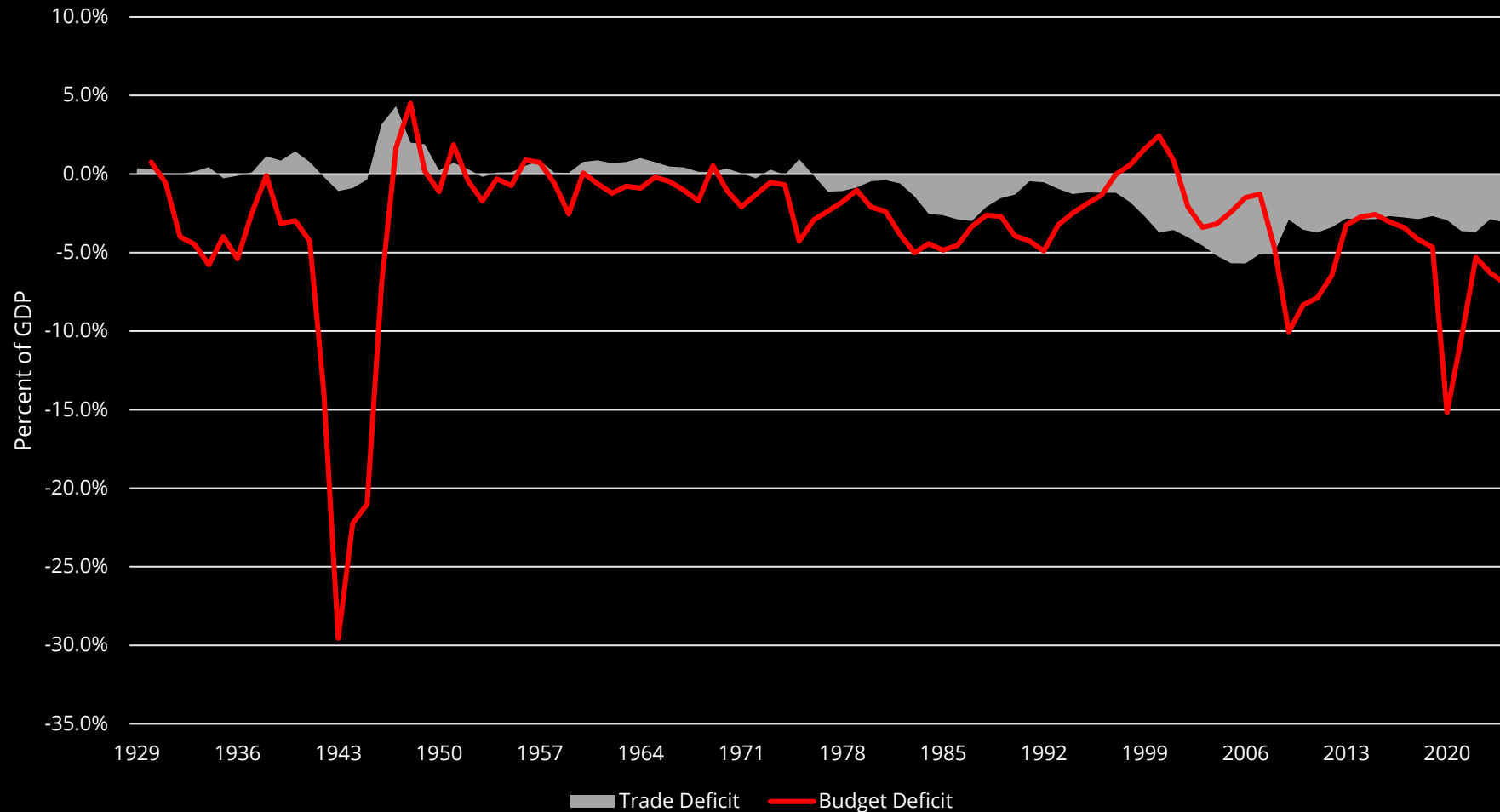
Tariff effects: Capital and Consumer Goods



Source: Bureau of Economic Analysis monthly data from January 1994 through March 2025



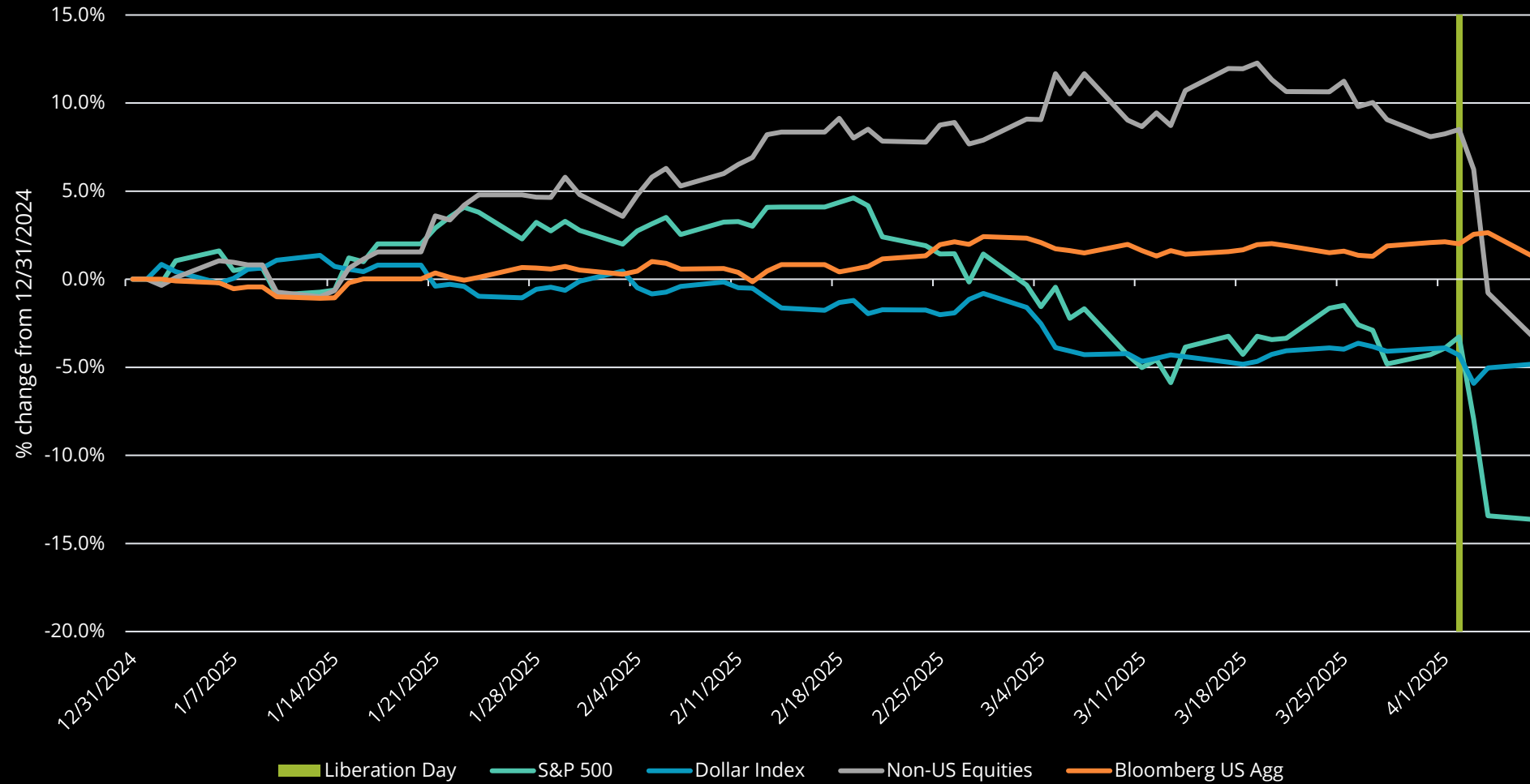
The Twin Deficits Problem



Source: Census Bureau and Treasury data from 1929 through 2024.



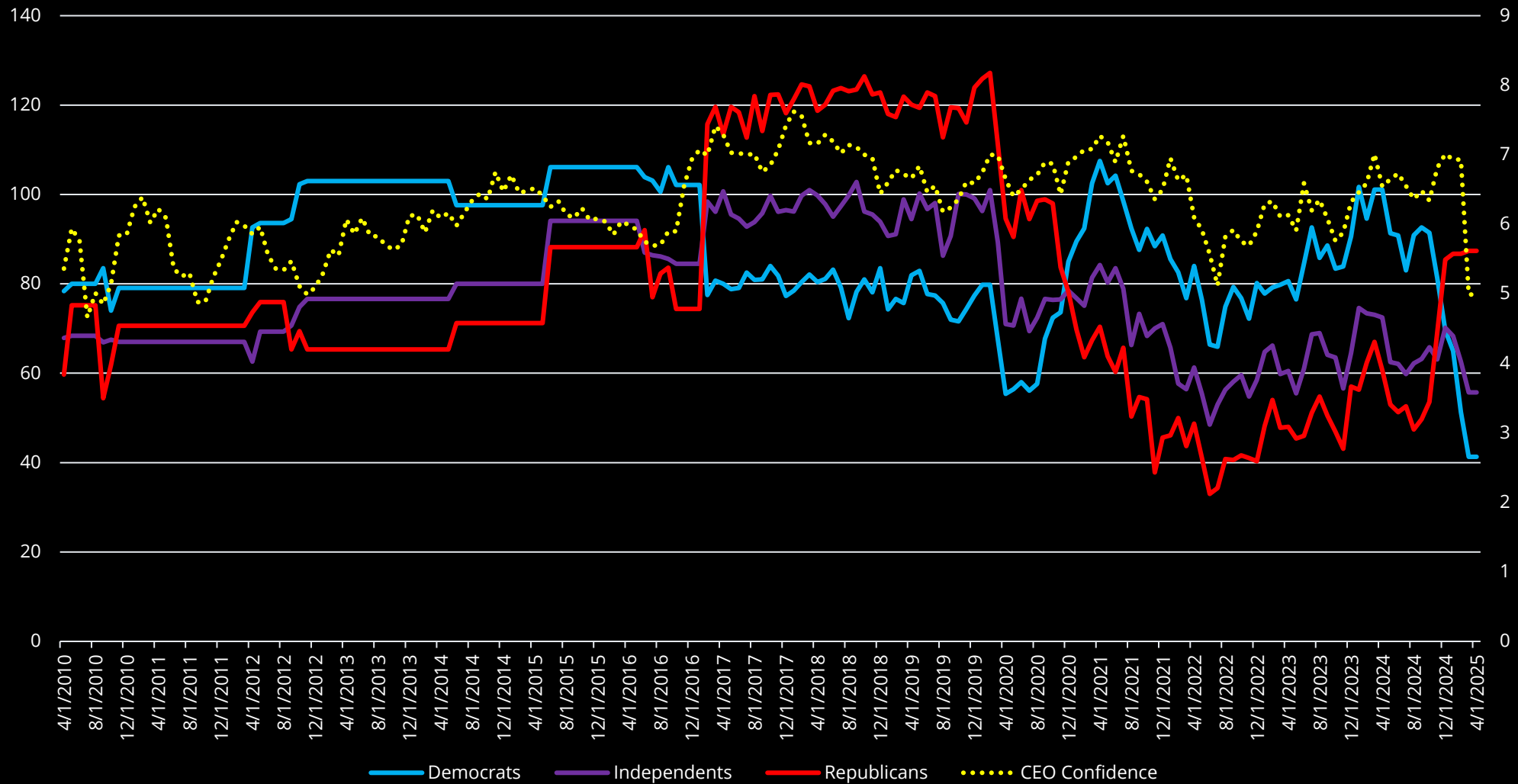
This is why we diversify



Source: Daily data from Bloomberg 12/31/2024 through 4/7/2025. SPY used for S&P 500, DXY for Dollar, EFA for Non-US Equities, and AGG for Bloomberg US Agg



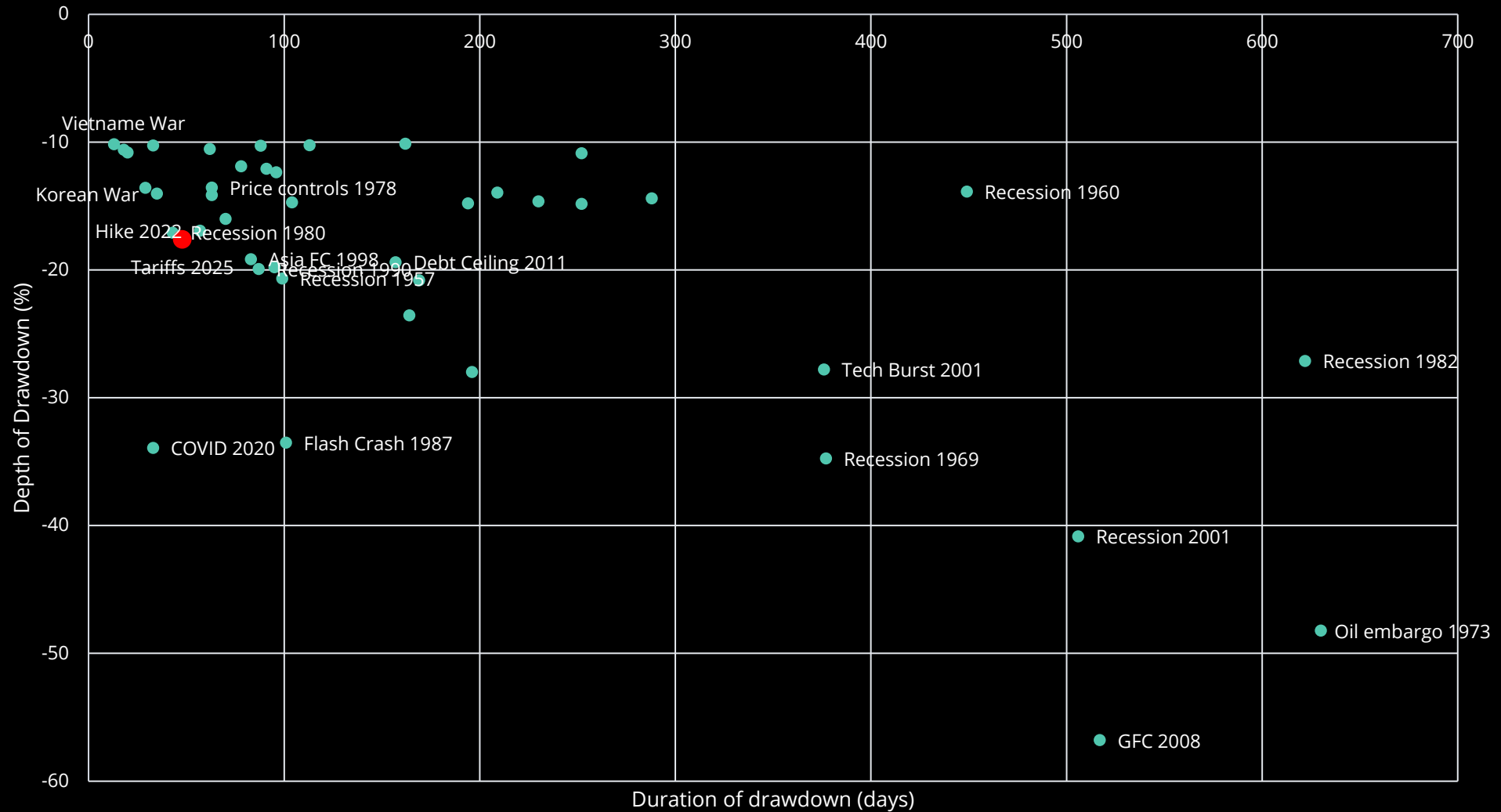
Trading uncertainty for disagreement



Source: Bloomberg monthly data from April 2010 through April 2025



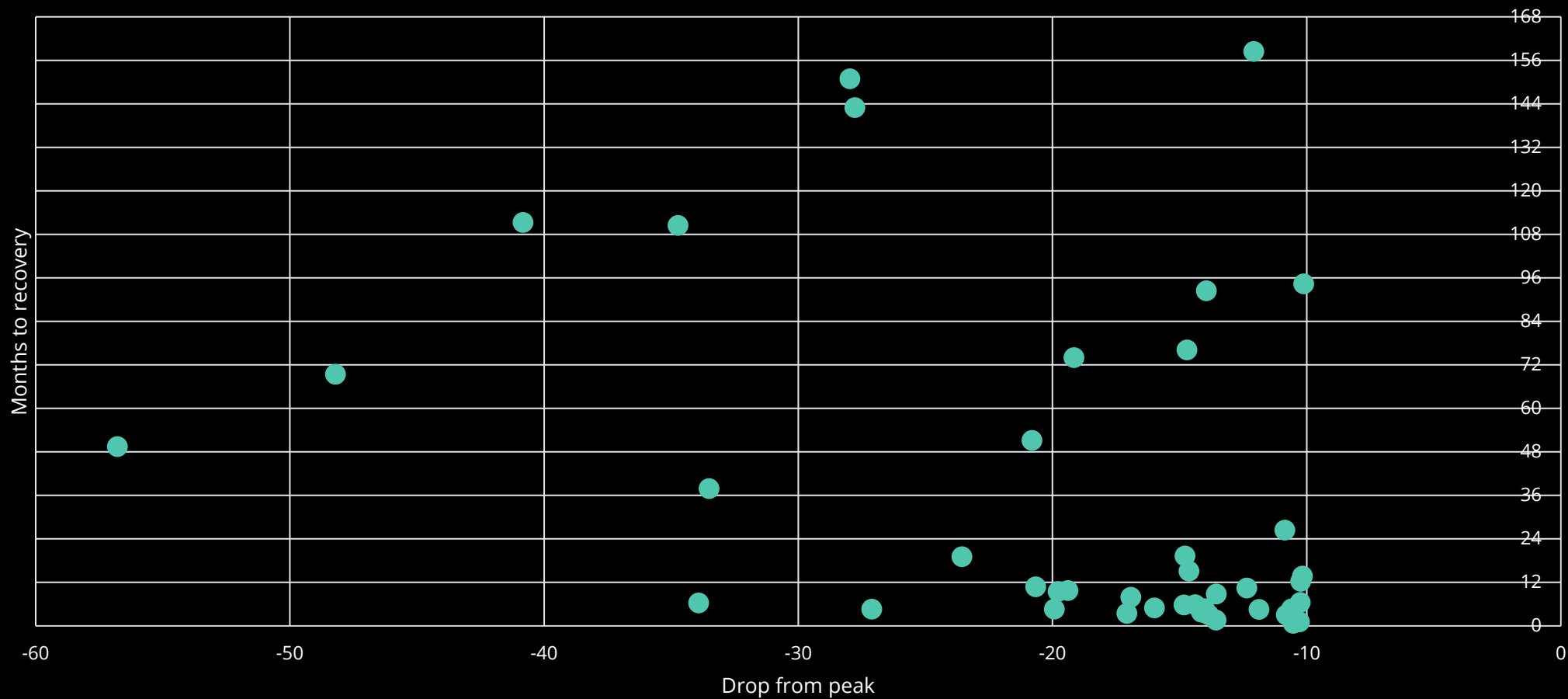
Corrections and Bear Markets in Perspective



Source: Source: Annex calculations from Bloomberg daily data January 1, 1950 through April 7, 2025



Recovery Room?



Source: Annex calculations from Bloomberg daily data January 1, 1950 through April 7, 2025



Key Takeaways

- **Peak policy uncertainty does not have to resolve badly**
- **Tariffs can be used to lower trade barriers, not just to erect new barriers**
- **Tariffs can be tricky, effecting productivity, profits, and prices.**



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