



## Trump announces tariff plans; capital market reaction suggests concerns with near-term impacts

In a highly anticipated communication from the White House Rose Garden, President Trump shared tariff specifics across countries and regions on a day dubbed “Liberation Day.” The President established a 10% baseline tariff for all exporters to the United States, effective April 5. The White House also detailed roughly 60 specific countries that will have tariffs greater than 10%, effective April 9. The President listed tariffs charged to the United States by country and for the European Union, including “Currency Manipulation and Trade Barriers,” and listed the intended “U.S.A. Discounted Reciprocal Tariff” by country and trading union, which for the most part represented half of the estimated rate a given country charges the United States. Further, the White House declared a national emergency tied to the U.S. trade deficit, issuing tariffs via the International Emergency Economic Powers Act. In press comments immediately following the ceremony, the White House said they are not looking to use these tariffs as negotiating tactics.

The tariffs’ depth and specificity represent more stringent outcomes than markets anticipated heading into today’s announcement. While a fact sheet published after the ceremony indicated some goods are exempt from the reciprocal tariffs, markets responded with vigor. Domestic stock futures initially rallied as much as 2% when some news outlets reported the 10% baseline tariff but quickly reversed after Commerce Secretary Howard Lutnick handed President Trump a board listing the additional tariff rates by country and for the European Union. U.S. large company stocks fell 3% and international and technology stocks declined more than 3.5%, especially emerging market stocks. Interest rates, which were already under pressure and move inversely with bond prices, are close to touching levels not seen since October 2024.

Our baseline view has been that the economy was slowing at an orderly and manageable pace, with consumers feeling inflation’s cumulative impact and a labor market demonstrating some modest softness. Corporate balance sheets remain strong and capital expenditures to date have been relatively healthy. However, today’s announcement suggests consumers may have to endure further cost pressures as imported good prices rise, and businesses will need to reevaluate their capital expenditure plans given higher prices for goods where they cannot find substitutes.

Despite the highly anticipated tariff announcement and executive orders, the tariffs’ size and range represent a significant difference from market expectations and add to angst already reflected in market prices. How countries respond, and the White House’s willingness to negotiate with countries that appeal, will be key. Further, the White House’s statement that “these tariffs will remain in effect until such a time as President Trump determines that the threat posed by the trade deficit and underlying non-reciprocal treatment is satisfied, resolved, or mitigated” suggests an indefinite time component for markets to further absorb.

In a positive for diversified portfolios, asset allocation is helping alleviate capital market unease. Bonds have delivered solid returns so far this year, as have international stocks, although today’s developments may alter their near-term forward prospects. We have retained a glass-half full perspective and still feel consumer activity, business strength and the corporate profit cycle will prevail. Today’s developments offer a new risk dimension that may drive investors to reflect a more risk-averse bias as geopolitical event fatigue spreads. On the positive side, Treasury Secretary Scott Bessent noted today’s announcement represents a ceiling for tariffs with the potential for countries to work toward a lower floor.

We recognize the pendulum of risk aversion can swing too far, and patient investors can benefit from overreactions, which may emerge in coming days and weeks. As always, please do not hesitate if we can help with any specific questions and we thank you for your trust.

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