



Direct from Dudack Tariff Turmoil Finale

President Trump's "Liberation Day" tariff regime was far more extensive and specific than most analysts, and we, expected. Global markets are responding with shock and big selloffs across the board. However, some key areas like pharmaceuticals and semiconductors are exempted and we expect some countries will soon be lowering or eliminating their tariffs on US imports and the US will respond in kind. For example, Israel eliminated all tariffs on US goods prior to April 2, yet this was not mentioned by President Trump at the press conference. Perhaps the administration is waiting to hear from more countries regarding tariffs and will make a larger announcement later this week on the fallout of "Liberation Day." In terms of transparency, the table shown at the White House announcement regarding tariffs on US exports by country and the "reciprocal" tariffs being imposed was revealing in terms of tariffs on US exports. Some are challenging the White House numbers, but the tariffs being imposed by the US were never larger than those imposed on US exports, and in most cases substantially lower.

Nonetheless, it appears that the administration is not just making a statement regarding the uneven playing field of tariffs on US exports versus US imports but is going for a longer-term shift of bringing manufacturing back to the US. This will take time. And it appears that President Trump and his team are willing to see inflation benchmarks rise in the near term in order to bring more jobs back to the US and improve GDP in the longer run. The media will focus on this short term negative, but investors should focus on the longer-term positive.

What is certain in this time of uncertainty is that the worst of the potential tariff impact is probably being announced and discounted by the financial markets today. There may be a few country leaders that will attempt to start a tariff war, and that will get worldwide attention, but we doubt it will work out well for these countries. It important to remember that the US is the largest consumer in the world and from that perspective, losing the US consumer will hurt any country negotiating with the US from a standpoint of pride rather than logic.

Again, the average household may soon see price differentials at the grocery or retail store, but consumers have options of what to buy and often have substitutes. The beauty of America is that creativity abounds and in time we expect local entrepreneurs will step into areas that will be impacted by tariffs to create a non-tariff option.

In sum, this announcement comes as the equity market is retesting its February 13, 2025 low and those lows could easily be broken temporarily. But in the longer run, we see this as a buying opportunity.

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