

April 7, 2025

## Tariffs Trigger Market Turmoil

### Financial Markets

Global equity markets declined significantly last week following the unveiling of President Trump's long-anticipated tariff program. The breadth and severity of the proposed tariffs were far more significant than expected, targeting a wide range of industries and countries. It is this considerable difference from expectations that led to a rapid decline in investor confidence. While framed as a punitive measure against foreign competitors, the policy has the potential to inflict substantial harm on the U.S. economy and its global standing.

Every sector suffered losses. With recession fears spiking, energy stocks led the retreat, falling 14.10%, while Consumer Staples fared “best,” declining 2.19%. Given the nature and timing of this policy shift, a quick rebound in equity markets seems unlikely unless there are rapid and material modifications to the tariff structure. As we will discuss in the economics section, the odds of a recession have increased significantly, making it a precarious time for opportunistic investors to engage in bottom fishing.

Index	Total Return (%)		
	Prior Week	Year-to-Date	1-Year
<b>S&amp;P 500</b>	-9.05	-13.42	-0.08
<b>S&amp;P 500 Equal Weighted</b>	-9.64	-9.81	-3.19
<b>Dow Jones Industrial Average</b>	-7.82	-9.53	1.05
<b>NASDAQ Composite</b>	-10.00	-19.13	-2.18

*As of market close Friday, 4/4/2025, FactSet*

### Global Economics

We’ve updated the heading to reflect the truly global implications of the administration’s new tariff regime. Tariffs, by their very nature, have a global impact—disrupting supply chains, increasing costs, and altering trade balances across borders. The current policy shift is highly destabilizing, not only for the global economy but also for geopolitics and the global order.

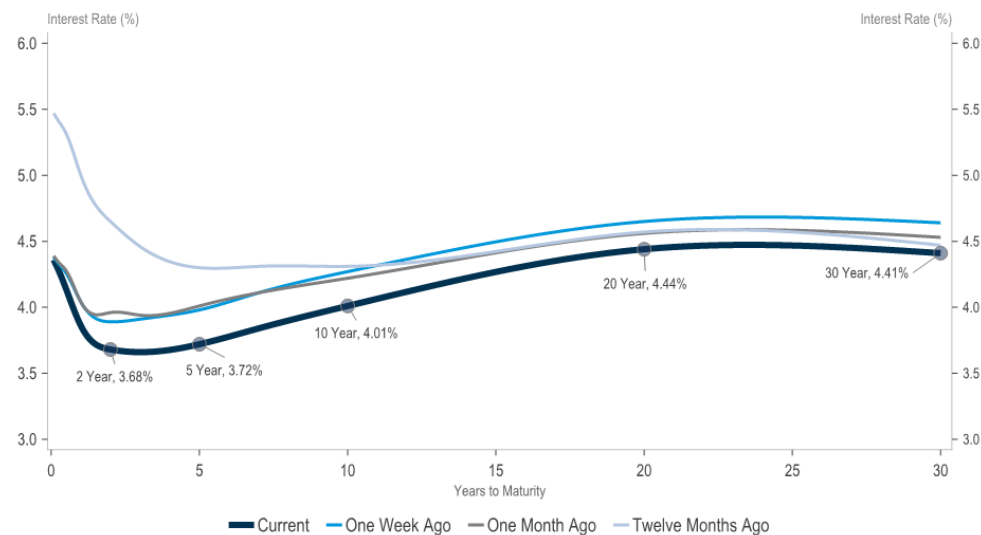
The timing and magnitude of this disruption is particularly perplexing given current economic conditions. The United States, as the world’s largest economy, has been experiencing robust job growth, strong corporate profits, and progress in the Federal Reserve’s efforts to combat inflation. The Fed’s ongoing efforts to reduce inflation have been showing results, albeit slowly. However, the introduction of these tariffs may hinder that progress.

Tariffs are inherently inflationary. Over the past few decades, global supply chains have been meticulously developed to maximize efficiency and minimize inflationary pressures by tapping into the full range of global resources. The sudden imposition of broad-based tariffs risks undermining that architecture. It may drive up input costs, squeeze margins, and lead to higher consumer prices, making the Fed’s job significantly more difficult.

# Weekly Market Insights

## Yield Curve

Interest Rates for U.S. Treasury Securities by Maturity Date



U.S. Department of Treasury, Daily Treasury Bill Rates Data  
Data as of 4/4/2025

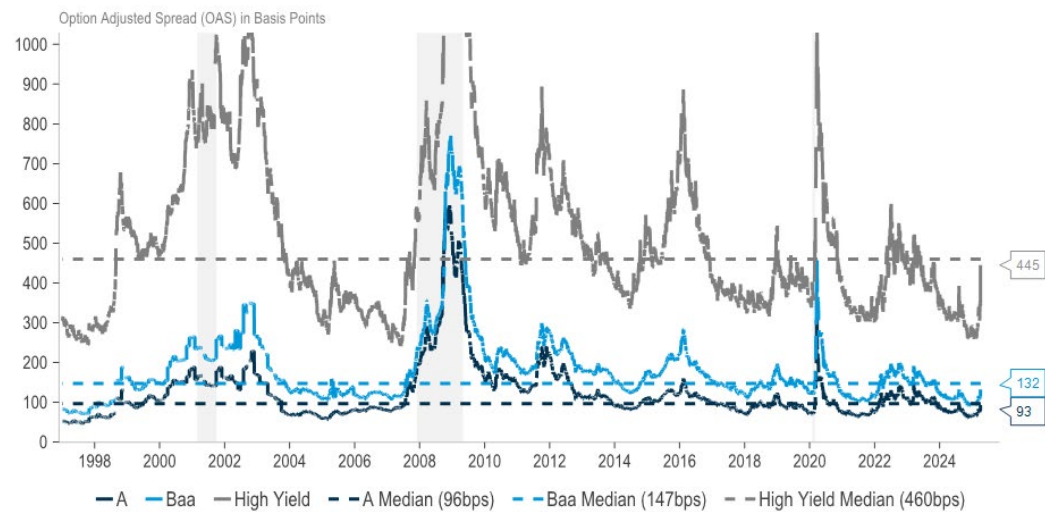
## Conclusion

The past week marks a clear inflection point for investors. The administration's aggressive tariff policy has significantly increased global economic uncertainty and rattled financial markets. With all sectors in retreat and the likelihood of a recession rising, the investment environment has become increasingly complex.

While the U.S. economy remains fundamentally strong, the inflationary impact of tariffs could derail the Fed's progress. It's natural to feel uneasy during such times, but we strongly encourage long-term investors to stay the course. The current market disruption, driven by tariff uncertainty, remains highly fluid and could shift rapidly. History of other volatile and fear-inducing periods makes it clear that accurately timing these sharp turns is challenging at best and can often lead to costly long-term errors. As always, we will continue to closely monitor developments.

## Credit Spreads

Investment Grade and High Yield Bond Yields Compared to Treasury Yields



Recessions indicated by shaded area  
Bloomberg, FactSet, ICE BofA  
Monthly data available beginning January 1997 to 4/4/2025  
Vertical axis truncated to improve scaling so outlier values may not be visible on chart

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## III. Portfolio Composition

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Michael Olin Clark  
Senior Advisor  
[moclark@1919ic.com](mailto:moclark@1919ic.com)

Ryan Schutte, CFA, CFP®  
Vice President, Senior Investment Associate  
[rschutte@1919ic.com](mailto:rschutte@1919ic.com)