

From Tariffs to Tax Rates

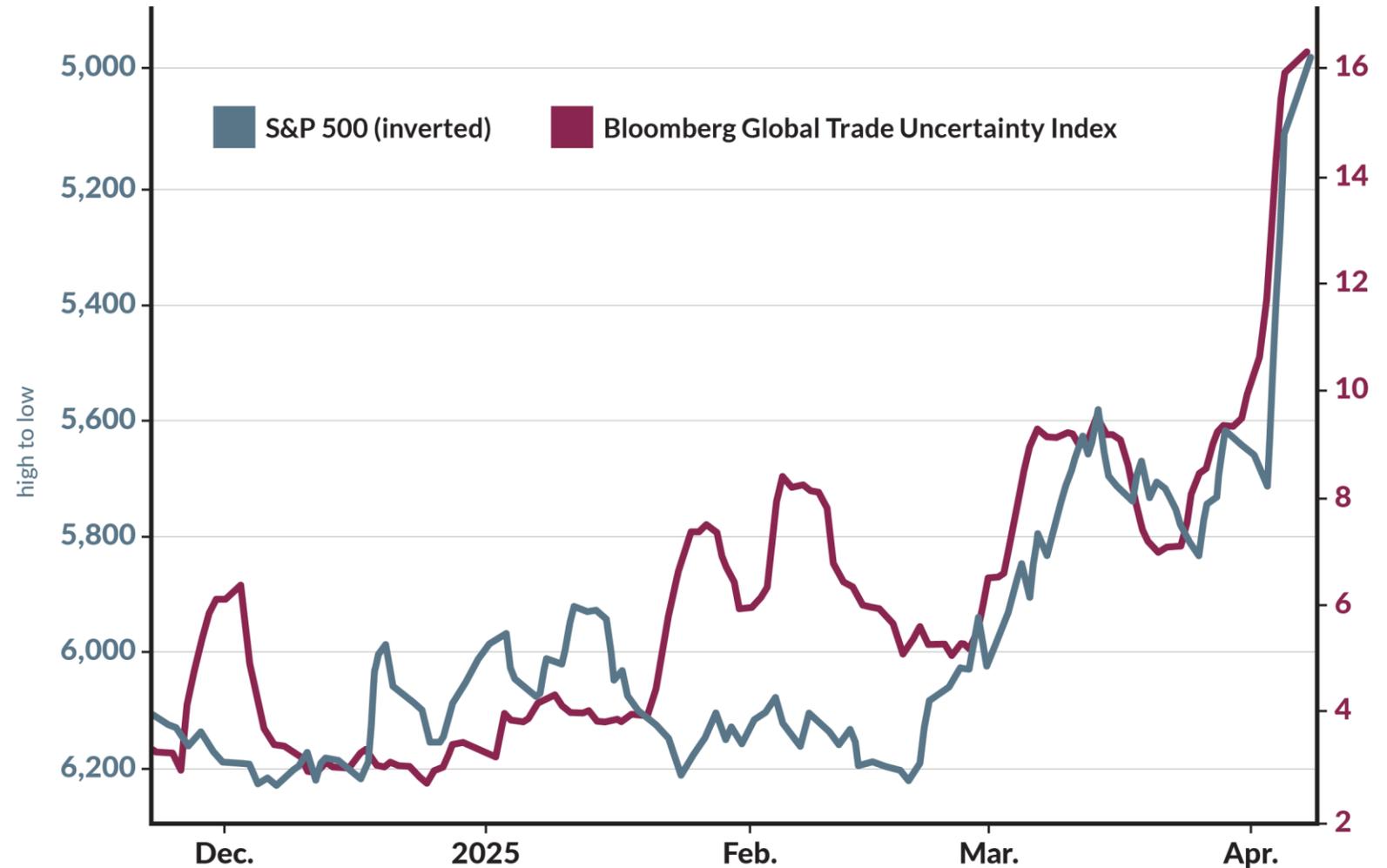
Navigating the New Admin's Economic Policies

April 16, 2025



Uncertainty is the Problem

- Uncertainty about policy, specifically trade policy is the primary thing driving volatility in the markets right now.
- Fundamental weakness (lower corporate profits, higher unemployment, etc.) has not shown up yet, but if this period of uncertainty lasts long enough, fundamental weakness will follow.

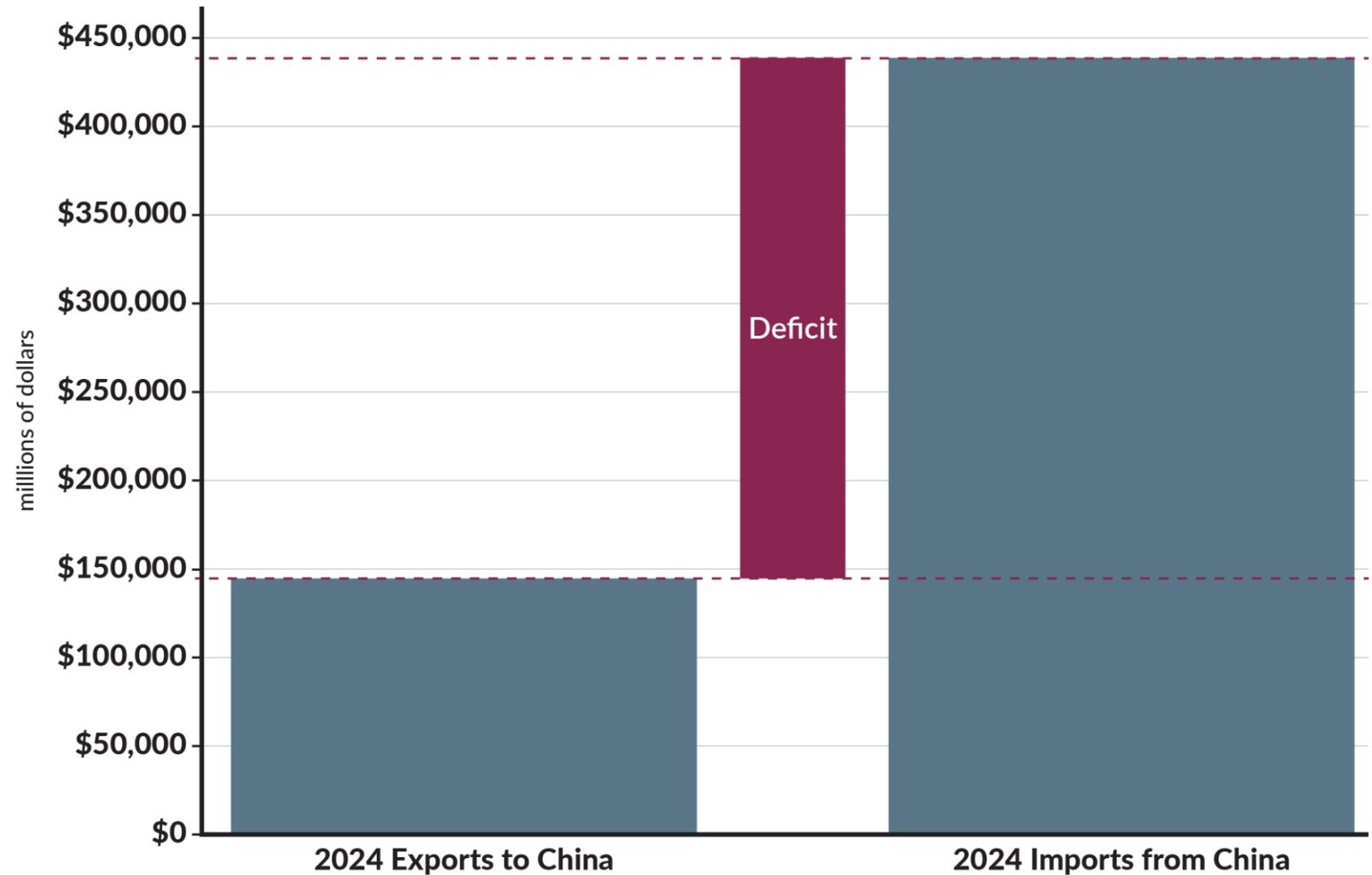


Source: Piper Sandler, Bloomberg



Trade Deficit with China

- The US has its largest trade deficit with China.
- The current administration intends to close this gap.

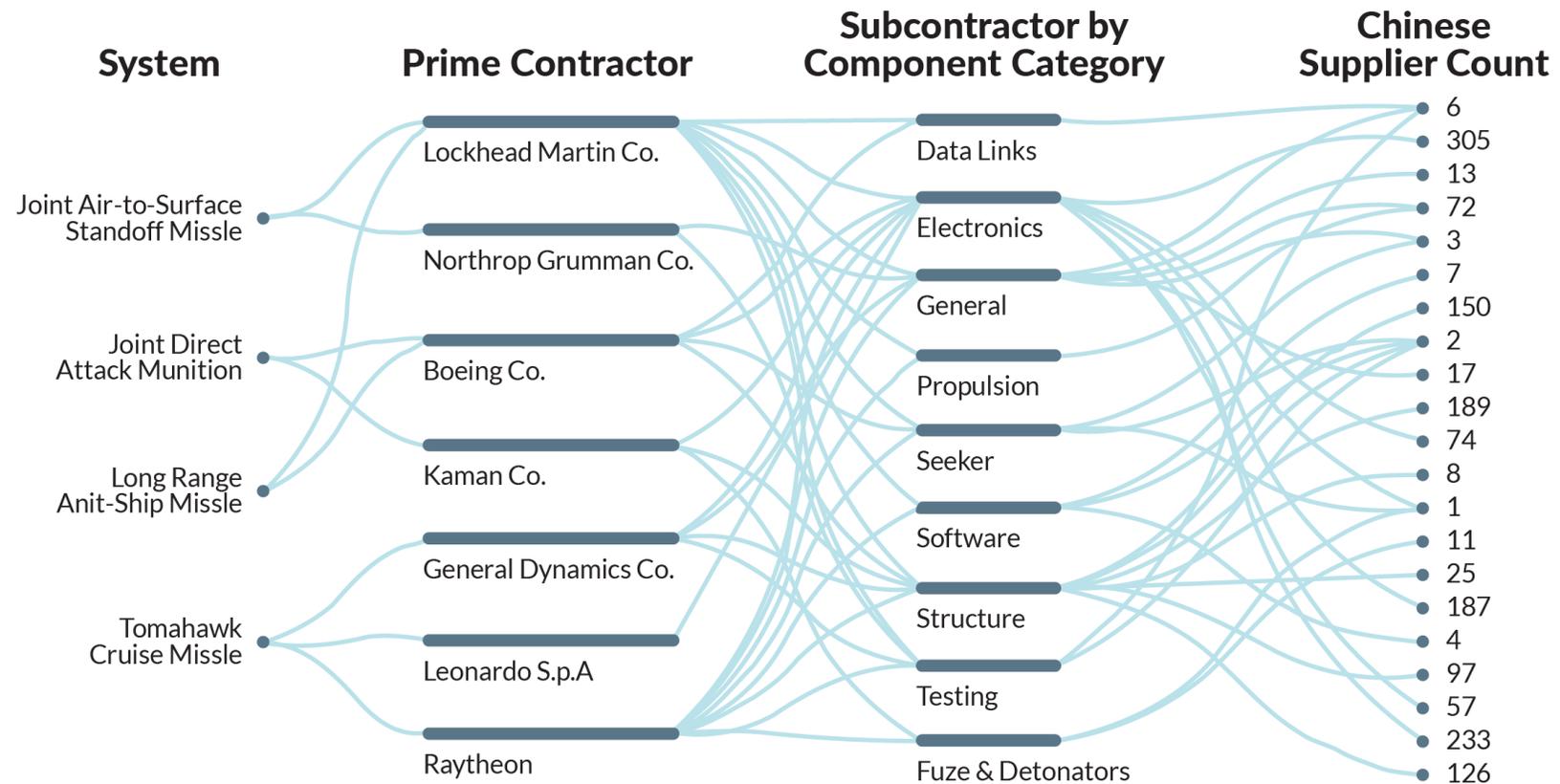


Source: 2025 National Trade Estimate Report



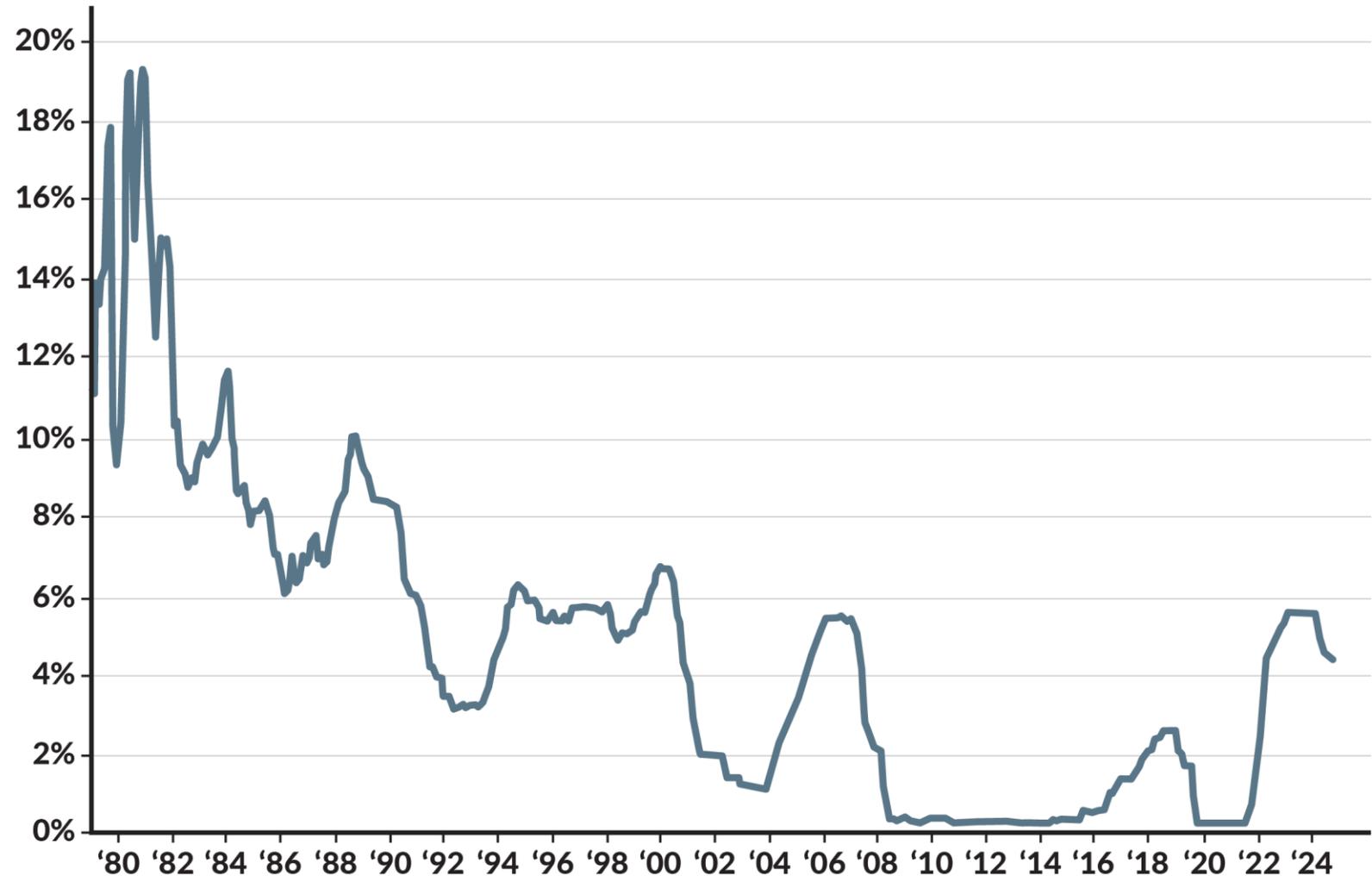
Chinese Suppliers of Strategic Goods

- Supply chains are very complex.
- This graphic shows how intertwined Chinese suppliers are to critical U.S. defense systems.
- The administration seeks to onshore critical components from potential strategic adversaries.



U.S. Federal Funds Rate

- In the early 1980s, former Fed Chairman, Paul Volcker raised interest rates to curb high inflation, causing a recession but leading to a 40-year bond bull market.
- The current administration seeks U.S. manufacturing dominance and reduced trade deficits through policies that may cause short-term economic pain.

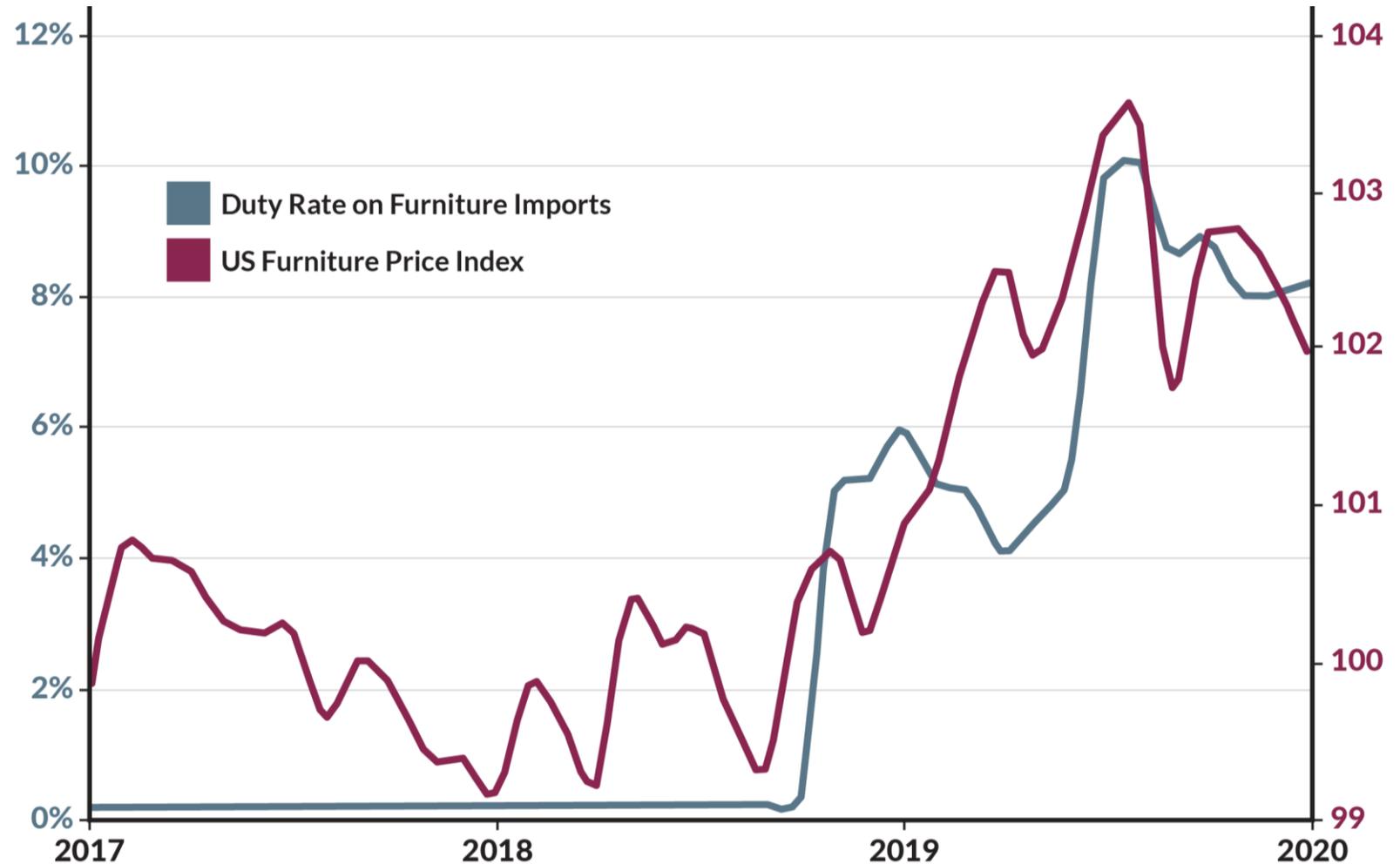


Source: Federal Reserve of St. Louis



Will Other Countries Pay for the Tariffs?

- A simple example of what actually played out following the 2018 tariffs.
- Prices on furniture moved up in line with the increased tariff rates on furniture.
- Every product is different, and the tariff policy in 2025 is much larger than the 2018 policy, but you would expect that prices will rise and some or all of the tariffs will pass through to consumers.

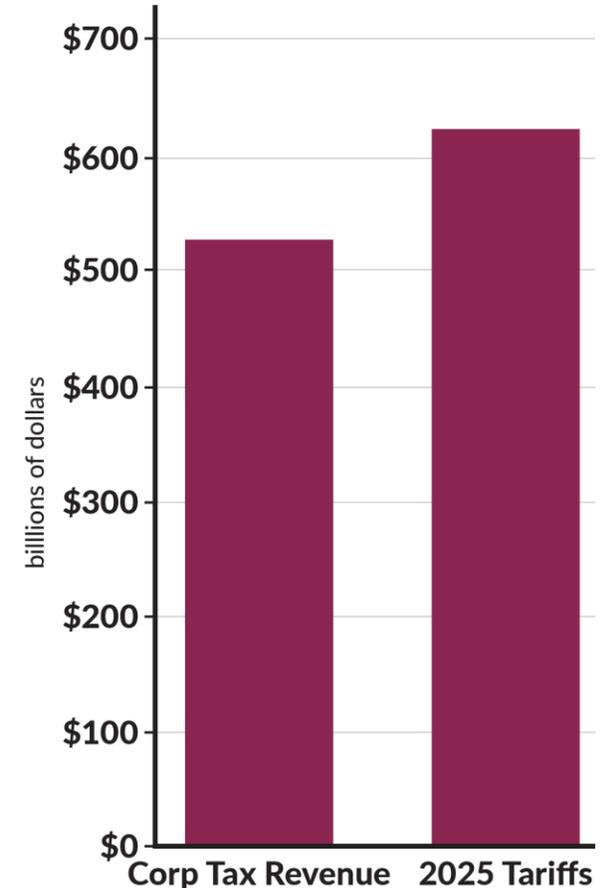
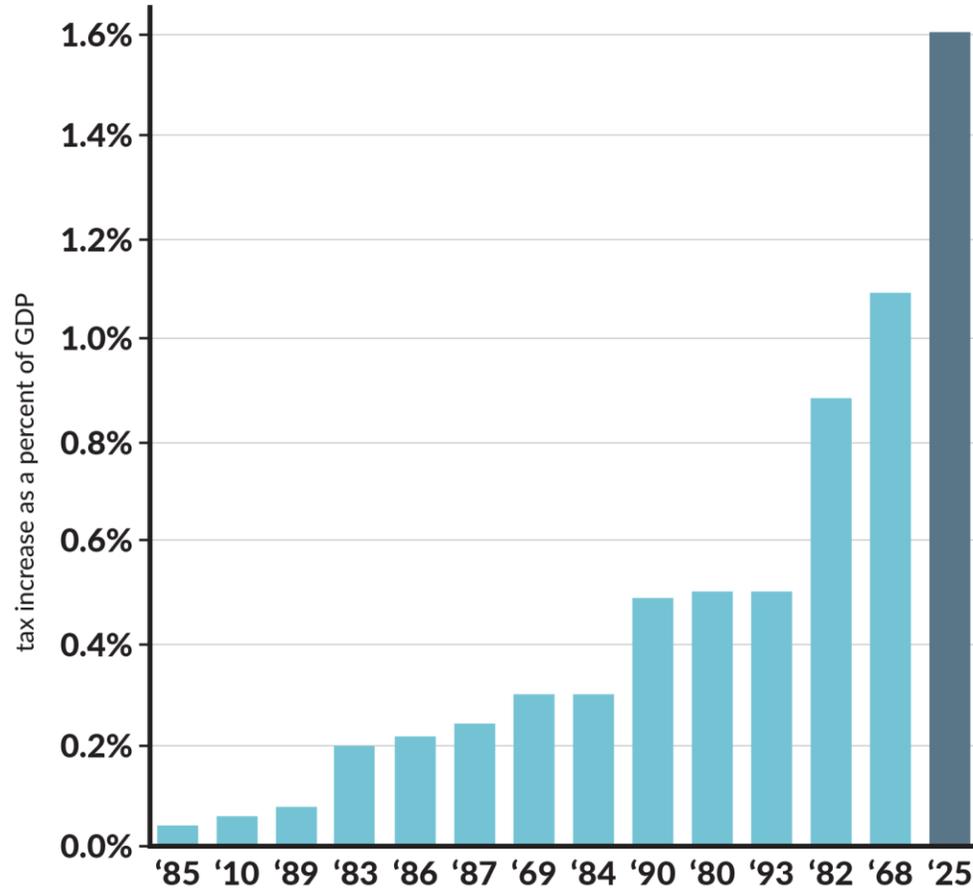


Source: BEA, Census Bureau, JPMAM



Largest Tax Increase in 60 Years

- Tariffs are a tax that is collected by the government.
- The current proposed tariff rates will result in a meaningful increase in tariff revenue for the US Government.
- This will likely be used to offset individual and corporate tax cuts.



Source: Strategas



Thank You

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