



Trump trade war whiplash.

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President Trump's trade war with two close U.S. allies and China is constantly in flux. Trump continues to impose, rescind, and revise tariffs at a dizzying pace, angering adversaries, baffling allies, befuddling investors, and roiling financial markets. Don't expect this campaign to end anytime soon.

A multi-front battle: Canada, Mexico, and China

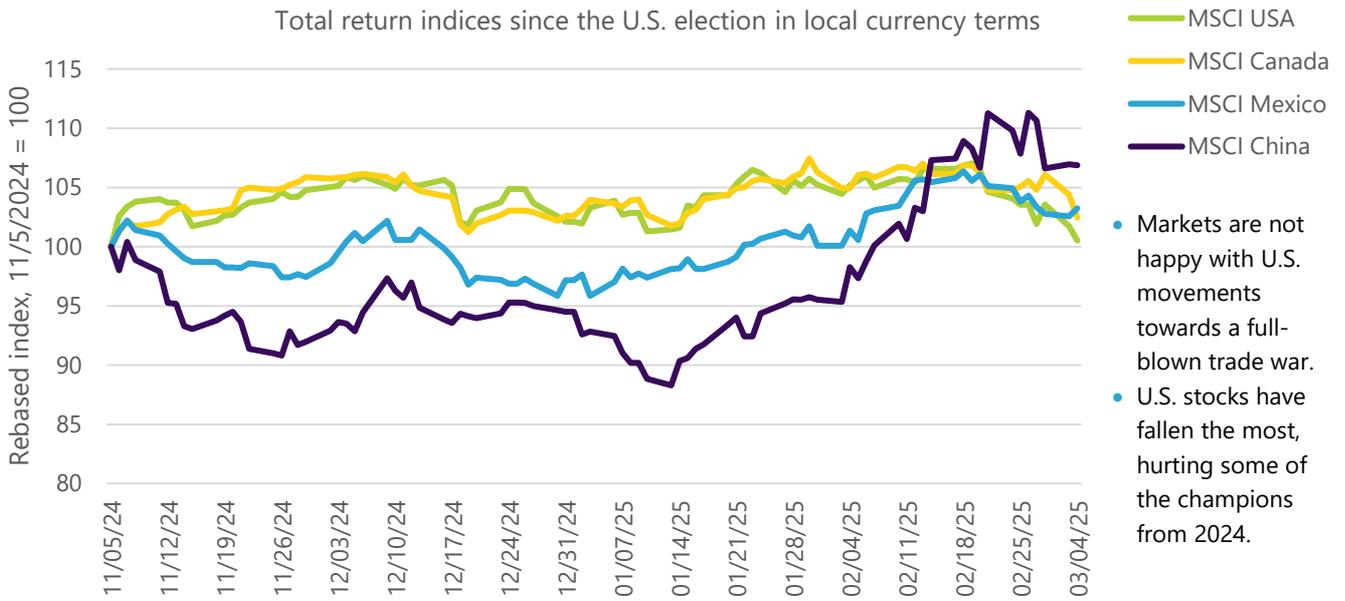
In the military, campaigns are often characterized as large in scale and long in duration encompassing a series of battles designed to achieve a specific objective. Trade wars can be discussed using similar vocabulary—and the war Trump has launched is just getting started.

The battlefield opened with tariff threats that materialized and disappeared so quickly that for a moment it seemed like the war was over before it began. With little warning and no time for a resolution via traditional diplomacy, Trump announced 25% across-the-board tariffs against Canada and Mexico, and additional tariffs on China (including a proposal to impose large fees on Chinese ships visiting U.S. ports). Mexico put some troops on the border, Canada paid lip service to the new administration in Washington, and China largely dismissed the whole thing, as tariffs have whipsawed between being in effect, paused, or with certain exclusions. On March 6, 2025 (the date of this writing), Trump announced an exemption through April 2, 2025, for tariffs on imported goods from Mexico that are covered by the United States-Mexico-Canada Agreement (USMCA).

The first salvo: What happened?

- **Mexico:** U.S. imposed a 25% tariff, automakers excluded (cars made in North America that comply with the continent's existing free trade agreement).
- **Canada:** U.S. imposed a 25% tariff, automakers excluded
- **China:** An additional 10% tariff imposed on all goods.

Exhibit 1: Markets don't like it

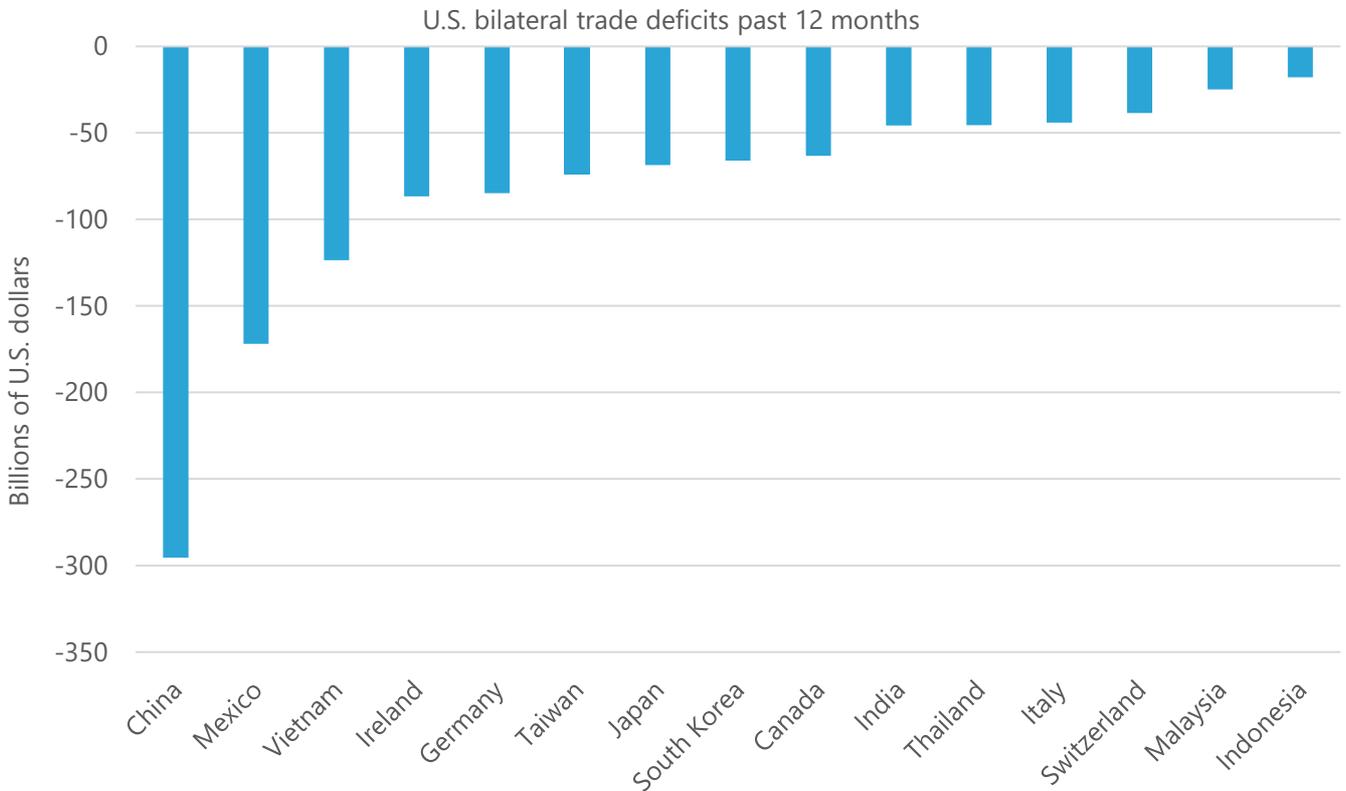


Source: FactSet. Daily data through 3/4/2025.

What's next? The battlefield goes global

Not content to rest after attacking our largest trading partners, Trump used his Congressional address to announce that he would impose reciprocal tariffs on every nation that trades with the U.S. effective April 2, 2025. It's a target-rich environment.

Exhibit 2: A crowded theater



Source: U.S. Census Bureau, SEI, as of 12/31/24.

Looking ahead:

- **Pain for U.S. economy:** It is likely the across-the-board tariffs of 25% will last only a few months given the pain that it will inflict on the U.S. economy.
- **Higher Inflation:** The Canadian economy may suffer most due to retaliatory tariffs and currency depreciation driving inflation higher.
- **Reciprocal tariffs:** The main event is April 2 when reciprocal tariffs are slated to be implemented by Trump, despite the International Chamber of Commerce warning that this could crash the world economy.

What to do?

The shock and awe approach to tariffs reflects the tone and tempo of Trump's second term. We anticipate more of the same in the weeks (and perhaps months) ahead.

Although tariffs are disconcerting, they are really no different than any other disruptive development (banking crisis, market correction, financial crisis, etc.) that temporarily pushes stock prices lower. For investors with a long-term perspective, there is no reason to make changes to a well thought out investment plan—maintain well-diversified portfolios across asset classes, sectors, and global markets. Even in the short-term, the situation is too fluid to make large tactical changes. For most investors, it makes sense to avoid making knee-jerk moves based on the latest news headlines.

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