



Trump's Tariff Turmoil Shakes Global Markets as New U.S. Tariff Policy Spikes to Century-High Levels, Dow Drops Over 1,679 Points.

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The U.S. and European stock markets closed with losses following President Trump's announcement of a significant new set of tariffs yesterday, setting a baseline 10% tariff on all U.S. imports effective April 5.

The Dow Jones fell 1,679.39 points, the Nasdaq fell 1,050.44 points, and the S&P 500 fell 274.45 points, recording the worst trading session since 2020.

There are two diametrical ways of examining President Trump's strategy: either it will be a huge success, taking the U.S. to never-seen levels of growth, or it will be a dismal failure that drives the U.S. toward a Depression not seen since the 1930s.

If history has taught us anything, the protectionist policies that the U.S. used in the 1920s and 1930s did not lead to prosperity; instead, it led to economic ruin. The Trump administration's trade policies echo past failures, yet the stakes are even higher in today's interconnected world.

The Fordney-McCumber and Smoot-Hawley tariffs exacerbated the economic collapse in the 1930s. We must ask ourselves whether Trump's tariffs will do the same to the U.S. and the world.

US Law	Fordney-McCumber Tariff of 1922	Smoot-Hawley Tariff of 1930
Average Tariff Rate	38.50%	59.10%
Purpose	Protect U.S. industry post-WWI	Protect U.S. economy during Great Depression
Global Impact	Hurt European economies recovering from WWI	Led to trade wars, worsened Great Depression
Retaliation	European nations imposed tariffs on U.S. goods	More severe retaliation from global trading partners
US GDP	-0.50%	-7.70%

The new tariff regime of the Trump Administration escalates to higher, reciprocal tariffs for countries with substantial trade deficits with the U.S. For instance, China will see a combined tariff rate of 54%, Japan 24%, Vietnam 46%, and European goods 20%, with these specific increases starting April 9. However, Canada and Mexico will not face these new reciprocal tariffs on USMCA-compliant goods, though specific tariffs on aluminum, steel, and autos will persist.

These measures are predicted to increase the overall effective tariff rate on imports from last year's 2.3% to approximately 25%, marking the highest rate in over a century. The announcement exceeded expectations, leading to a significant downturn in global stock markets and a surge in government bond buying, with yields on 10-year bonds dipping to their lowest in six months.

The tariffs introduce substantial risks to economic growth that could surpass the impacts on inflation. The U.S. economy's lower dependency on trade compared to its main trading partners doesn't

mitigate the adverse effects of increased trade uncertainty, which has already reduced consumer confidence. The new tariffs, effectively acting as a consumer tax, are expected to curtail spending and business investments. This new regime could dampen economic activity more than it increases inflation, with estimates suggesting a possible 2.4% reduction in U.S. GDP growth and a 1.4% increase in inflation.

This scenario raises concerns about stagflation, potentially necessitating downward adjustments in corporate profit forecasts. Yet, the negative impact might be mitigated if the additional revenue from these tariffs is reinvested to stimulate the economy. The Federal Reserve might also lower interest rates more than previously indicated to counteract slowing economic growth and safeguard the labor market, viewing the tariffs as a temporary inflationary blip rather than a permanent shift. While yesterday's announcement clarified the administration's trade stance, it also leaves many questions unanswered. In response to these tariffs, some countries might retaliate or seek negotiations, suggesting a dynamic and uncertain period ahead. The tariffs will remain until the trade deficit concerns are addressed, hinting at possible country-specific negotiations that could eventually ease these measures.

For investors, maintaining a diversified portfolio is essential. Despite current market corrections, broader economic indicators like low unemployment and potential corporate profit increases suggest underlying market strength. Investors are advised to maintain their long-term strategies and avoid reactionary decisions based on short-term market fluctuations. High-quality, diversified investments should provide stability, even as sector-specific impacts vary, with industries like industrials, technology, and consumer discretionary facing greater challenges from tariffs, while sectors like financials, utilities, and real estate might be less affected.

Economic Data Update:

- **U.S. Initial Claims for Unemployment Insurance:** fell to 219,000, down from 225,000 last week, decreasing -2.67%.
- **U.S. ISM Services PMI:** fell to 50.80, down from 53.50 last month, decreasing by 5.05%.
- **U.S. ISM Services New Orders Index:** fell to 50.40, down from 52.20 last month, decreasing 3.44%.
- **U.S. ISM Services Employment Index:** fell to 46.20, down from 53.90 last month, decreasing by 14.29%.
- **U.S. ISM Services Prices Paid Index:** fell to 60.90, down from 62.60 last month, decreasing by 2.72%.
- **U.S. Trade Balance on Goods:** fell to -\$146.99 billion, up from -\$155.82 billion last month.
- **30-Year Mortgage Rate:** fell to 6.64%, compared to 6.65% last week.

Eurozone Summary:

- **Stoxx 600:** Closed at 523.12, down 13.80 points or 2.57%.
- **FTSE 100:** Closed at 8,474.74, down 133.74 points or 1.55%.
- **DAX Index:** Closed at 21,717.39, down 673.45 points or 3.01%.

Wall Street Summary:

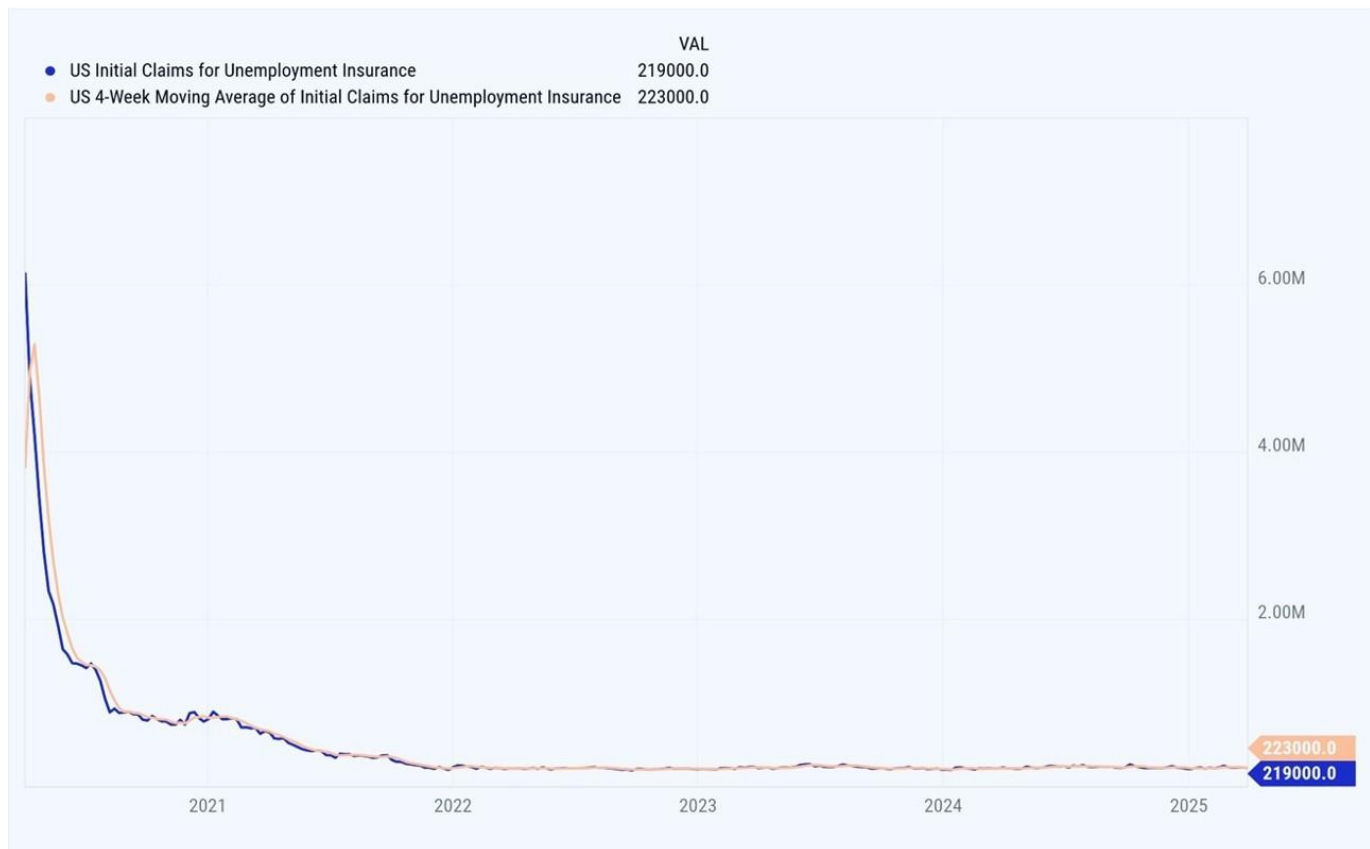
- **Dow Jones Industrial Average:** closed at 40,545.93, down 1,679.39 points or 3.98%.
- **S&P 500:** closed at 5,396.52, down 247.45 points or 4.84%.
- **Nasdaq Composite:** closed at 16,550.60, down 1,050.44 points or 5.97%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,718.83, up 42.41 points or 1.15%.

- **Birling Capital U.S. Bank Index:** closed at 6,261.54, up 108.14 points or 1.76%.
- **U.S. Treasury 10-year note:** closed at 4.06%.
- **U.S. Treasury 2-year note:** closed at 3.71%.



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US Initial Claims for Unemployment & US 4-Week Moving Average of Claims



US ISM Services PMI, US ISM Services Prices Paid, US ISM Services New Orders, US ISM Services Employment Index, & US Trade Balance of Goods





Wall Street Recap

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