

Key Takeaways:

- Investors are preparing for “Liberation Day” on April 2nd.
- Trump announced auto tariffs last week, targeting foreign-made vehicles/parts.
- Tariffs are aimed at countries that contribute the most to the \$1 trillion trade deficit.
- Industrial metal tariffs have been in place; copper set to be added to the tariffed list.
- Trading partners largely using 2018 retaliatory playbook to respond to tariffs.

“Liberation Day” is Here

President Trump is referring to April 2nd as “Liberation Day” in the U.S. This is the day that the administration is set to impose reciprocal tariffs to countries that impose tariffs on U.S. goods. At 70 days into the new administration (as of Monday, March 31, 2025), Trump has implemented a 20% tariff on all Chinese goods, a 25% blanket tariff on most imports from Canada and Mexico, and a 25% tariff on US imports of steel and aluminum. As a result, global markets as measured by the MSCI AC World Index have flirted with falling into correction territory (a drop of 10% or more), consumer confidence has deteriorated and inflation expectations have moved higher. In this weekly, we provide an overview of the latest developments from the White House and what it could mean for investors.

- **Auto tariffs set to take place:** Last week, President Trump announced a 25% tariff on imports of foreign automobiles and specific auto parts. These tariffs are scheduled to begin on April 3rd. The initial tariffs will target fully assembled vehicles only, but by May 3rd, the scope may expand to major vehicle parts, including engines,

transmissions, and electrical systems. Various estimates have found the tariffs could raise the average price of a new car by \$5,000 - \$10,000.¹

- **What happens on “Liberation Day”:** The reciprocal tariffs are expected to target those countries that contribute the most to the ~\$1 trillion trade deficit. (e.g., China, Mexico, EU, Vietnam). The goal is to narrow the trade deficit by placing tariffs at an equivalent level that countries charge us when we export to them. For example, the EU charges up to 50% tariffs on U.S. agricultural products. They also have strict non-tariff barriers in place on meat products from the U.S, including quotas and sanitary restrictions. At this point, there is little room to negotiate, as Trump has stated he doesn’t want “too many exceptions”.²

- **Industrial metal tariffs:** Tariffs on steel and aluminum were implemented on March 12th. In addition, it is believed tariffs on copper will take place within weeks, not months, despite the Commerce Department having until November to submit a report.³

- **Responses to tariffs:** Global trading partners have responded in a variety of ways. Canada is targeting agricultural and consumer goods at a ~25% rate. The EU is targeting products such as alcohol and motorcycles at a rate up to ~25%. Mexico cited retaliatory tariff plans (not yet in place) of 10%-20% for various agricultural and food products. These tariff responses are largely in line with responses from the previous 2018 trade war.

The Bottom Line:

It has been a difficult quarter for investors as we try to gauge the impact of tariffs when we don’t even know what the ultimate tariffs will be. We should get some clarity this week but the odds of a recession have increased and consumers are worried about higher prices. It is also important to note that corporate profits are at a record high so companies could absorb some of the tariffs. At this point, we believe we will see further downgrades to earnings estimates for 2025 and volatility to remain high.

Weekly Economic Recap –

Consumer Confidence Slides Further

U.S. manufacturing slid back into contraction territory in March, according to the S&P Global flash manufacturing index. The gauge fell 3pts to a reading under 50 led by a drop in the employment component. Sentiment about future conditions among service providers slid to the second-lowest level since 2022.

Home prices increased further in January as buyers continued to grapple with tight inventories. The S&P Case-Shiller index increased 4.7% over the past year, with prices in Los Angeles, Chicago, and Detroit leading the gains. Home prices in Tampa, Dallas and Portland led the cities with price declines.

Consumer confidence fell to the lowest level since 2021 (92.9) in March. The expectations gauge fell to the lowest level in 12 years and inflation expectations over the next year rose to the highest in two years (~6%).

The third reading on 4Q24 GDP showed the U.S. economy expanded at a modestly faster pace than previously estimated in 4Q24 (2.4% vs. 2.3%) driven by an increase in corporate profits. After-tax profits increased by the most in more than two years (5.9%).

The Fed's preferred inflation gauge, PCE Core, increased more than expected in February (+0.4%). It was the largest monthly gain since January 2024. Goods inflation increased 0.4% for a second straight month, marking the largest back-to-back advance since 2022.

Consumer spending increased modestly in February after posting the worst decline in nearly four years in January. Personal income rose much more than expected (+0.8% vs. 0.4% estimate).

Key Takeaways:

- Consumer confidence falls to lowest since 2021.
- U.S. economy grows more than expected in 4Q24.
- Core inflation remains sticky.
- Fresh tariff measures rattle global equity markets.
- Treasury yields struggle for direction.
- Precious metals rally as investors flock to safe havens.

Weekly Market Recap –

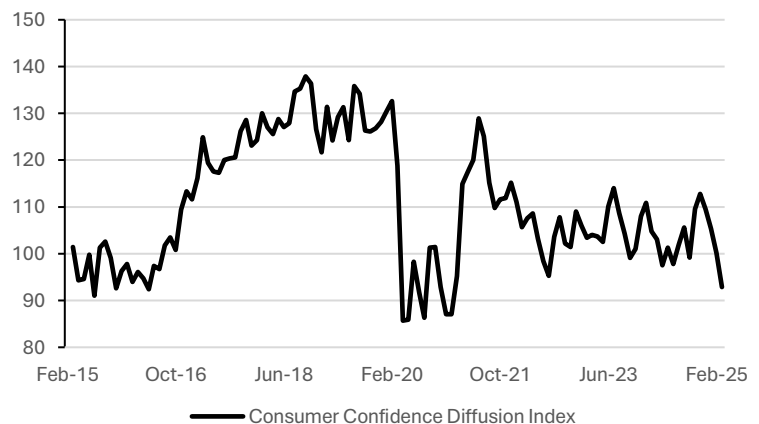
Global Equities Falter on Tariff Developments

Equities: The MSCI AC World Index was lower for the fifth time in the last six weeks after President Trump announced fresh tariffs on foreign automobiles and parts. All major averages were lower in the U.S. but it was led by growth and technology. Large cap value outperformed growth for the sixth straight week, as tracked by the Russell 1000 Indices.

Fixed Income: The Bloomberg Aggregate Index was relatively flat as investors struggled with a weaker economy but also sticky inflation. U.S. TIPS, leverage loans and floating rate instruments outperformed. Municipal bonds were the worst performing sector.

Commodities/FX: The Bloomberg Commodity Index was higher for the fourth straight week. Gold prices finished the week at a record high as investors flock to the safe-haven on fears of a global trade war. Crude oil prices were higher for the third straight week after the U.S. increased tariff pressure on Venezuelan oil buyers.

Consumer Confidence Plummets



Footnotes: Data is as of March 2025.

Data Source: FactSet Research Systems, Verdenance Capital Advisors.

Global Equities Fall on More Tariffs

| | | Current | 1WK | 1MO | 3MO | 1YR | YTD | | | Current | 1WK | 1MO | 3MO | 1YR | YTD |
|---------------|------------------------------|---------|-------|-------|--------|-------|--------|------------------------|---------------------------|-----------|-------|-------|-------|--------|-------|
| U.S. Equities | Dow Jones Industrial Average | 41,584 | -1.0% | -5.0% | -2.9% | 6.3% | -1.9% | International Equities | MSCI AC World (USD) | 830 | -1.4% | -3.6% | -2.2% | 7.6% | -1.0% |
| | S&P 500 | 5,581 | -1.5% | -6.2% | -6.2% | 7.6% | -4.8% | | MSCI EAFE (USD) | 2,451 | -1.0% | 1.7% | 8.5% | 7.2% | 9.1% |
| | Russell 1000 Growth | 3,630 | -2.6% | -8.5% | -11.9% | 7.7% | -10.1% | | MSCI Europe ex UK (USD) | 2,766 | -1.6% | 1.3% | 12.0% | 6.7% | 12.8% |
| | Russell 1000 Value | 1,836 | -0.4% | -3.7% | 0.4% | 6.2% | 1.2% | | MSCI Japan (USD) | 4,042 | -0.7% | 1.6% | 4.1% | 1.6% | 4.6% |
| | Russell 2500 | 3,558 | -1.2% | -6.2% | -8.1% | -3.0% | -7.4% | | MSCI UK (USD) | 1,335 | 0.6% | 1.8% | 10.7% | 15.7% | 10.9% |
| | Russell 2000 | 2,023 | -1.6% | -6.3% | -9.6% | -3.5% | -9.0% | | MSCI EM (USD) | 1,121 | -0.9% | 2.4% | 4.0% | 10.3% | 4.7% |
| | Nasdaq | 17,323 | -2.6% | -8.0% | -12.0% | 6.5% | -10.1% | | MSCI Asia ex Japan (USD) | 728 | -1.0% | 1.9% | 3.0% | 13.8% | 3.7% |
| | | | | | | | | | | | | | | | |
| Fixed Income | U.S. Aggregate | 4.6% | 0.0% | -0.2% | 2.9% | 4.6% | 2.5% | Commodities | Bloomberg Commodity Index | 258 | 0.5% | 3.3% | 8.9% | 11.6% | 8.2% |
| | U.S. Govt/Credit | 4.5% | -0.1% | -0.2% | 2.7% | 4.4% | 2.4% | | Crude Oil (USD/bbl) | \$69.5 | 0.5% | -0.3% | -2.2% | -13.7% | -2.2% |
| | U.S. 10 Year Treasury | 4.3% | 0.0% | -0.2% | 4.0% | 3.5% | 3.6% | | Gold (\$/oz) | \$3,085.1 | 3.8% | 9.3% | 19.0% | 40.1% | 19.0% |
| | U.S. TIPS (1-10YR) | 4.2% | 0.6% | 0.7% | 4.0% | 6.6% | 3.7% | | Copper | \$513.0 | -0.2% | 11.9% | 25.5% | 26.1% | 25.5% |
| | U.S. High Yield | 7.7% | -0.4% | -1.0% | 1.2% | 7.8% | 1.1% | | Wheat | \$528.3 | -3.6% | -4.9% | -6.0% | -17.2% | -6.0% |
| | EM Bonds (USD) | 6.5% | -0.3% | -0.4% | 2.3% | 7.3% | 2.3% | | U.S. Dollar | 104 | -0.1% | -3.2% | -4.0% | -0.4% | -4.0% |
| | Municipal Bonds | 3.9% | -0.9% | -2.0% | -0.2% | 0.9% | -0.6% | | VIX Index | 21.7 | 12.3% | 10.3% | 35.7% | 66.4% | 24.8% |

Footnotes: Data is as of March 28, 2025.

Source: Bloomberg Finance LP, Verdence Capital Advisors.

- https://www.barrons.com/articles/trump-car-tariffs-gm-stock-ford-f6bcddeb?utm_source=chatgpt.com
- <https://www.bloomberg.com/news/articles/2025-03-26/trump-says-reciprocal-tariff-plan-lenient-but-hits-all-nations>
- <https://www.bloomberg.com/news/articles/2025-03-26/trump-may-implement-copper-import-tariffs-within-weeks>

Disclaimer:

© 2025 Authored by Megan Horneman, Chief Investment Officer, Verdense Capital Advisors, LLC. Reproduction without permission is not permitted. The indexes presented are unmanaged portfolios of specified securities and do not reflect any initial or ongoing expenses nor can it be invested in directly. An investment's portfolio may differ significantly from the securities in the index.

Verdense relies heavily on unaudited third-party data. Data sources include public data, such as mutual fund data, and non-public data, such as information provided by other investment advisors and managers of limited partnership pooled accounts. Data and/or statistics included on this Portal, including references to performance, opinions, ratings, rankings, manager statistics and demographic information, product or strategy descriptions, either quantitative or qualitative, are based upon information reasonably available to us as of the applicable date(s) then-published. Information has been obtained from sources that we believe to be reliable, but these sources cannot be guaranteed as to their accuracy or completeness. All data and information produced by a third party has the potential to be incorrect, incomplete or otherwise misleading. No implication shall be created that the information contained on the Site is correct, including as of any time subsequent to the publish date, and Verdense does not undertake an obligation to update such information at any time after such date. Verdense makes no warranty or representation of the veracity of the data and information and its use of the information should not be implied as an endorsement of any material or statements made. Data, particularly non-public data, is subject to error and where the information is not audited, the potential for error is greater. Where shown, performance information presented is that which has been calculated and presented by an unaffiliated third-party manager. We have no insight into the performance of the advisor/product/account or fund shown and do not attempt to determine whether the performance presented is accurate. Therefore, the performance could be incorrect, overstated or not reflective of actual trading of client funds. There is the potential that the performance shown is a back test and not the result of real investment advice and trading. As such, it could not be relied upon as indicative of future returns of a particular strategy. Where performance shown is that of a pooled account, limited partnership or private equity fund, you should be aware that there is a significant lack of transparency into the operations and investment process and investment vehicles invested in. As a result pricing and valuation of the underlying holdings which produced the stated performance could be incorrect, stale, or overstated and therefore the performance figures presented cannot be relied upon. Before investing, we encourage you to request additional information, particularly performance information, of any product that you are considering for your client. You should read, as applicable, the Prospectus, SAI, Composite Disclosure and/or performance disclosure associated with any product that you are considering for investment for your or your client's. Certain products shown may have account minimums or minimum investment sizes that are unattainable for your clients and therefore they may not be eligible to invest in these products. Reference to registration with the Securities and Exchange Commission ("SEC") does not imply that the SEC has endorsed or approved the qualifications of Verdense or its respective representatives to provide any advisory services described on the Site.