

Tariff Tantrum

April, 2025

- * The recent market sell-off has been driven by policy uncertainty and tariff policy shock.
- * Importantly, the recent market sell-off is not driven by financial system imbalances and unlike 2008, the US private sector is not facing major structural imbalances.
- * The market is responding to the potential for downward pressure on corporate earnings and possibly a mild contraction.
- * History offers some useful parallels: the euro crisis contagion (2011), oil crash (2015), Fed rate hikes (2022), during which time the equity market fell around 15-20%.
- * With the equity market down around 17% from record highs, we may be nearing the tail end of this selloff.
- * This has been an extremely quick market decline, with the market dropping 10%+ in just 2 days (Thursday & Friday last week).
- * There have been only 3 other times the market has dropped that quickly (October 1987, November 2008, March 2020).
- * While each instant did not necessarily mark the absolute bottoms, they came very close and were ultimately followed by higher prices.
- * The market may be fast entering “peak tariff tantrum,” with the market’s fear gauge, the VIX, soaring to levels consistent with a market bottoming phase.
- * The tech heavy Nasdaq index has declined a little over 20%, however historically after the Nasdaq has found its bottom, it has taken an average of just 13 trading days for the Nasdaq to rally more than 20% from that low!
- * No matter how bad the news is, there is always a price at which you want to be a buyer, and this time is no different.
- * The situation remains fluid, and we will continue to monitor market conditions.

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