

Thinking Out Loud



Blink Twice For Yes or Once For No

4/15/2025

- President Trump appears to have blinked. Our question is, is it twice for distress or once for relief?
- In recent days, the Trump Administration has walked back certain tariff salvos to a less aggressive 10% blanket policy in many cases, although certain sectorial tariffs remain. And of course, the inordinately high tariff level remains on China.
- We have repeatedly advised clients to trust Trump for who he is. We previously questioned whether, if pundits had not positioned Trump's tariff policy as a negotiating stance, would Liberation Day have brought such an aggressive level of duties? We remain torn, even today.
- On one hand, we believe that Trump feels emboldened, having captured the popular and the Electoral College vote. Further, we feel Trump believes himself to be the agent of change to onshore US industry, right-size commerce/trade, and protect American interests through aggressive tariff policy. And while this type of policy is nothing new (Pelosi/'96, Sanders/'08, Schumer/'05, Obama/'12), the gunshot implementation and sometimes seemingly inconsistent application has drawn the ire of likes of friend and foe.
- Further, Trump's willingness to steer the economy toward recession and dent the stock market has accentuated the relationship between Wall Street and Main Street, as Baby Boomers may account for as much as \$83 trillion of the total \$160 trillion in total household wealth.
- However, as yields rallied and the bond market began to fall in sympathy with equities, the Trump Administration took notice.
- Some believe the backup in rates is entirely due to the wholesale shedding of US assets (most notably Treasuries) by foreign purchasers. Others believe the culprit was expected deregulation in the banking sector. Others point to higher "expected" inflation. Regardless, the Administration took note, and walked back their tariff tantrum
- Since the market lows on 4/7/2025 (~4,835/~14,784), the S&P has rallied almost 12% and the NASDAQ has surged almost 14%. However, both the S&P and NASDAQ are still down 4.8% and 4.4% from Liberation Day, respectively. Moreover, the S&P 500 and NASDAQ remain 12.2% and 16.6% below their all-time highs from 2/19/25 and 12/16/24, respectively.
- While some may be able to blink once, indicating some capital market relief, we remain cautious in the near term. The closer we get to any Reconciliation Tax Bill, the better. While Deficit Hawks were sounding the alarm bells, any resistance (especially in the House) was short-lived. We expect Congress to vote along party lines later this year, with limited to no resistance on the right.
- We are keeping our year-end S&P target at 6,300. But as we set out in our [2025 Outlook](#), there are miles to go and promises to keep.

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