Trailblazing Through Tariff Turmoil

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Date: April 3, 2025
Topic: Macro, Disruptive Technology

The tariff news announced by President Trump on April 2nd is complicated, expansive, and will obviously take some time to work through. In the meantime, here are a few points for investors to consider in the coming weeks. While there is more clarity on policy, the news does not alleviate short-term uncertainty.

Key Takeaways

- The announced tariffs could have been worse, but they are pretty tough.
- The administration has left room to negotiate while trying to deter reciprocal measures.
- There will be an economic cost, but the White House is betting that the U.S. economy can ride out the storm better than trading partners, believing this would set a better long-term trajectory for the country.

The new tariffs are not quite as bad as they could be but still are significant. The administration announced a minimum rate of 10% on all U.S. imports, which was below the 20% that had been floated. Perhaps more meaningfully, the administration is looking to charge half of the perceived trade costs on U.S. products abroad.[1] For example, the report estimated that India charges 52% on U.S. products through numerous trade barriers and, as a result, set a reciprocal tariff of 26%.

It was not surprising to see markets move lower on the news. There was some dispensation for Mexico and Canada, for now, but tariffs will impact many U.S. companies, as many S&P 500 constituents derive meaningful revenue from overseas.[2] Even domestic industries will likely feel some pinch as consumers and supply chains adjust. The hope for a softer tariff policy has turned out to be misplaced.

New tariffs are likely to weigh on U.S. and global growth, but this is an interesting time for the administration to take this gamble.[3] Fundamentals in the U.S. economy across labor, leverage, and liquidity are healthy, and the U.S. has been the fastest growing G7 country since 2020.[4] It seems like the White House is taking that strength out for a spin to see whether the U.S. is more resilient to tariff headwinds than other trading partners.

The U.S. decision to impose tariffs at half the rate of foreign partners is an interesting move. The administration has left room to negotiate while trying to deter reciprocal measures. It signals the intent to even the playing field but also leaves the option of escalating further to match. Trading partners will have to decide whether they want to try and negotiate the tariffs lower or live under the new regime.

The administration seemed to have based new tariff rates on calculations of barriers imposed by foreign countries on U.S. goods. Those calculations will come under scrutiny, and communication after the press conference indicated that they may be more tied to trade surplus and U.S. imports rather than actual barriers on U.S. goods.[5] Many trading partners will likely argue that those numbers are inflated. The policy and calculations leave room for negotiations, but that will take time. The Treasury Secretary noted that it will take time for tariffs to settle.

Meanwhile, we don’t believe the tariff news alters the long-term secular trends that should continue to drive the U.S. forward.[6] Further gains in areas like AI, automation, and infrastructure will likely help drive corporate growth and profitability, but realization of some benefits may take a little longer. So, there is still opportunity to embrace secular growth trends.

International markets outperformed U.S. equities in recent months on expectations that U.S. policies will slow growth.[7] The new tariffs could take some steam out of the international trade. Tariff announcements are not good news for trading partners, and the administration is likely to leave these in place for some time. This is now a test of relative cross-border economic strength that will likely play out in months and quarters rather than weeks.

Expect market volatility to persist in the coming months as tariff data work into economic data. Consumer, small business, and investor sentiment has already softened.[8] This will work into inflation, spending, and investment over the next couple of quarters. That said, running from volatile markets and remaining underinvested for extended periods is also a risk.

We continue to believe that there are three strategies that make sense in this environment:

1. Hedged exposure with something like covered calls that can generate return in sideways markets.
2. Using lower beta themes like Defense Technology or Electrification to reduce risk.
3. Taking advantage of the selloff to buy good, long-term secular growth themes like AI or Data Centers at reasonable prices.

Footnotes

1. Chaturvedi, N. and Chua, A. (2025, April 3). How did the U.S. arrive at its tariff figures? CNBC. https://www.cnbc.com/2025/04/03/how-did-the-us-arrive-at-its-tariff-figures-.html.
2. Global X analysis with information derived from: Bloomberg L.P. (n.d.) [Data set]. Retrieved on April 3, 2025.
3. Boelser, M. (2025, April 3). Economists Slash US Growth, Boost Inflation Forecasts on Tariffs. Bloomberg. On Terminal.
4. Global X analysis with information derived from: Bloomberg L.P. (n.d.) [Data set]. Retrieved on April 3, 2025.
5. Chaturvedi, N. and Chua, A. (2025, April 3). How did the U.S. arrive at its tariff figures? CNBC. https://www.cnbc.com/2025/04/03/how-did-the-us-arrive-at-its-tariff-figures-.html.
6. Helfstein, S. (2024, December 9). Global X 2025 Outlook. Global X. https://www.globalxetfs.com/global-x-2025-outlook/.
7. Global X analysis with information derived from: Bloomberg L.P. (n.d.) [Data set]. Retrieved on April 3, 2025.
8. Helfstein, S. (2025, March 14). Inflection Points: Trying to Reason with High Vol Season. Global X. https://www.globalxetfs.com/inflection-points-trying-to-reason-with-high-vol-season/.