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SOURCES: How Investors Should Respond to Tariffs and Market Turbulence: Comments for Attribution

Proposed source:
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I expect tariffs to continue to impact investment portfolios in the next weeks, months and years – but maybe not in the way some investors expect. The higher prices that tariffs create reduce the amount of goods and services that consumers can purchase, which reduces earnings for corporations inside and outside of the U.S. Stock and bond prices are very quick to adjust to incorporate the expected impact of lower future earnings forecasts, as we've seen in the last few weeks, and in particular during the last few days as the details around the unexpectedly strong tariffs were released Wednesday afternoon.

It is possible that the entire economic impact of lower future earnings has already been baked into stock prices, as we've seen a drawdown in the S&P 500 index since the February 19 all-time high. What we feel markets may not have positioned for yet is the inflationary impact on goods and services that takes multiple months and quarters to flow through into the marketplace.

Disclosure: Comments are the personal opinion of Brian Huckstep, CFA, CFP®, Chief Investment Officer of Advyzon Investment Management (AIM), and are intended for informational and educational purposes only. The views and opinions expressed in this content are made as of the date of submission and are subject to change over time. The comments are not intended as individualized investment advice, or as tax, accounting, or legal advice. When specific investments or types of investments are mentioned, such mention is not intended to be a recommendation or endorsement to buy or sell the specific investment. This information should not be relied upon as the sole factor in an investment-making decision.

About Brian Huckstep, CFA®, CFP®

Brian Huckstep, CFA®, CFP®, serves as Chief Investment Officer at Advyzon Investment Management. He has been in the investment industry for 30 years, starting in commercial banking at Bank One, moving to plan sponsor (401k and pension) auditing and accounting at Northern Trust, and working at Ibbotson Associates / Morningstar for seventeen years as a Portfolio Manager and Head of US Asset Allocation. Brian has extensive experience managing multi-asset investment portfolios, including Target Risk, Target Date, ESG, Alternative, High Income, Strategic, and Tactical strategies.

Huckstep earned his undergraduate degree from the University of Michigan in 1992, majoring in economics. He later attended the University of Chicago's Booth School of Business to earn an MBA in finance, strategy, and entrepreneurship in 2003. He earned the CFA (Chartered Financial Analyst) designation in 2005 and the CFP® designation in 2021.

Proposed source:
Jonathan Chandler, CFA®
Chief Operating Officer
Syntax Data
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If you're a long-term investor, last week's tariff announcements should cause you concern. America has prospered under the economic order established in 1944 with the Bretton Woods agreement. The structures which enabled the US to prosper over the past 80 years have been shredded, creating a perilous economic environment. This has negative long-term implications for investors. Short-term traders may in fact do better in this environment than long-term investors.

If President Trump stays the course he's set, the tariffs will most certainly impact the retirement savings of Americans. The President's unprecedented move has put in place a deconstruction of the global economy. That has negative implications for growth around the world, including here in America.

Global growth is bound to slow if these tariffs stay in place. Tariffs will have the effect of cutting off American exports, which results in the loss of jobs, while creating inflationary impulses at home and dampening demand. The stock market is signaling recession and recession is a possible outcome. Financial assets will pay the price.

Market downturns we saw on April 3 are just bumps in the road. But the macroeconomic backdrop has been shredded, so the long-term trend is going to be negative. That's because of the inflationary and recessionary impulses triggered by the tariff agenda are real and will take some time to play out in the underlying economy. This will manifest itself in lower corporate earnings and revenues.

Seldom have tariffs been imposed without retaliation. We have yet to see how our trading partners will retaliate. Uncertainty, along with a lack of confidence in US financial assets, is likely to be a characteristic of the US economy moving forward. There will be greater certainty – the certainty is that the global economy will be on a downward trajectory for some time to come. And unfortunately, tariffs are a ratchet, much easier to put on than to take off, as reducing them requires negotiating complex free trade agreements.

The Smoot Hawley Act of 1931 imposed broad-based tariffs, causing an unwinding of global trade. Many economist believe that Smoot Hawley deepened the Great Depression of the 1930s prior to World War II. A similar dynamic played out with respect to tariffs in the run-up to the First World War.

Cash is safe for the moment and pays around 4%. You're unlikely to get that any time soon in the stock market.

Both the S&P 500 and NASDAQ will likely be impacted significantly by the tariffs. Syntax's data can be used to create indices and portfolios that may be better positioned to weather this storm. For example, Syntax uses its revenue data to precisely identify companies with "defensive" business models, those that should be more resistant to drawdowns and recessionary pressure (e.g. rate-regulated utilities, mature pharmaceuticals, certain consumer staples – but using more of a scalpel than the hatchet that traditional sector groups do), and uses this to construct a 50 stock Defensive index. Since the tariff announcements on April 2nd, the market is down 10.66% while the Defensive index is down only 3.95%. This capability is also made available via the Syntax Direct platform. Syntax has published two pieces on this topic recently and plans to continue covering this topic this week.

Syntax also put this piece out on LinkedIn last Friday looking at how global companies performed after the tariff announcements based on how much revenue thy earn in the US.

About Jonathan Chandler, CFA®

Jonathan Chandler, CFA®, is Chief Operating Officer of Syntax Data and is experienced in developing innovative financial indices and data analytics. Syntax Data is a financial data and technology company that codifies business models into a relational system. Syntax operates through three segments: Affinity® Data, Syntax Direct℠, and Syntax Indices. Using its patented FIS® classification system, Affinity® Data offers the most comprehensive, granular, and accurate product line revenue data available. Syntax Direct℠ is a direct indexing platform that allows advisors to create rules-based, custom indices quickly – and at scale. Syntax Indices is predicated on collaboration. Our team works with clients to build highly bespoke indices, including core, global benchmarks; and thematic; smart-beta, defined outcome, and target volatility indices. These indices are foundational for financial products, including ETFs, UITs, and structured products.

Proposed source:
Nell Cordick, CFP®
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Nell Cordick, CFP®, was an advisor during the financial crisis in 2008-09 and always uses that time as a gauge for other economic downturns in the market. She also uses this list below during market growth periods to discuss the future when there will be a downturn:

1. Cash is King! During downturns, cash is critical for cash flow, unexpected expenses, investment opportunities and peace of mind.

2. Downturns are a great time to update your financial plan. Down markets will be an ideal time to test your long term plan outcomes to make sure your spending plan is still solid.

3. Don't depend on the media for all of your information. Talk to your financial advisor to see how the volatility affects your individual situation.

4. Always have available a line of credit for short term liquidity if necessary.

5. Do periodic reviews of the risk in your portfolio to make sure it is in line with your risk tolerance. Do not add extra stress to your life because your portfolio is too risky.

6. Be strategic with discretionary spending. In a down market, control excess spending.

7. If you are still working and had planned to retire this year, look at the pros and cons of continuing to work for an extra year or two.

8. If you are eligible to start Social Security and are taking distributions from your portfolio, analyze if it makes sense to start the Social Security benefit and reduce your distributions.

9. Be cautious of moving investment assets to cash during a downturn. Typically the first bounce out of downturn can be the most significant and it is hard to time the market.

10. Cash assets on the sideline can be used to dollar cost average into a down market.

Most importantly, have regular and meaningful conversations with your financial advisor. Everyone's financial situation is different, therefore strategies to employ are also vastly different.

About Nell Cordick, CFP®

Nell Cordick, CFP®, joined Bogart Wealth after a 15+ year career in Wealth Management with BB&T. She graduated from the University of Virginia with a degree in US Government & Foreign Affairs with a strong concentration in Economics. Through her tenure with BB&T she guided and educated her clients in all areas of their financial lives and helped them to make decisions aligned with achieving their goals. Nell worked closely with other partners at BB&T and has gained valuable experience understanding personal credit, effective uses of insurance, commercial credit, the importance of cash reserves and estate planning.

Cordick advises high net worth individuals and families on building, preserving and managing their wealth. She manages a client relationship by seeking to understand the client's goals and financial needs, establishing a comprehensive financial plan and offering customized, innovative and appropriate solutions to the client. She continually seeks to expand her knowledge of financial topics to be an expert for her clients. She currently holds the CFP® designation and is currently enrolled in the CIMA® certification program.

Cordick enjoys spending time with her immediate and extended family both in Virginia as well as Florida. She enjoys traveling, genealogy research, reading and interacting with friends. She is a member of the West Springfield Rotary Club and actively enjoys the many community service programs that the club sponsors.

PROPOSED SOURCE:
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Keep Perspective and Think Globally!

It is at times like this that investors need to maintain perspective. Following two years of strong market performance leading to historic gains and stock valuations in the U.S. market, it would only be natural and even healthy to expect a pullback. The economic uncertainty caused by the tariffs and US trade policies under the new administration may simply have been the catalyst for expediting an inevitable correction. Rising concerns about the possibility of a recession, coupled with more headlines announcing layoffs has only further heightened investor anxiety. It is important for investors not to make emotional decisions out of fear during periods of market volatility.

In almost all cases, assets invested for the long-term should stay invested. History has shown us that missing a few of the best-performing days when the market recovers can significantly reduce your long-term performance. Ensuring you have a properly diversified portfolio may help reduce risk, smooth out performance, and allow you to stay invested and take advantage of developing opportunities. For example, as stated earlier, market performance has been dominated by US stocks, particularly the Magnificent Seven, so having a broader and more globally focused allocation over a U.S.-centric allocation could be beneficial over the coming years.

Also, despite the seeming inevitability of the tariffs that seem to be shaking markets so violently, there are still serious questions about how – or even if – these policies will be implemented as they are currently being discussed. In just the past few months, the President has shown his willingness to negotiate on tariffs, and he has already signaled that he is open to future deals that could alter or even eliminate tariffs in certain situations. In short, "market volatility" does not just mean "the market drops". We believe that policy changes must still be considered as a possibility, and quick rebounds can and do happen during volatile times.

About Mike Bisaro, AIF®

Mike Bisaro, AIF®, joined StraightLine in 2004 as a financial advisor and has since held various roles, including overseeing educational programs and investment management for higher education and corporate clients. He has presented extensively on fiduciary obligations, financial planning, and investment management to diverse audiences nationwide. In February 2020, Mike and his wife Elizabeth purchased StraightLine, adding the roles of President and CEO to his ongoing advisory work.

Bisaro holds the Accredited Investment Fiduciary™ designation and has been recognized as a "Five Star Wealth Manager" for 13 consecutive years. Mike has also contributed to CNBC.com, appeared on NBC's *The Today Show*, and serves on the advisory board of the Registered Investment Advisory Institute.

Prior to StraightLine, he was a financial consultant at Wachovia Securities and graduated valedictorian from New Mexico State University with degrees in Finance and Marketing.

PROPOSED SOURCE:
Amy Hamasaki, CFP®
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A tariff is essentially a tax on imported goods to make them more expensive. This tax is paid by domestic companies importing the goods, and not the foreign companies exporting them. This in turn, is then passed onto the domestic consumer. The theory here is to increase the cost of imported goods and thus make them less attractive, enticing domestic consumers to purchase goods domestically.

The rationale behind implementing a tariff, historically, is to stimulate domestic manufacturing by protecting industries internally, influence other countries on policies, and in part to generate revenue through the collection of taxes from domestic economic activity.

Economists largely consider tariffs to be inflationary as domestic producers tend to increase their prices due to lack of foreign competition and due to the increased costs of raw materials sourced from foreign countries – think Musk and sourcing all of his foreign-based car parts for Tesla.

Inflationary environments effectively squeeze profit margins for domestic industries. Should domestic consumers not wish to ‘pony up’ for the more expensive products, economic activity slows – domestically. If this occurs, domestic companies will be forced to implement hiring freezes, and potentially layoffs, to protect their now slimmer profit margins. Curbing employers spending on wages is the primary way companies can protect their profitability.

Additionally, tariffs cause a disruption of global supply chains, incite foreign currency fluctuations and create heightened market volatility. Historically global markets tend to outperform the U.S. during tariff policy initiatives.

Most U.S. industries and manufacturers rely on sourcing their raw materials outside of the U.S. By inflicting this Trade War, we are essentially curbing domestic productivity (GDP) and thus hurting our own labor market.

About Amy Hamasaki, CFP®

Amy Hamasaki, CFP®, is the founder of Mountain Wealth Planning, a fee-only financial planning and investment management firm launched in 2020. With over 20 years of experience in financial planning, tax strategy, and real estate management, Hamasaki specializes in creating tailored financial plans that empower individuals and businesses to achieve their goals with clarity and confidence. Growing up in the Santa Cruz mountains of California, Hamaski witnessed the challenges finances can impose on families, inspiring her lifelong commitment to helping others "crack the code" of financial stability.

A graduate of UC Santa Cruz with a degree in Global Economics and a year abroad in Germany, she combines her global perspective with extensive expertise gained at a national wealth management firm and as a former IRS Enrolled Agent. She is passionate about serving women in transition, entrepreneurs, and small business owners while upholding the fiduciary standard.

Hamasaki currently resides near Colorado’s Winter Park ski resort and serves as Vice President on the Board of Directors for Fraser Valley Hockey Association.

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