

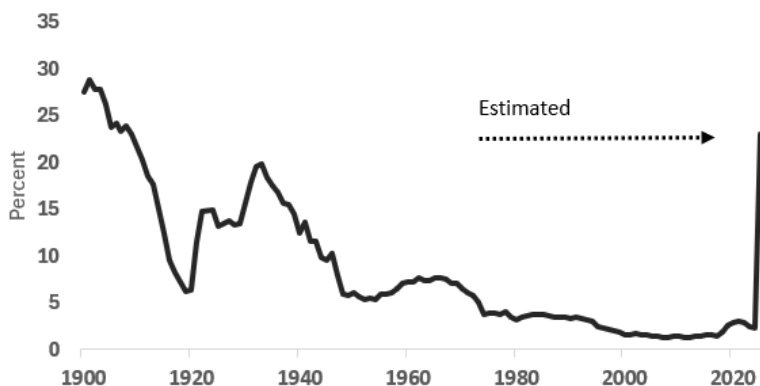
The Trump Tariffs Move Forward

President Trump's first term began with market-friendly policies such as tax cuts and regulatory reform. Less market-friendly trade policies emerged later in his term. The market's initial reaction to Trump's reelection suggested that similar pro-growth policies would once again outweigh protectionist trade measures.

However, the second Trump administration has reversed that policy sequence, implementing the less market-friendly measures first. Since mid-February, the uncertainty surrounding these policies has weighed on investor sentiment; more recently, the scope of those policies has dampened market confidence. The so-called reciprocal tariffs announced last week—and enacted today—have raised the U.S. effective tariff rate from about 3% in 2024 to nearly 25%, a level not seen since in over 100 years.

As the stock market has shown over the past week, investors are generally skeptical that tariffs contribute to economic growth. Instead, the pass-through effects have prompted analysts to revise down their near-term expectations for both economic growth and corporate earnings. While we, along with others, expect that these tariffs will eventually be negotiated lower, the involvement of over 60 countries means the process will take time. Until then, economic uncertainty will linger, and market volatility is likely to remain elevated.

Effective U.S. Tariff Rate



*Tariff data from the U.S. International Trade Commission, as of December 31, 2024. Accessed via Bloomberg. Estimated effective tariff rate from Chris Low et al. "Economic Weekly." FHN Financial. April 4, 2025.

Economy

Last Week

- **JOLTS (Feb.):** 7.6 mln openings, slightly lower than Jan. Quit rate decelerated to 2.0% from Jan.
- **ISM Manufacturing (Mar.):** 49, back to contraction. New orders fell from 49 in February to 45 in March.
- **ISM Services (Feb):** 51 from 54 in February. New orders fell from 52 to 50.
- **Payrolls & Unemployment (Mar.):** 228K new jobs in March. Unemployment up slightly to 4.2%. YoY wage growth slowed to 3.8%.

This Week

- **NFIB Small Business Optimism (Mar.):** 4/8
- **Consumer Price Index (Mar.):** 4/10
- **Producer Price Index (Mar.):** 4/11
- **U. of Mich/ Consumer Sentiment (Mar.):** 4/11

Equities

Returns (%)

Index	Level	1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
S&P 500	4983	-11.52	-11.19	-14.99	-2.94	5.12	14.01
Russell 1000 Growth	3225	-12.00	-11.24	-20.09	-3.67	6.81	15.71
Russell 1000 Value	1643	-11.22	-11.29	-9.39	-3.72	2.22	11.29
FTSE High Dividend Yield*	411	-10.80	-10.94	-9.38	-0.85	3.62	11.75
S&P Small and Mid Cap	14095	-13.01	-12.60	-18.72	-13.79	-0.29	11.16
MSCI EAFE	2212	-8.72	-7.80	-1.32	-2.19	4.46	9.93
MSCI EM	1003	-9.65	-8.89	-6.18	-1.71	-0.87	5.37

Characteristics

Index	NTM P/E	NTM P/E (20Y med)	Div Yield	S&P Sector Returns YTD							
S&P 500	16.5	15.3	1.6	0	YTD (%)	Staples	Utilities	Health Care	Real Estate	Financials	Energy
Russell 1000 Growth	20.1	17.7	0.8	-5							
Russell 1000 Value	13.5	13.4	2.6	-10							
FTSE High Dividend Yield*	11.2	13.0	4.4	-15							
S&P Small and Mid Cap	11.4	15.5	2.3	-20							
MSCI EAFE	12.0	13.4	3.7	-25							
MSCI EM	10.1	11.1	3.2	-30							

* Bloomberg U.S. Large Cap Dividend Yield Total Return Index used as substitute for index characteristics.

Fixed Income

Returns (%)

Index	Yield	1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
U.S. Aggregate	4.68	-1.12	-0.84	1.92	5.21	0.94	-0.73
U.S. Int. Gov/Credit	4.27	-0.23	-0.10	2.32	6.25	2.55	0.73
U.S. Corporates	5.41	-2.13	-1.89	0.37	4.08	1.34	0.58
High Yield	8.67	-2.90	-2.76	-1.78	5.19	4.52	6.03
Municipals (1-10)	3.66	-1.36	-1.19	-0.50	1.20	1.80	0.97

Levels (%)

Key Rates	Last	1 Wk Ago	Last Qtr	Prev YE	1 Yr Ago	3 Yrs Ago	5 Yrs Ago
2-yr Treasury	3.73	3.86	4.24	4.24	4.97	2.52	0.23
10-yr Treasury	4.29	4.13	4.57	4.57	4.55	2.71	0.72
30-yr Treasury	4.77	4.50	4.78	4.78	4.62	2.72	1.35
SOFR	4.33	4.37	4.49	4.49	5.31	0.30	0.01
6-mo. CD rate	4.36	4.26	4.33	4.33	5.29	1.47	0.76
Prime Rate	7.50	7.50	7.50	7.50	8.50	3.50	3.25
30-yr fixed mortgage	6.65	6.76	7.28	7.28	7.38	5.06	3.72