DUVALL WEALTH
& TAX PLANNING

April 2025 Tariff Announcement

1. "What is Happening? Can You Explain the Tariff Structure? "

- The Trump administration unveiled a sweeping set of tariffs. Starting April 5, 2025, a universal 10% tariff will be imposed on all imported goods, applying to all countries unless specific exemptions are made. Additional “reciprocal tariffs” targeting approximately 60 countries deemed the “worst offenders” in trade practices will begin on April 9, 2025. Rates vary, with some as high as 54% (e.g., China), calculated based on perceived trade barriers like tariffs, currency manipulation, and subsidies.

2. "Why Is This Happening Now? And How Long Will This Last?"

- This is the steepest U.S. tariff regime in a century, aimed at shrinking a $1.2 trillion trade deficit and boosting manufacturing. The plan has been in development since the presidential campaign, with Trump and his team arguing the tariffs will revitalize American industry and address what they call decades of “unfair” trade practices.
- Trump’s calling it ‘Liberation Day,’ signaling he may be in it for the long haul. Still, other countries may retaliate, potentially leading to shifts in the policy. The timeline remains uncertain—it could last for years or weeks if negotiations make progress.

3. "Should I Be Worried About a Trade War? Are We Heading for a Recession?"

- Trading partners have voiced strong concern over the newly announced 10% baseline and reciprocal tariffs, with the EU, China, and others threatening retaliation. However, no concrete countermeasures have been imposed yet. For now, a full-blown trade war remains a risk, but not a certainty.
- Economist say these tariffs could lower GDP growth in the quarters ahead and push inflation higher. That’s a concern, but there’s no consensus on a recession yet—growth could just slow rather than turn negative. Back in 2018, Trump’s tariffs (e.g., 25% on steel) slowed growth but didn’t trigger a recession, thanks to strong consumer demand. Today’s broader scope—covering all imports—raises the stakes, but it’s not a straight line to recession.

4. "What’s Happening to My Investments?"

- Markets reacted sharply to the tariff announcements. Stocks opened lower today, with companies that import goods hit the hardest. Examples include Apple, Ford, Nike, and other heavy importers. Treasury yields are falling as investors move to safe-have assets, and bonds are providing diversification benefits to cushion some of the selloff. Oil prices are declining due to concerns about slower growth.

- Markets tend to react negatively to uncertainty, and today's volatility reflects that. However, we want to stress that many of these early moves are knee-jerk reactions based on assumptions and incomplete information. It will take time for the true impact to show up in economic data and company fundamentals. We're closely monitoring developments, but there is no need to lock in a guess today. Days like today are why we built diversified portfolios that span across stocks, bonds, commodities, and other asset classes.

5. "How Will These Tariffs Affect My Cost of Living?"

- The 10% tariff starts April 5, and reciprocal tariffs start April 9. Immediate price hikes are possible but not certain—supply chains need time to adjust. Longer-term, there are estimates that these tariffs could add about $1,000 to your yearly expenses—think higher costs for phones or cars. But it's early days; prices won't spike overnight. Economists expect firms to absorb some tariff costs short-term, softening the blow, but there is no consensus about how much.

6. "What Should I Do Right Now?"

- Tariffs will begin in a few days, but their impact will unfold gradually over the coming months. From a budgeting perspective, it's wise to plan for a slight increase in your monthly expenses. That said, there's no need to make major changes right now. If you've been considering a big purchase like a car, it might make sense to do it sooner rather than later due to the potentially higher costs of imported vehicles and parts. But when it comes to investments, it's best to stay patient and reassess once the tariffs take effect rather than making any immediate changes.

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