US TARIFFS AND THE MARKET REACTION

WHAT HAPPENED:

On 2nd of April 2025, US President Donald Trump announced significant new tariffs, calling it "Liberation Day". A tariff is basically a tax placed on goods coming into a country from overseas. Trump's tariffs range from 10% up to 50%, affecting many countries around the world.

- Australia was levied a tariff of **10%**
- China, an important trading partner for Australia, received a **34%** tariff.

The magnitude of these tariffs caught markets by surprise, leading to sharp falls in stock markets globally. Here is how major markets have reacted since the announcement:

As of 07/04/2025

Market	% Change Since 02/04/2025
S&P/ASX 200	-7.50%
S&P 500	-10.52%
NASDAQ	-11.39%
Dow Jones	-9.25%
FTSE 100	-6.34%

Only two markets (the S&P 500 and NASDAQ in the US) have fallen into what's called a 'correction' (down more than 10% but less than 20%). While this seems dramatic, it is important to remember these movements are a normal part of investing.

WHY DID THIS HAPPEN?

Tariffs mean that importing goods becomes more expensive. When this happens, the price of those goods in the US goes up, and people tend to buy less. This means countries selling to the US might face lower sales or reduced profits, potentially slowing their economies.

Although the market expected some tariffs, the size of these tariffs was higher than anticipated, creating uncertainty. This uncertainty leads investors to react emotionally, causing market ups and downs (volatility).

WHAT'S NEXT?

We anticipate the tariff issue will continue for some time, as many countries respond by placing their own tariffs on US goods. For example, China has already announced matching tariffs of 34% on US products.

We are also likely to see an uptick in inflation (rising prices) in the US, as higher tariffs can cause products to become more expensive for consumers.

Staying Calm: Why Staying Invested Matters

In periods of market uncertainty, it's natural to feel nervous. However, it’s crucial to stay calm and stick to your investment plan. The key idea here is **"time in the market, not timing the market."** This simply means it's usually better to stay invested over the long term rather than trying to buy or sell based on short-term market movements.

Remembering the Big Picture

Short-term market fluctuations are a normal part of investing. Historically, despite temporary downturns, markets have generally moved upward over the long run. The current volatility we see today is likely temporary.

It’s important to remain patient and trust the disciplined, thoughtful approach your investment team follows. Avoid making drastic changes in reaction to short-term events. Doing nothing during times of market stress is itself an active and often beneficial decision, especially considering that investment strategies are designed with a longer-term horizon of several years.

Wisdom to Remember

Famous investor Warren Buffett once said:

"Only when the tide goes out do you discover who's been swimming naked."

This quote highlights the importance of being prepared and avoiding unnecessary risks. Even now, Buffett's investment firm, Berkshire Hathaway, is patiently holding significant cash reserves without panicking. Following the lead of trusted, disciplined investors can reassure us to stay calm and remain committed to our investment strategies.

Key Takeaway

- Market volatility is normal and expected.
- Stay calm and stay invested—markets recover over time.
- Trust your professional investment team to manage your portfolio wisely.
- Maintain a long-term view and resist short-term emotional decisions.

By staying calm and sticking to your carefully managed investment plan, you're best positioned to weather current events and benefit from future opportunities.

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