

More on Tariffs

The threat of an impactful wave of steep tariffs and an ongoing trade war has been looming, and on Wednesday, President Trump finally unveiled his plans for reciprocal tariffs on most all of our major trading partners, providing more clarity about the thing investors have been most anxious about over the past few weeks.

Since then, countries have announced they will impose retaliatory tariffs and the saga continues. While tariffs do represent a significant change in the global economic system, and markets respond accordingly—U.S. markets closed at (4% – 5%) yesterday and ended down again almost (6%) today—we can also trust that people will continue to do what they do, which is work diligently to improve their lot in life given the circumstances they face each day; it is this resilience and hope, in the aggregate, that will ultimately be reflected in the way markets perform in the long run.

As it has during other historic challenges, the American economy will get through this period, and the trade war, like all wars, will end. Perhaps Warren Buffett said it best in 2008, during the middle of the global financial crisis: "In the 20th century, the United States endured two world wars and other traumatic and expensive military conflicts; the Depression; a dozen or so recessions and financial panics; oil shocks; a flu epidemic; and the resignation of a disgraced president. Yet the Dow rose from 66 to 11,497."

If you look at the long-term graph of market movements, you hardly see the downturns in the long arc toward ever-rising value, and remember, for our clients whose portfolios are diversified globally, those downturns are less extreme (we'll note here that international markets were only down (2%) yesterday).

We know downturns can be painful and scary and the best way to bypass that unpleasant feeling is to stop looking for a while. Somebody who went to sleep in February of 2020 and woke up in June would have wondered what all the fuss was about, and selling out at the wrong time has shown to be more harmful to portfolios than riding out the red. When you find yourself thinking *I can't watch*, remember, we are here watching your portfolios for you.

Please reach out to us if you have questions or would like to discuss further.

The Meritas Team

