What New Tariff Announcements Mean for Your Investments

Presented by Warren Wealth Associates

Recently, the stock market—represented by the S&P 500—rose for three consecutive days as investors hoped that new tariffs announced by the U.S. government after yesterday's close would be limited and targeted. Unfortunately, the official announcement was broader than expected. President Trump announced a 10 percent tariff on imports from all countries except Canada and Mexico. Had that been the extent of the announcement, the market's expectations may have been met. In addition, higher tariffs were proposed, specifically for countries with which the U.S. has long-standing trade disputes—most notably China (34 percent), Japan (24 percent), and the European Union (20 percent).

What This Could Mean for the Economy

If these tariffs are fully implemented, they could affect the broader economy. Higher tariffs generally make imported goods more expensive, which can raise prices for consumers and increase inflation. They may also further lower consumer confidence as people grow concerned about the economic outlook.

That said, it's important to note that this announcement leaves room for negotiation. In the past, similar announcements have served as a starting point for talks. In his remarks in the Rose Garden, President Trump told other countries that they could reduce the potential tariffs by reducing their tariff levels on U.S. goods.

Until the end game is understood, uncertainty will run high. This is true for consumers making spending decisions, companies deciding whether to invest in new projects, and investors evaluating where and how to invest.

Staying Focused

Over the next several days, we'll be watching to see how other countries respond. Some may choose to negotiate, while others may go in the other direction and retaliate with tariffs of their own. If that happens, it could escalate tensions further, which could continue to weigh on investors.

Coming into the year, we expected increased market volatility due to potential policy proposals. We anticipate that it will continue. In situations like this, investors' immediate reaction is to sell first and ask questions later. Keep in mind that volatility, though uncomfortable, can be a time for long-term investors to look for opportunities.

What This Means for You

The S&P 500 is trading where it was in September 2024. Seeing recent market gains disappear can be frustrating and even worrisome. But it's important to remember that markets will always change, so staying adaptable, tuning out short-term noise, and keeping your long-term goals in focus are critical.

This is a good time to review your investment goals and make sure that your portfolio remains aligned with those objectives. That may mean rebalancing—adjusting your mix of stocks and bonds—if it's gotten off track. Diversification (spreading your investments across different types of assets) can be an effective way to manage risk.

Historically, high-quality companies—those with strong balance sheets and consistent earnings—tend to perform better during times like these. Bonds are also a helpful part of portfolios because they tend to offset volatility in the stock market.

Looking Ahead

As we've said before, concerns about tariffs, inflation, and the pace of economic growth are likely to remain in focus for a while. What actions (if any) the Federal Reserve can take will weigh on markets until we have clarity on the path forward. For now, that route is unclear. But things can shift quickly, and we'll be monitoring developments closely.

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Diversification does not assure a profit or protect against loss in declining markets, and diversification cannot guarantee that any objective or goal will be achieved.

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