

April 3, 2025

Why Can't We Be Friends?

Dear Friends,

Over the past year we've discussed the absence of volatility in the stock market and how we were overdue for a selloff. Finally, according to my math, from its mid-February peak to its March low, the S&P 500 was down right at 10% and took a little less than a month to complete that move. While that's rather drastic, and sentiment among investors is quite negative, I haven't heard much concern, let alone panic, among clients. Hopefully that means you were prepared. After that, we got a bounce. As I write this, the market is reacting to the President's Liberation Day tariff announcements and is off by some 1500 points. So, it looks like the bounce is over and the selloff that began in mid-February will resume. In my experience, the "second leg" of a selloff usually resembles the first leg. As I mentioned, there hasn't been much concern among investors, and I believe some level of panic is necessary to bring about a bottom in markets.

Growing up, I always had fun with my Uncle Mark. He was a good athlete, owned and drove great cars, listened to awesome music, and I liked all his girlfriends. I can remember being six- or seven-years old, driving with him in his El Camino in the mid-70's with the song penned and sung by the hit group War, "Why Can't We Be Friends" playing on his car stereo. There's a verse in the song that goes:

I'd kinda like to be the president (oh, yeah)

So I can show you how your money's spent (hoo!)

Why can't we be friends?

Why can't we be friends? ...

Hmm, I wonder why that verse has been repeating itself continually in my head for about the last six weeks. Where I do hear real concern among clients is with the actions surrounding DOGE, especially when it comes to how DOGE is going to affect their Social Security income. This is all new and there are real risks of errors, so I think clients are justified in their concern. However, some clients are concerned that their Social Security benefits will be reduced by DOGE, so I want to reassure these clients that I've heard nothing in terms of plans or policies to cut Social Security benefits.

Now, regarding tariffs, the question that pops up most among you is, why are we doing this to our friends? I've been a little hesitant to answer because I'm not sure I understood the intricacies or the big picture myself. When I hear the Wall Street people speak publicly, they seem somewhat averse to tariffs. They say what they're paid to

say which, in short, is that they believe in free trade and that tariffs hurt everyone. Privately however, it sounds like this:

“Since the mid ‘70’s, we have been gradually lowering our tariffs and our manufacturing base has been affected a lot. We probably should have been better advocates for ourselves instead of trying to be friends with everyone. That said, it’s a bad idea to pick a fight with everyone at the same time.”

I couldn’t agree more. Yes, I think things need to change with our trading partners, but referring to one of them as the 51st state doesn’t really help matters!

Closer to home, I hear a combination of things. A client who brokers produce around the world tells me that folks in his industry are concerned they’ll be hit on both ends. He said Canadian buyers have cancelled a lot of contracts to buy produce from Salinas Valley suppliers. Furthermore, while larger produce companies can bring in labor utilizing the visa system, there are concerns that smaller growers, who often utilize undocumented labor, won’t have the labor force necessary to harvest their product. Over lunch, a dear friend and very successful contractor told me that, so far, it’s smooth sailing as far as finding labor. Furthermore, the difficulty in finding supplies, especially appliances and plywood that were virtually unavailable during the pandemic, has largely dissipated. Finally, I had a chance to talk with a friend and client who is the Director of Agriculture for a large winery in central California. It was like a cram course on the ins and outs of the wine import/export business. He referred me to an article that advocates for California wine grape growers. It does a great job of explaining the non-tariff types of barriers faced by American businesses, this one specific to the wine industry. You can read it [here](#).

There are two other articles I highly recommend. First, a New York Times opinion piece that discusses who the biggest losers are in a tariff war. You can view it [here](#). Next, an article by Bill Campbell of DoubleLine Capital addresses transactional versus structural tariffs and further differentiates between those tariffs used as a negotiating tactic, those used to achieve a national security purpose, and those that are reciprocal. You can view it [here](#). Sounds complicated, but these articles explain the subject well and are brief and to the point.

Again, as a group, you’ve handled the recent volatility well. Hang in there, there is probably more on the way, so I’ll stay in touch. This note is already too long, it’s time to hit send. Have a wonderful spring.

Your friend,

Antone Mercurio CFP®