

# Navigating Market Volatility Amid Tariff Uncertainty

Ladenburg Asset Management

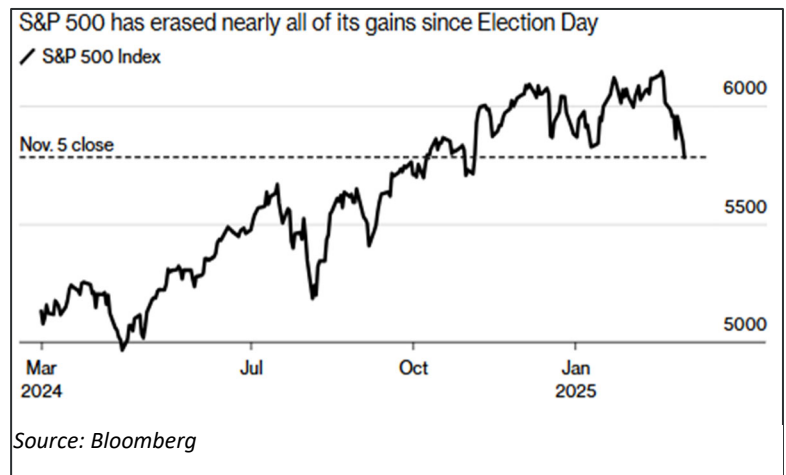
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## Tariffs are Driving Market Volatility

The stock market is experiencing heightened volatility with the implementation of aggressive tariffs and the threat of further trade restrictions by the Trump administration, causing the S&P 500 to erase its post-election gains. One of the primary reasons for the market sell-off is the speed at which these tariffs have been implemented, as many expected them to be more of a negotiating tool rather than seeing such rapid enforcement. On March 4th, 2025, Trump imposed 25% tariffs on goods from Canada and Mexico and doubled tariffs on China to 20%, with additional 25% tariffs on automobiles, semiconductors, pharmaceuticals and imports from the European Union set for April 2nd<sup>i</sup>. While the extent and duration of these tariffs may differ from Trump's first term, history provides a blueprint for how markets react to trade disputes. During the 2018 trade war between the US and China, volatility surged. Yet despite ongoing tariffs, the S&P rose 25.72% from the start of 2018 to the end of 2019<sup>ii</sup>. Markets often experience short-term headwinds from trade conflicts, but recoveries tend to follow once resolutions are reached or investors adjust to new realities.

## History Provides Perspective

The S&P 500 recently pulled back 5% from its all-time highs over tariffs and slower economic growth concerns. While market declines may feel unsettling, pullbacks of this magnitude are common and typically short-lived. The last significant drawdown was in August 2024, when the index fell over 9% on fears of a weaker labor market and a potential Fed policy mistake, only to rebound and reach new highs within a month. Historically, pullbacks of 5% occur about three times per year, often accompanied by heightened media attention that fuels investor anxiety. However, data shows that staying invested in a well-diversified portfolio remains the best strategy for navigating volatility and achieving long-term gains.



## Economic Fundamentals Remain Resilient

Despite the market's reaction, key economic indicators suggest resilience in the broader economy. Employment remains strong, wage growth continues at a healthy pace, supporting consumer spending. Inflation, while expected to rise by 0.5% due to tariff-related cost pressures, has not yet spiked dramatically and inflation expectations remain stable<sup>iii</sup>. Unless tariffs persist for an extended period, their long-term impact on growth and inflation will likely be limited. As seen in previous trade disputes, markets tend to stabilize once the initial shock passes.

## Staying Invested through Market Cycles is Key

In this uncertain environment, fixed-income assets serve as a safe haven, offering stability amid equity market turbulence. At the same time, alternative investments provide downside protection, helping to mitigate losses during market downturns. Market swings are a natural part of investing. History suggests that those who maintain a diversified portfolio are best positioned to weather volatility and capitalize on long-term opportunities.

## **Economic Definitions**

**CPI (headline and core):** Consumer prices (CPI) are a measure of prices paid by consumers for a market basket of consumer goods and services. The yearly (or monthly) growth rates represent the inflation rate.

**Federal Reserve (Fed):** The Federal Reserve System is the central banking system of the United States of America

**GDP:** Gross domestic product (GDP) measures the final market value of all goods and services produced within a country. It is the most frequently used indicator of economic activity. The GDP by expenditure approach measures total final expenditures (at purchasers' prices), including exports less imports. This concept is adjusted for inflation.

**Nonfarm Payrolls:** This indicator measures the number of employees on business payrolls. It is also sometimes referred to as establishment survey employment to distinguish it from the household survey measure of employment.

**Unemployment Rate:** The unemployment rate tracks the number of unemployed persons as a percentage of the labor force (the total number of employed plus unemployed). These figures generally come from a household labor force survey.

**Personal Income:** Consumer or Household Income (often referred to as personal income) tracks all income received by households including such things as wages and salaries, investment income, rental income, transfer payments, etc. This concept is not adjusted for inflation.

**Personal Spending:** Consumer or Household Spending (also referred to as consumption) tracks consumer expenditures on goods and services. This concept is not adjusted for inflation.

## **Index Definitions**

**S&P 500:** The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

## **Disclosures**

Index performance does not reflect the deduction of any fees and expenses, and if deducted, performance would be reduced. Indexes are unmanaged and investors are not able to invest directly into any index. Past performance cannot guarantee future results.

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<sup>i</sup> <https://www.pbs.org/newshour/politics/mexico-canada-and-china-retaliate-with-their-own-tariffs-as-us-tariffs-take-effect>

<sup>ii</sup> Bloomberg 3/4/2025

<sup>iii</sup> <https://www.apolloacademy.com/quantifying-the-impact-of-doge-and-tariffs-on-gdp-and-inflation/>