

Liberation Day Aftershocks

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Good afternoon on this manic Monday in financial markets. Understandably, the Liberation Day announcement sent financial markets reeling and dramatically impacted investor sentiment from Wall Street to Main Street. In the hours and days that followed, we received a mountain of questions from financial advisors and clients alike wondering what exactly this announcement means for markets and how portfolios and retirement accounts could be affected. Below, we've assembled a collection of the most commonly asked questions and provided our answers, believing that increasing communication and dialogue can help quell client concerns and dissuade investors from making rash decisions. The Ladenburg team hopes you find this useful and is always here to help.

How did Ladenburg initially react to the Liberation Day tariff announcement?

From our perspective, markets appear to be pricing in the worst-case scenario for tariffs. We remain finely attuned to any possible escalation but believe the administration is focused on the ultimate goal of repealing tariffs and other barriers to trade once more favorable trade policy is established. As long-term investors, we maintain well-diversified portfolios designed to navigate significant short-term volatility rather than allow erratic headlines to dictate allocation decisions. While acknowledging the potential significance of shifting trade policy, the team at Ladenburg tries to focus on the fundamentals and refrain from overreacting amidst elevated volatility.

Should investors expect inflation to increase this year?

Inflation is difficult to forecast because of the uncertain nature of the tariffs. A rise in inflation is likely correlated to how long the tariffs remain in place. If the new tariffs stay in place for the remainder of the year, many economists forecast inflation roughly 1.5% above current levels.¹

Friday morning, Chairman Powell characterized the potential impact of higher tariffs on inflation as follows: "Looking ahead, higher tariffs will be working their way through our economy and are likely to raise inflation in coming quarters. Reflecting this, both survey- and market-based measures of near-term inflation expectations have moved up. By most measures, longer-term inflation expectations, those beyond the just next few years, remain well-anchored and consistent with our 2% inflation goal."²

Will higher tariffs impact the future path of interest rates? Are you expecting more cuts in 2025?

This is also difficult to estimate due to fluctuating fiscal policy and a general lack of clarity regarding the size and duration of this evolving tariff policy and its potential impact on growth and inflation.

The Fed will balance the risks of rising inflation and slowing growth when taking monetary policy action. Unless we see a substantial weakening in the labor market and/or economic growth outlook, interest rates should remain near current levels, given concerns over rising inflation. Most forecasters still estimate 0-2 cuts this year, assuming economic growth persists, but futures markets indicate that the probability of more cuts later this year has increased.³

More of Chair Powell's perspective last week: "We are well positioned to wait for greater clarity before considering any adjustments to our policy stance. It is too soon to say what will be the appropriate path for monetary policy."²

Will tariffs hurt earnings growth? Do expectations for higher earnings growth coming into the year still hold?

Despite no mention in the headlines, earnings growth has been incredibly durable. Forecasts are expected to drop, but not significantly, and although guidance could weaken on rising uncertainty, earnings are still projected to

accelerate later.⁴ This supports a bullish view on U.S. equities, given valuations are lower after last week's declines, and the outlook for earnings growth has not substantially changed.

How will consumers and aggregate consumer spending be impacted?

The impact on consumers will be different depending on their purchasing habits and location. Given the volume of imported goods, some companies will undoubtedly pass on the increased cost of tariffs to consumers rather than absorb them, which will raise consumer prices on non-American-made goods.

A decline in oil prices and interest rates on the back of lower-than-expected economic growth is likely to be a tailwind for the consumer, spurring additional savings via lower energy costs and lower mortgage rates. Several prominent voices have indicated a growing possibility of a refinancing boom leading to an uptick in housing market activity should rates move lower.

Are you making any material allocation changes? Have tariffs affected where you deploy new capital?

We remain overweight domestic equities and small-cap stocks. Although performance has been lackluster to start the year, there is reason to believe that equities are poised for a rebound on potential good news regarding tariff reductions and continued earnings growth relative to international peers.

We also maintain a meaningful overweight position to fixed income securities and alternative assets, which can serve as a ballast to volatile equity market returns.

Economic Definitions

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.

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¹ [The Impact of Tariffs on the US Economy - Apollo Academy](#)

² [Speech by Chair Powell on the economic outlook - Federal Reserve Board](#)

³ [CME FedWatch - CME Group](#)

⁴ [Analysts Made Larger Cuts Than Average to EPS Estimates for S&P 500 Companies for Q1](#)