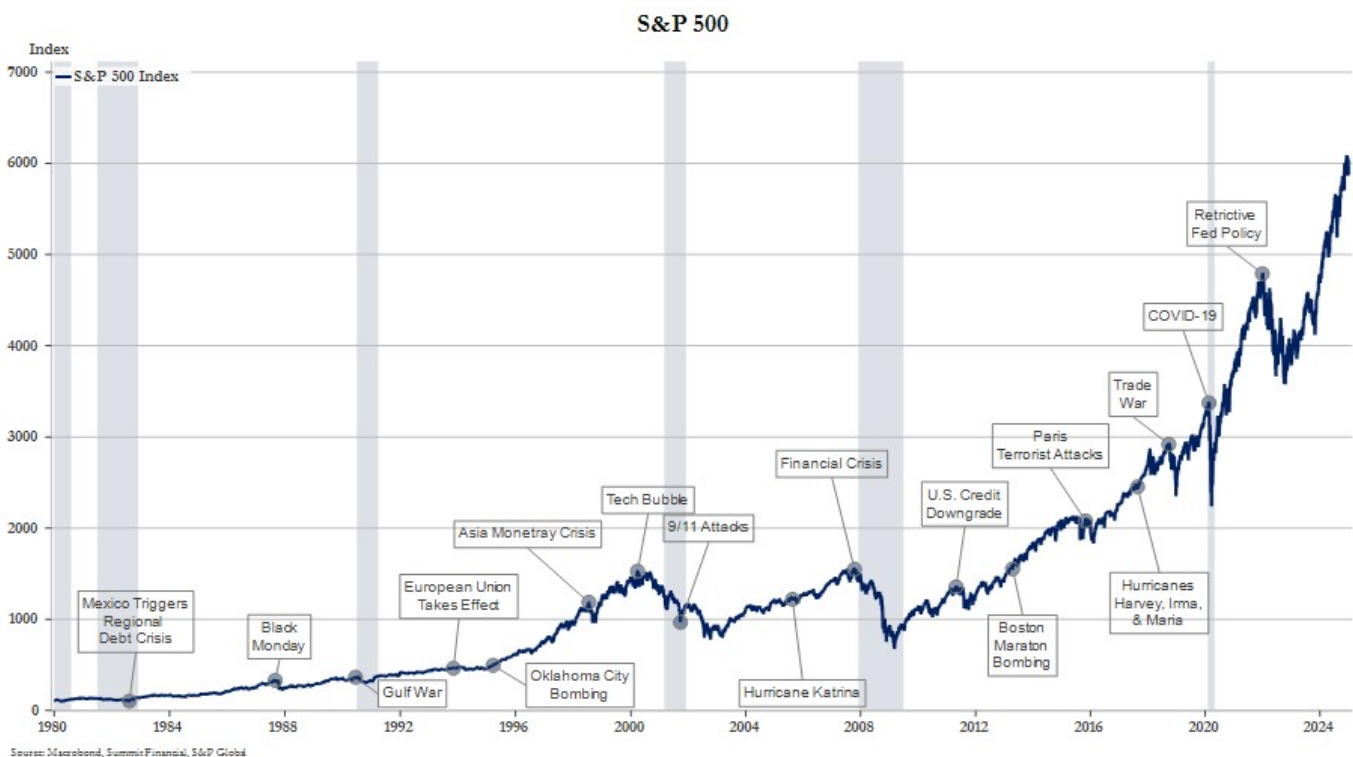


## Update on Potential Implications of U.S. Tariffs

- President Trump made good on his threat to impose tariffs on Canada, Mexico, and China, spooking markets and leading major indices to start the week in the red.
- The executive orders include 10% tariffs on all goods imported from China, 25% on all goods imported from Mexico, and 25% on most goods imported from Canada.
- A partial exception was made for Canadian energy products which are set to be taxed at 10%, though many expect it will have a meaningful impact on oil prices as it may lead producers to cut production.
- All three trade partners have responded, with Canada announcing its own 25% tariff on U.S. goods, while Mexico and China also pledged to take countermeasures, though their exact nature is still to be determined.
- The levies against China and Canada are set to take effect on Tuesday, February 4th, though how long they will remain in place is uncertain, as tariffs have been used as a negotiating tool in the past and conversations between President Trump and Mexico's leaders have already led to the measures being delayed by one month.
- Additionally, the tariffs may not stop there, as President Trump ramped up threats to the European Union, though the potential size and timing have not yet been specified.
- While the end game of this potential trade war remains unclear, the tariffs are likely to raise prices and slow economic activity across the four countries and beyond, which could have a meaningful impact on stocks, bonds, and exchange rates, though the situation continues to evolve making it difficult to properly assess or predict the impact on investments.
- Should uncertainty continue and lead to an extended period of heightened market volatility, it's essential to keep things in perspective. Despite short-term crises regularly occurring and the average S&P 500 Index intra-year drawdown averaging nearly 14% since 1980, U.S. stock indices tend to increase over the long-term as performance is ultimately driven by profits, growth, and cash flows.
- The best defense against the aforementioned volatility is a properly diversified portfolio and ensuring overall risk levels are aligned with long-term targets. Additionally, periods of asset price weakness can be leveraged to opportunistically increase risk exposure and/or tax-loss-harvest.



## Disclaimer

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The S&P 500 Index is a market capitalization-weighted Index of 500 widely held stocks often used as a proxy for the stock market. Gray areas in the chart represent U.S. recessions.