

This commentary examines the economic consequences and industry-specific impacts of tariffs, drawing from historical cases and empirical studies.

## Key Instances of U.S. Tariff Implementation

Throughout history, the U.S. has imposed tariffs on various nations for economic and political reasons. Notable instances include:

- **China (2018–Present):** The U.S. imposed tariffs on a substantial volume of Chinese imports, triggering a trade dispute. These tariffs targeted sectors such as steel, aluminum, and technology, impacting both domestic manufacturers and businesses reliant on Chinese imports.
- **European Union (2018–2021):** The U.S. levied tariffs on European steel and aluminum, prompting retaliatory tariffs from the EU. Portions of these tariffs were later lifted under the Biden administration.
- **Mexico and Canada (2018–2019):** The U.S. imposed tariffs on steel and aluminum imports from its North American neighbors before reaching a revised trade agreement under the United States-Mexico-Canada Agreement (USMCA).
- **Japan (1970s–1990s):** The U.S. imposed tariffs on Japanese automobiles and electronics to address trade imbalances, influencing global trade dynamics.
- **Other Countries:** The U.S. has periodically imposed tariffs on nations such as Brazil, India, and South Korea in response to trade imbalances and political considerations.

Given the variability of tariff regimes, their impact on different sectors varies. Key considerations for investors, based on the current presidential administration's plans, include:

## Sectors That May Benefit

- **Domestic Manufacturing:** Industries such as steel, aluminum, and industrial goods may experience reduced foreign competition.
- **Defense and Infrastructure:** Government investment in domestic production could benefit defense contractors and infrastructure-related companies.
- **Agricultural Substitutes:** Domestic farming and food production may see increased demand if tariffs are imposed on foreign agricultural imports.

## Sectors Likely to Be Affected Negatively

- **Retail and Consumer Goods:** Companies reliant on imported goods may face increased costs and reduced profitability.
- **Automotive Industry:** Manufacturers dependent on foreign parts and materials may experience higher production costs.
- **Technology Sector:** Firms with global supply chains are particularly vulnerable to trade restrictions.

## Advice for Investors

- **Diversify Holdings Geographically:** Spreading investments across domestic and international assets can help mitigate risks.
- **Monitor Inflation Trends:** Tariffs can contribute to inflationary pressures, affecting bond yields and interest rates.
- **Focus on Quality Stocks:** Companies with strong balance sheets and domestic supply chains may be more resilient.
- **Consider Alternative Assets:** Commodities may serve as a hedge against tariff-induced market volatility.
- **Sector-Specific Opportunities:** Sector managers or funds with the ability to rotate among industries may generate stronger returns relative to broader equities.

## Conclusion

Investors must navigate tariff-driven volatility by balancing risk and opportunity in an increasingly uncertain global economy. Considering investment managers with a history of successfully managing sector rotations may be beneficial in adapting to market shifts.

Some Models to explore:

- NDR Sector Allocation
- Main Management Active Sector Rotation
- Lee Adaptive Large Cap Sector
- WestEnd Advisors U.S. Sector Model
- Eagle Ridge Global Quality
- The EQIS Suite of Sector Exposure ETF's



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