

TRENDMACRO LIVE!

Are We Feeling Liberated Yet?

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Maybe we should be – liberated from uncertainty about Trump's tariff terror, at least.

Considering the seeming size and scope of the [tariffs imposed by Donald J. Trump on "Liberation Day"](#), it's remarkable that the stock market isn't getting hit any harder than it is. As of this writing, S&P 500 futures in the night session briefly traded to slightly new lows in this year's correction, but have recovered to where they were in mid-March. That correction, driven by uncertainty primarily about tariffs (see ["The Other Trump Effect: Uncertainty"](#) February 25, 2025), began from all-time highs and generous valuations. Yet for all the fear, without the Magnificent Seven, the S&P 500 is actually up year-to-date. It sounds absurd, but maybe tariffs just don't matter all that much (see ["How Much Do Tariffs Matter?"](#) January 28, 2025) – at least not if they are being imposed at the same time as regulations on energy and banking are being slashed, and taxes are highly likely to be cut. *But be that as it may, at least now we have significant certainty about them. We have taken the punch.*

Don't get us wrong – tariffs are taxes and new tariffs are tax hikes, and tax hikes are anti-growth (see ["Tariffs are Taxes. This is a Tax Hike."](#) March 4, 2025). *Trump's rationales, including the claim that the Smoot-Hawley Tariff Act of 1929 came too late to save us from the Great Depression – when it actually caused it – were beyond preposterous. We don't love this.*

- Not all the details have been published, and Trump's presentation was confusing, incomplete and *ad hoc*. But here's what we think we know.
- *Trump announced a 10% baseline tariff on all countries effective at midnight April 5.*
- *In addition, he announced [country-by-country reciprocal tariffs to take effect at midnight April 9](#). The level of each is set at half the [US Trade Representative's estimate](#) of the value of tariff and non-tariff barriers against the US (including the 10% baseline). A couple of examples – a 34% tariff on China, a 20% tariff on the European Union, a 10% tariff on the United Kingdom, and a 47% tariff on those mercantilist malefactors in Madagascar.*
- Five days away from taking effect, *there is some chance that the reciprocal tariffs can be bargained away* by countries who would agree to slash their own trade barriers. If just one does it, others would follow – and then we'd have a race to the top that would be a tremendous unexpected win for the global economy (see ["Tariff the World. Save the World."](#) February 14, 2025).

Update to strategic view

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STOCKS: Trump has imposed a baseline tariff of 10% on all countries, and additional reciprocal tariffs. The reciprocal tariffs plus the baseline equal half the US Trade Representative's estimate of their total tariff and non-tariff barriers against the US. There are very significant exceptions, including energy, USMCA-compliant articles from Canada and Mexico, steel aluminum and autos already tariffed by Trump, and any article from a trading partner listed in the Harmonized Tariff Schedule. The baseline tariffs take effect on April 5, and the reciprocal on April 9, at least opening up the possibility that nations could lower their trade barriers to avoid them if they act quickly. This is anti-growth, but it is taking place in the context of other policy initiatives that are pro-growth. If this year's stock market correction was driven by tariff uncertainty, at least the uncertainty is over.

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- There are highly significant exceptions, as explained in [the executive order](#).
- Mexico and Canada, the US's two largest trading partners, are substantially exempt, at least with respect to USMCA-compliant articles.
- Copper, pharmaceuticals, semiconductors, lumber articles, certain critical minerals, and energy and energy products are exempt, as are all articles from nations with whom we have trade agreements that are already subject to the [Harmonized Tariff Schedule of the United States](#).
- Steel and aluminum, already the subject of [Trump's February tariffs](#), and automobiles and auto parts, the subject of [Trump's tariffs last week](#), are exempt.
- With all the exceptions, these tariffs are not as high as they seem.
- But again, don't get us wrong. This isn't good. But it's probably survivable, given the total context. And at least, now the news is out.

Bottom line

Trump has imposed a baseline tariff of 10% on all countries, and additional reciprocal tariffs. The reciprocal tariffs plus the baseline equal half the US Trade Representative's estimate of their total tariff and non-tariff barriers against the US. There are very significant exceptions, including energy, USMCA-compliant articles from Canada and Mexico, steel aluminum and autos already tariffed by Trump, and any article from a trading partner listed in the Harmonized Tariff Schedule. The baseline tariffs take effect on April 5, and the reciprocal on April 9, at least opening up the possibility that nations could lower their trade barriers to avoid them if they act quickly. This is anti-growth, but it is taking place in the context of other policy initiatives that are pro-growth. If this year's stock market correction was driven by tariff uncertainty, at least the uncertainty is over. ▶

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