To Our Valued Clients,

‘Uncertainty’ is a term that has been used ad nauseam over the past few months as the on-again, off-again nature of tariffs has cratered economic and market sentiment. Business leaders have been left in limbo— delaying or outright canceling capital expenditures, capital markets activity has dried up with 2025 playing host to very little IPO and M&A activity so far, and trade vessels have been left wondering where to go next, leading to mass confusion and congestion at our ports. However, following this week’s developments between the U.S. and China, there is momentum behind the idea that the worst of the trade policy saga is behind us, and some clarity has been afforded with a deal between the two nations on the table.

Trade talks in London between the world’s two largest economies have shown progress this week, fueling optimism of continued resolution in the international trade chronicle. Just two months ago, President Trump and President Xi were seeing who could lob the largest tariff at one another before settling on triple-digit figures and dodging negotiations for six weeks, so the meetings in London certainly represent progress. At this point, reports suggest a 55% tariff on Chinese imports, and that China maintains a 10% tariff on U.S. imports. Additionally, supply lines will open for the U.S. to access China’s rare earth metals and for China to import our semiconductors— contentious points that each side had dug their heels in on from the start.

The notion that trade fears have peaked may be valid as it relates to negotiations but fails to address the other side of the equation— what are the ripple effects on the economy? Clarity on tariff rates and export controls is certainly a positive step, but we can’t say with any level of certainty what it will mean for inflation, interest rates, growth, etc. Remember, a tariff is a tax on an imported good that is paid directly by the U.S. importer, not the exporting country. This means that U.S. importers will now have to decide whether to absorb this increased cost themselves, pass it on to the end consumer, negotiate lower prices with the exporter, seek alternate manufacturing options, or some combination of options. The U.S. imports nearly $4T worth of goods annually, that’s almost the equivalent of importing the entire economy of Japan in a single year, making it far and away the global import leader. Thus, it’s hard to imagine a scenario where this new trade policy doesn’t materially impact the economy in some way.

None of this is to say that the developments out of London this week aren’t a good thing; progress was and still is absolutely necessary. It’s simply to say that they should be met with caution. Now that we have gained further insight into where tariff rates may land, attention needs to shift to how they will impact the hard economic data. Additionally, deals with Europe, Japan, India, and others remain to be seen, so all in all, still many developments to come. Thanks for reading, and as always, if you have any questions or if we can help in any way, please don’t hesitate to give our office a call.

With My Best Regards,

Brandon Hethcoat

BRANDON HETHCOAT, CFA

Chartered Financial Analyst
Investment Strategist
Registered Representative, RJFS

FUSCO FINANCIAL ASSOCIATES
PRIVATE WEALTH MANAGEMENT

505 Baltimore Ave.
Towson, MD 21204
(410) 296-5400

3825 Leonardtown Rd.,
Suite 6
Waldorf, MD 20601
(301) 710-5880

Visit us at www.fuscofinancial.com