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I. Trump World Explains the Market's Tariff Tantrum:

This edition of the newsletter is being produced early as (1) I will be on vacation for the second half of April and (2) current economic news is both unsettling and potentially very important. The article below is excerpted from a Yahoo Finance article which appeared April 6th.

> "Donald Trump and his team offered an array of explanations for falling markets this past week, often trying to focus on other factors beyond the issue that appears to clearly be front of mind for investors: the president's sweeping reciprocal tariff plans.
>
> Trump's message is that tariffs are best understood as the force that will instead steady America's economic ship. That's why markets eventually 'are going to boom,' as he put it Thursday after another sell-off. Trump then told investors Friday that 'my policies will never change' and that 'only the weak will fail.'
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> Other officials from the president's team have often tried to take a similar approach, repeatedly suggesting that the current market pain is just 'a snapshot in time' or noting that they expected some of this week's stock losses.
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> They have also often tried a pivot or sorts, pointing to narrower and often non-tariff-related reasons that they said could instead be behind the sell-off—from technology stock weakness to foreign AI to the legacy of former President Joe Biden.
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> In one notable example, Treasury Secretary Scott Bessent has described the sell-off in stocks as 'more a Mag Seven problem, and not a MAGA problem" in at least three different interviews… He is referring to the 'Magnificent Seven" tech stocks that have seen deep recent losses alongside the rest of the market.
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> White House senior counselor for trade and manufacturing Peter Navarro echoed the argument…this week. 'In the Biden regime, the S&P 500 went up but it went up because of seven companies,' he said claiming that other companies stagnated.
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> This suggestion that observers should look elsewhere comes as the economic effects of Trump's tariffs are increasingly apparent in their own right, helping to drive markets down this past week by the largest amount since 2020 as COVID-19 first ravaged the economy.
>
> It also comes as the economic alarm bells around tariffs ring even louder, with Federal Reserve Chair Jerome Powell offering Friday that the inflationary effects of tariffs 'could be more persistent.'"

Smartt comment: see section IV, below, of the newsletter for The *Economist* magazine's take on this issue.

II. What are YOUR and MY Asset Allocations?

Each of us has a different ability to live with uncertainty (risk) and so our investments will be different:

As of March 31, 2025	Clients	John Smartt
Money Market Funds	2.2%	6.4%
Bond Funds	29.3	15.4
Stock Funds	68.5	78.2
Totals	100.0%	100.0%

Remember each of us has different goals and needs, and our asset allocation should fit us and our family.

If you have questions about your asset allocation, or your retirement plan investments, I'd be pleased to assist.

III. Vanguard Rates of Return (through Latest Quarter End):

Performance percentages are per ***Morningstar.*** Amounts in parentheses are percentile rankings. (1= best and 100= worst) within category.

Periods ended March 31, 2025	Yr.-to-date		5 Years		10 Years	
Total Stock Market Index Admiral	**-4.8%**	(68)	**18.1%**	(41)	**11.7%**	(36)
Tax-Managed Capital Appreciation Admiral	**-4.5%**	(58)	**18.4%**	(30)	**12.3%**	(15)
Tax-Managed Small Capitalization	**-8.9%**	(62)	**14.9%**	(55)	**7.4%**	(26)
REIT Index Admiral	**2.7%**	(30)	**9.4%**	(61)	**4.9%**	(50)
Total Int'l Stock Index Admiral	**5.5%**	(72)	**11.4%**	(57)	**5.2%**	(55)
Balanced Index Admiral	**-1.8%**	(78)	**10.6%**	(35)	**7.8%**	(15)
Total Bond Market Index Admiral	**2.8%**	(46)	**-0.4%**	(71)	**1.4%**	(44)
Int.-Term Invstmt.-Grade Bond Admiral	**2.7%**	(6)	**1.7%**	(55)	**2.5%**	(40)
High–Yield Corporate Bond	**1.5%**	(8)	**6.0%**	(74)	**4.4%**	(38)

For comparison, here are several stock and bond benchmarks:

Periods ended March 31, 2025	Yr.-to-date	5 Years	10 Years
S & P 500 (large stocks)	**-4.3%**	**18.6%**	**12.5%**
Russell 2000 (small stocks)	**-9.5%**	**13.3%**	**6.3%**
MSCI World Index	**-1.8%**	**16.1%**	**9.5%**
Bloomberg US Aggregate Bond Index	**2.8%**	**-0.4%**	**1.5%**
ICE BofA US High Yield Master TR (bond index)	**0.9%**	**7.2%**	**4.9%**

Vanguard mutual funds and ETFs (exchange-traded funds) continue to perform as expected. I expect each Vanguard fund or ETF, for each ten-year period to be in the top 1/3 before taxes based on low cost, and they ought to be in the top 1/4 (stock funds) after income taxes. Some individual funds have not met this standard. The comprehensive Vanguard Balanced Index Fund is, in effect, comprised of 60% Total Stock Market Index Fund and 40% Total Bond Market Index fund. Note that for the last 10 years this fund is in the top 15th percentile of balanced funds; Vanguard continues to perform well overall.

The Vanguard High Yield Corporate Bond fund takes significantly less risk than the average "high yield" (also known as "junk bond") fund. The Vanguard fund, which takes less risk, continues to rank highly in the rankings over the last ten-year period. Over the last ten years the Vanguard fund has captured most of the excess of junk bond returns over good quality bond returns—meeting my expectation. I continue to believe that, for tax deferred accounts, this fund is a reasonable, additional diversification. It comprises some of my personal bond holdings.

If you have questions about your investment asset allocation, please contact me.

IV. Back to the 19th Century/Battle Lines Drawn:

The article below is excerpted from two which appeared in the April 5-11th edition of *The Economist* magazine (one subtitled: The president's enormous new tariffs threaten to upend America's economy, the other: How will free-traders resist Trump?):

> "Few expected him to go so far. In a stunning shift in American economic policy, Donald Trump has yanked up tariffs across the board. On April 2nd… he declared that America would impose levies of 10% on all imports plus higher 'reciprocal' tariffs—much higher in some cases—to get back at countries which, in his view, have treated America unfairly. Coming on top of other tariffs announced since his return to the White House, the result is that, in the space of ten weeks, he has erected a wall of protection around the American economy akin to that of the late 1800s…
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> Conveniently ignored by him are the economic facts that globalization has brought unprecedented prosperity to America and that the country has been the main architect of the rules underpinning international trade. Now, if Mr. Trump gets his way, the economic order that was slowly and steadily built following the second world war will be dead and buried. Instead, Mr. Trump extolled the prosperity of America in the late 19th century, when the country was much poorer than it is today. 'We can be so much wealthier than any country, it's not even believable,' he said…
>
> As a consequence…the European Union will now face tariffs of 20%, India 27%, and Vietnam 46%. China, for its part, will see total tariffs of 65%, since its reciprocal rate will stack on top of existing levies. Mr. Trump also vowed to close a loophole that allows foreign manufacturers, often Chinese ones, to send products worth less than $800 into America without any tariffs, in a move that could wreak havoc on the e-commerce industry.
>
> One small mercy is that tariffs on specific sectors, including a new 25% levy on cars, will be exempted from the country rates, meaning that autos made in, say, Germany will face just that 25% surcharge, without the additional EU tariff on top of it. The same logic applies to imports of aluminum and steel. Goods from Mexico and Canada, America's two biggest trading partners, will also be free from tariffs provided that they comply with the USMCA, a North American trade pact which Mr. Trump negotiated during his first term in office. Those that do not will still face a 25%

tariff. And that was about it for the exemptions. 'If you want your tariff rate to be zero, then you build your product right here in America,' Mr. Trump said.

Until recently many observers had clung to two hopeful interpretations of Mr. Trump's behavior. The first was that he wanted to deploy tariffs mainly to gain negotiating leverage as he sought concessions from other countries. The second was that the president would be disciplined by the stock market, about which he cared deeply, and would therefore retreat from trade barriers if investors soured on them.

…turbulence may be a small preview of the pain that awaits people and companies more generally. Because of the size and breadth of tariffs, including on Asian countries, from Bangladesh to Vietnam, which supply basic goods to America, consumer prices are sure to climb. Inflation, which has been slowly trending back towards an annual rate of 2%, may now exceed 4% before the end of the year, according to…a research firm.

Meanwhile, the damage to American economic growth is likely to be far more severe than previously imagined. Before the new tariffs were announced, indicators of consumer sentiment had become very soft and business uncertainty had soared. Most economists, nevertheless, believed that with underlying momentum robust, this would amount to a slowdown for the economy. Such equanimity may have been misguided… [E.g. a recession may be in the offing.]

Short-term pain is a price that Mr. Trump seems willing to pay to fulfill his vision.

Mr. Trump's move confirms America's abdication as guardian of the global trade system. After the second world war America emerged as the overseer of open markets, an enterprise that reached a high point in 1995 with the creation of the World Trade Organization. But the system has long been under strain. China which paid lip service to the rules after joining the WTO in 2001, has for years has been accused of distorting the global trade system with subsidies and cut-rate loans for favored industries. Now America's tariffs go further, willfully violating the core principle of non-discrimination as enshrined in Article 1 of the WTO's founding treaty…

Moreover, as America retreats, the world's free-traders are stepping up. They are hoping to shape a fragmented trade order in a variety of ways, including initiatives at the WTO, regional agreements and bilateral deals. In time, they want to build an entirely new global-trade architecture.

Will a rules-based order, steered by open-market allies, emerge from Mr. Trump's attacks? Or will the world follow the example of China, which bends the rules to suit its own ends? Much may hinge on Europe. The EU and its open-market allies could form a formidable bloc—coordinating responses to American tariffs and pulling China in a more free-trading direction. 'The door is open' to deepen ties with China, says a European official, 'if it does things in a more balanced way.' That means curbing subsidies, reigning in state-owned companies and levelling (sic) the playing field, something China has so far shown little interest in doing. Even without China, however, the open-market bloc is big enough to rebuild a trade order from the wreckage of Mr. Trump's war. It is a dark time for free-traders, but there are glimmers of hope.

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