ARK Financial Planning
Newsletter

April 2025

Welcome to our latest newsletter. This newsletter will focus mainly on our views around the recent market volatility as a result of Donald Trump's tariffs. We'll be covering the following topics:

- Trump's Tariffs
- The spring statement
- ARK event

Trump's Tariffs

Right now, our portfolios are facing uncertainty and market volatility, with outcomes hinging on President Donald Trump's next moves. Will tariff negotiations ease tensions, or will trade wars escalate? Here's what we know and don't know about the implications of these tariffs.

Financial and currency markets were left in turmoil following President Donald Trump's announcement at the White House Rose Garden to sharply raise US trade tariffs on the 2 April, the date he dubbed as "Liberation Day". If sustained, these new tariffs will have a broad and significant impact on countries, industries and products, as well as risk assets. Close allies and even the Australian owned, uninhabited Heard and McDonald Islands in the Southern Indian Ocean have been slapped with tariffs!

For investors, this abrupt policy change and the uncertainty it has created, led to some of the biggest moves in financial asset prices since the pandemic. There are many ways markets could behave in the coming months—much will depend on Trump.

For instance, tariff increases could be negotiated lower, creating grounds for a relief rally in stocks. Alternatively, trade wars could intensify globally, with increased uncertainty feeding into the real economy and markets.

It is worth looking at what we know and what we don't know.

What we know

Firstly, Trump's tariff plan raises taxes on imported goods. It starts with a 10% flat tariff for all countries (effective 5th April) except Canada and Mexico, who are already subject to tariffs from illegal immigration and fentanyl trafficking across the border. Then, countries with a goods trade deficit with the U.S. face extra charges (a "reciprocal" tariff) starting 9th April. Some imports, like steel, aluminium, energy, and cars, are exempt from these tariffs, as duties have already been charged.

At face value, the average tariff rate is 18% when weighted by imports, but product exclusions lower the effective increase to 13%, which would still be the highest rate since World War Two. The exclusions apply to goods already subject to sectoral tariffs, including those not yet announced.

On Friday 4th April, China responded with a 34% tariff on US imported goods (effective 10th April) and plans to impose export controls on rare earth materials, a crucial input for the US high-tech industry. China has also filed a complaint with the World Trade Organisation, accusing the U.S. of violating international trade rules. These moves are likely to escalate trade tensions between the US and China.

Secondly, there have been big moves in financial markets since Liberation Day. Global stocks and shares have fallen sharply, with the average stock exchange being down around 5% since the first of April 2025. Ironically, US stocks have fared worse than the rest of the world.

Thirdly, despite the downturn, investment markets remain above the long-term average with most portfolios being either flat or up over the last 12 months.

What we don't know

What is Trump's objective? Trump's announcements on Liberation Day throws up a lot of questions. These include:

1. Does Trump truly believe that US trade tariffs are a way to raise revenue from the rest of the world and correct bilateral trade deficits?
2. Is it an attempt to squeeze out favourable terms from trading partners that could undermine China's influence in the global economy, the US's main rival for superpower status?
3. Does he hope to protect the US manufacturing sector from foreign competition to boost the US working class?

Whilst we can't answer these questions today, we can look at his previous actions and policies to get an idea of what to expect. Firstly, he has shown a preference to use economic coercion to secure favourable trade deals for the US. Secondly, he likes to dominate the media and use the publicity to project an image of strength. And third, part of his approach also includes making outlandish demands (e.g. suggesting that the US will annex Greenland). Much of Trump's approach can be likened to President Richard Nixon's "Madman Theory" on foreign policy in the 1970s.

Trump knows that consumers in the European Union and Chinese economies probably don't have enough disposable income to support demand for US goods and services in order to correct wide US trade deficits. Trump needs to be careful that he does not overplay his hand. If higher import tariffs cause inflation, then it will reduce his popularity. Trump will have an eye on the November 2026 midterm elections, where he needs the Republican Party to retain their majority control in Congress or he risks becoming a lame duck president in his remaining two years in office.

Arguably, the best Trump can gain from trade tariffs is to use them as a bargaining chip to benefit the US economy through favourable terms on trade and investments to show visible wins to his supporters. For instance, Trump could offer to lower trade tariffs if China agrees to buy more US Treasuries. This will help keep yields down to make it easier to finance a wide US budget deficit.

Is the US economy heading for a recession?

Recessions are typically driven by deteriorating labour markets. As firms lay off workers, consumption falls, leading to further job losses and a downward spiral. The data we have today suggests the labour market currently remains solid, with real take-home pay expanding by nearly 2% a year. This should provide the consumer the financial ability to shop. Meanwhile, US corporate finances are in reasonable health, with plenty of cash on the balance sheet. Small business sentiment has also improved on the expectation of less government regulation, while the Fed has been cutting interest rates since last summer.

However, the longer this trade war continues, the greater its impact on consumer and business confidence. If confidence does collapse, it could tip the US into recession. That could lead to further downward pressure on stocks should analysts revise down company earnings expectations. The second-round impact of a recession (i.e. mortgage debt defaults) would also affect the financial system, leading to poorer investment market performance.

Stay invested and diversified

In times of market uncertainty, it is very important to be disciplined. We invest across geographies, sectors, and asset classes to reduce downside risk and improve risk-adjusted returns for clients.

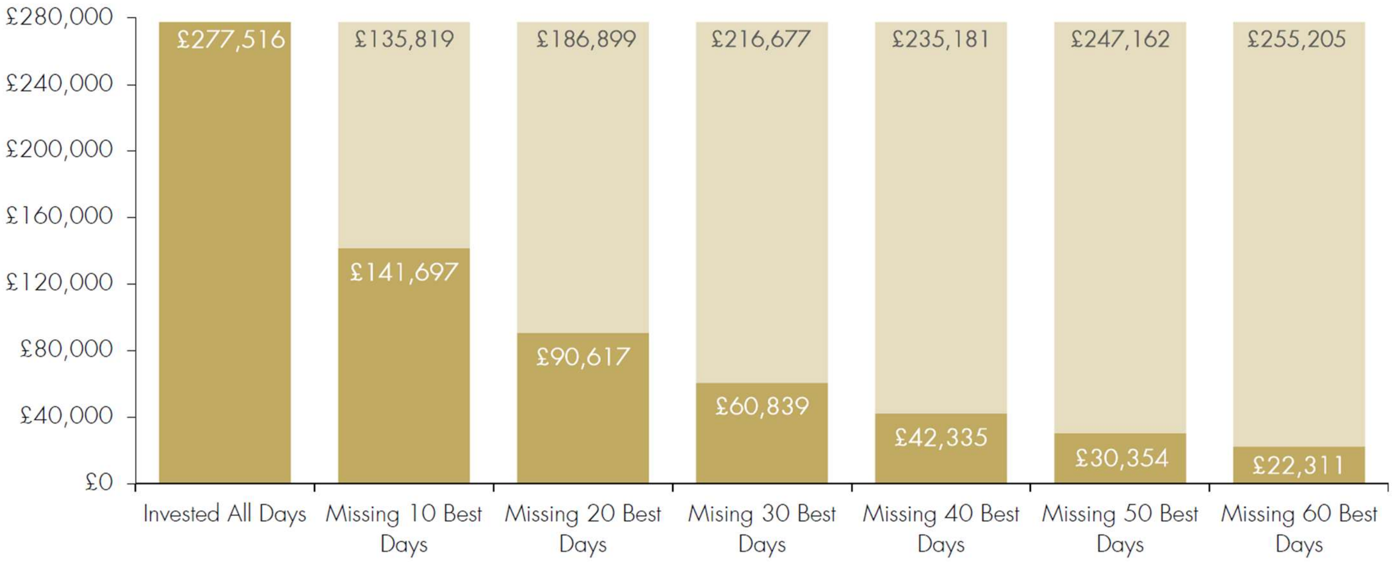
We should avoid panicked decisions. As we've seen previously, Trump has shown a willingness to change his mind at short notice, which could prompt a positive reaction from risk assets. We have also seen policy stimulus from the EU and China in recent months, highlighting investment opportunities beyond US stocks.

Despite current challenges, falling bond yields, lower oil prices, and a weaker dollar could pave the way for a rebound in the investment market once US trade policies stabilise. In his Liberation Day speech, Trump suggested that he will pass tax cuts later in the year along with significant deregulation, both of which should benefit the investment market.

One of the most fascinating things to come out of the volatility we have seen in recent years in investment markets is how quickly things can change. Yes, investment markets have suddenly dropped recently. But they could also suddenly increase in the same manner. The best ever single day to be invested was the 24th November 2008, when markets leapt 9.2% in a day. The second best ever single day to be invested was, amazingly, the 24th March 2020 – the day we went into lockdown. On this day, markets leapt 8.9%!

The below graphic demonstrates the outcome of not being invested for the best investment market days and how that would have changed your investment return.

Value of £10,000 invested in the FTSE All Share January 1986 to July 2024



When were the 10 best days in the market?

+9.2%	+8.9%	+8.5%	+7.7%	+7.5%	+5.9%	+5.7%	+5.3%	+5.2%	+5.2%
24 Nov 2008	24 Mar 2020	19 Sept 2008	29 Oct 2008	13 Oct 2008	10 Apr 1992	21 Oct 1987	08 Dec 2008	13 Mar 2003	10 May 2010

As we traverse Trump tariffs, our portfolios remain invested and diversified. We are avoiding knee-jerk reactions and will be looking for opportunities to take advantage of current dislocations.

The spring statement

After the significant changes to the inheritance tax rules around pensions, the recent spring statement seemed very tame, with no real impact to our client's (you) circumstances and plans.

That being said, we don't expect this to be the end of Rachel's wrath and there will likely be further tax increases come the autumn budget in October.

ARK Event @ The White Hart, Lydgate 12th June

If you have managed to miss our messages on this so far, we are hosting our first ever client event at The White Hart, Lydgate on the 12th of June, 2pm start.

As an adviser firm, we regularly meet with the fund managers who manage the investment funds you are invested into and, as you can imagine, these fund managers can offer a huge amount of insight into the world of investing and global economics.

The event will be centred around meeting some of the fund managers who are in charge of the investment aspect of your money. The event provides you with the chance to meet and converse with some of the fund managers we work with as a business and give you a better idea of who they are and what they do for you.

Fund managers from Columbia Threadneedle Investments and Liontrust Asset Management will provide us with presentations, giving you more insight on who they are and how they manage your money. They hold a huge amount of responsibility in their roles as they are in command of investment funds to the tune of billions of pounds. After each fund manager speaks, there will be an open floor Q&A session where we will welcome questions from the audience, so please come prepared with your best questions!

As an ARK client, there is no cost to attend the event and tea, coffee and biscuits will be provided and (of course) your adviser will be there for a cuppa and a catch up. The event also offers the opportunity to meet other ARK clients and share your experiences with other likeminded people.

To confirm your space

As a business, we have around 350 clients and so spaces are limited. If you would like to attend, please email **answers@arkfp.co.uk** to confirm your place and if you would like to bring a plus one. Please note, this event is by invitation only and for ARK clients only.

If you cannot make the event but would like to watch the presentations, the event will be recorded and a video of the presentations and Q&A session can be sent to you after the event, on request.

Please note: the event will be being filmed and a round up video of the day will be produced, which may be available to view on our website, please let us know if you would not like to be involved in the filming.

Tell us what you think!

- What are your views on what is happening in the world?
- Is there something that you'd like to see covered in future newsletters?
- Do you think there's something we're missing?
- In order to provide you with more timely updates and newsletters, we are hoping to start releasing future newsletters via a video update. We hope, by doing this, our updates can be more engaging and regular than before.

Finally

We're really proud to say that we have over 40 Five-star Google reviews, awarded to us by our wonderful clients, we really appreciate you taking the time to thank us publicly and to hear such positive feedback – thank you!

If you haven't already given us a google review and you would be kind enough to share your thoughts. You can do so here: https://g.page/r/CVLAeUfA-0AOEB0/review

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