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Weekly Market Commentary

Tariffs and Earnings Season, So Far...

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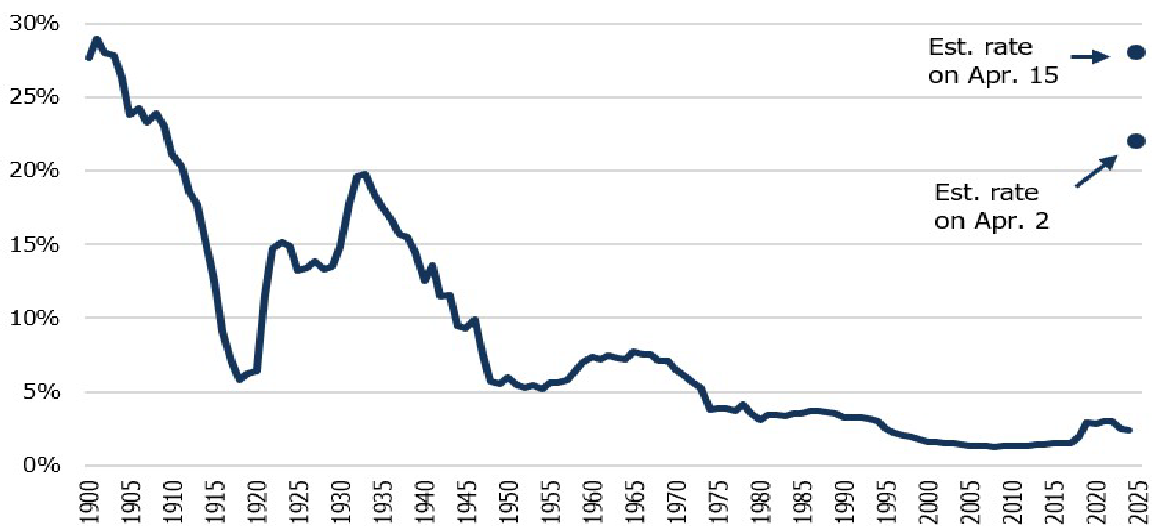
The trade saga has continued to develop at a rapid pace. Since President Trump's announcement of "reciprocal" tariffs on April 2, the White House has temporarily reduced tariff rates charged on goods from many countries and exempted certain goods from the levies entirely (including many tied to the smartphone and personal computer supply chains). At the same time, the trade conflict with China continues to escalate, with the US increasing tariffs on Chinese imports to 145% (from an initial rate of 67%), and China in turn placing tariffs of 125% on US goods.

The net impact of these developments is that the estimated effective tariff rate to the US consumer has risen relative to the original April 2 announcement (Fig. 1). How the dispute between the world's two largest economies evolves over the coming weeks will be crucial in determining its impact on the global economy and capital markets.

Fig. 1: Estimated US Average Effective Tariff Rate

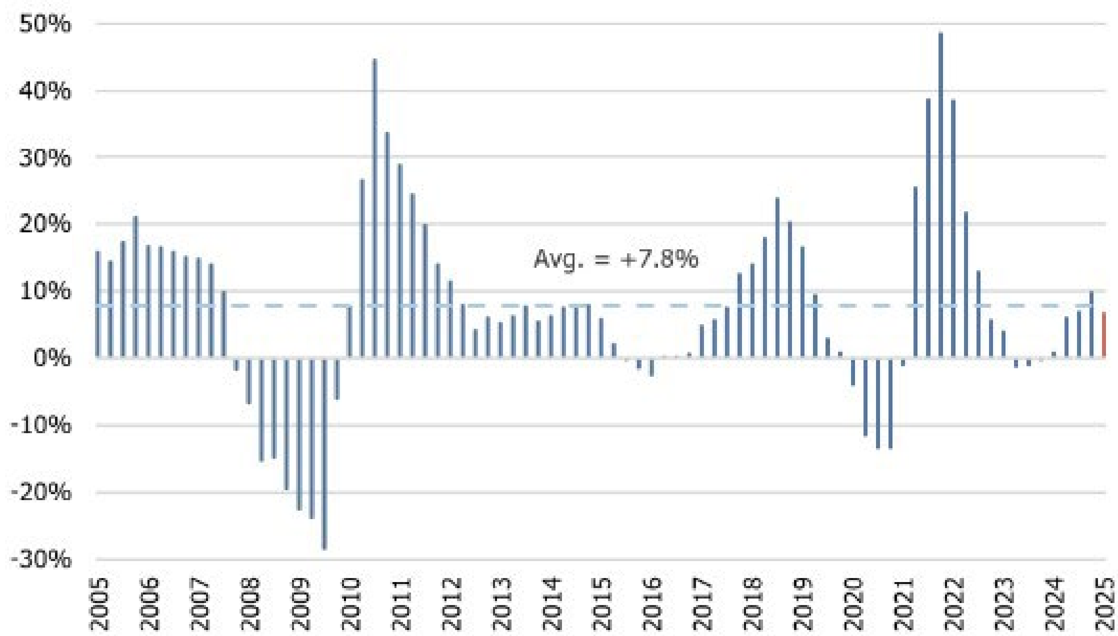


Source: The Budget Lab at Yale, Mill Creek.

Unsurprisingly, the volatility around trade policy has begun to make its way into corporate communications to shareholders with earnings season underway. Recently, chipmakers Nvidia and AMD announced that they expect to incur charges of $5.5 billion and $800 million, respectively, due to the trade conflict and corresponding export controls to China. Other companies have begun withdrawing earnings guidance for this year during their quarterly announcements.

One silver lining is that corporations were on relatively stable footing heading into the month. Quarter-to-date, S&P 500 companies have reported solid – if unspectacular – earnings growth of roughly +6.8% YoY, slightly lower than the 20-year average of +7.8% (Fig. 2). This performance is expected to continue, with consensus estimates for Q1 EPS growth (per FactSet) currently sitting at +7.3%. However, should companies continue to pull their forward guidance over the coming weeks due to trade uncertainty, this is likely to dominate headlines and increase volatility moving forward.

Fig. 2: S&P 500 Annual EPS Growth



Source: Bloomberg, Mill Creek. As of 4/17/25.

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