

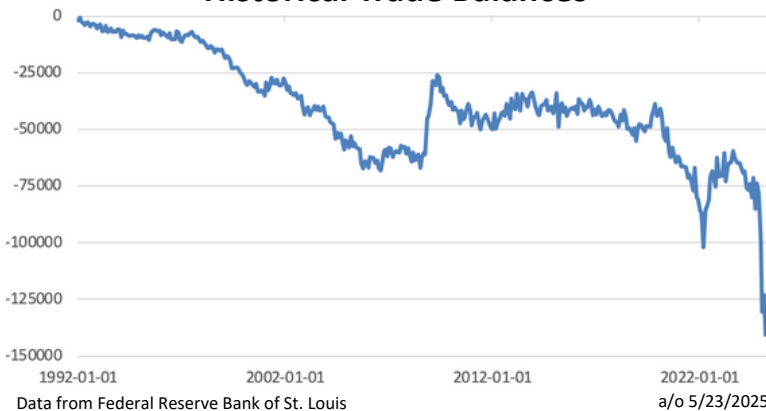
## Tariffs Spook Markets Again, Causing Indices to Lose Gains Slowing Economic Growth Coming to Fruition

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### Trade Balances

Trade Balance represents the difference between a country's exports and imports. A positive trade balance, or surplus, occurs when a country exports more than it imports. A negative trade balance, or deficit, occurs when a country imports more than it exports. The US has historically run trade deficits w/ Mexico and China in particular.

#### Historical Trade Balances



Globalization in recent decades has led US companies to offshore manufacturing to countries with low labor costs, which has contributed to the greater trade deficit. Efforts to reverse this 50-year trend have most notably included tariffs, encouraging domestic production to be less reliant on foreign goods, and bringing manufacturing power back to the states. The President has emphasized a focus on high-tech and defense manufacturing, stating that "we want to make tanks, not t-shirts".

As of April 9th, the US administration imposed universal 10% tariffs (higher rates for the EU and China since they have significantly higher trade surpluses than the US). The EU is looking at a 50% tariff on all goods imported to the US due to stalled trade negotiations, and China is sitting at a 30% tax, lowered from 145% post trade talks on May 12th. By tracking the trade balance, we can better understand if the tariffs are effectively reducing imports and increasing exports, with new upward trends in the balance of trade.

### US Indices MTD Performance

Key Indices	5/23 Close	5/1 Close	% Change
S&P 500	5,802.82	5,604.14	3.54%
Nasdaq	18,737.21	17,710.74	5.80%
Dow Jones	41,603.07	40,752.96	2.09%

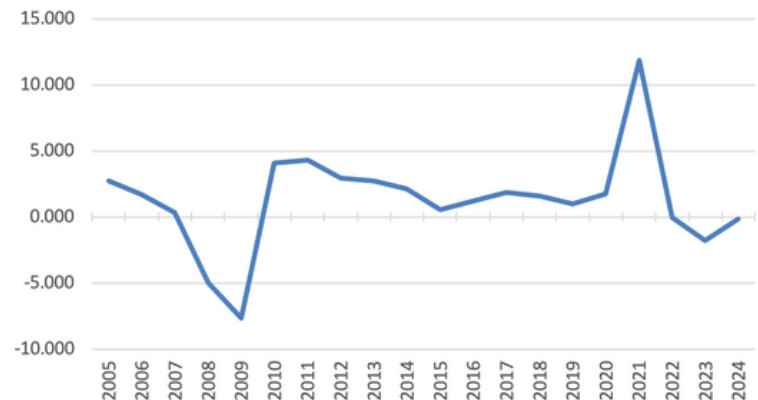
Data from Yahoo Finance

a/o 5/23/2025

### Retail Trading Trends

There are two types of investors, retail and institutional. Institutional traders buy/sell securities for accounts they manage for a group or institution. Retail traders buy/sell for personal accounts. We, as individual investors, are known as retail traders, so we will focus more on our demographic of investors.

#### Retail Trade Frequency/Yr



Retail investors tend to invest in stocks, bonds, options, and futures. They can trade any number of shares at a time. Retail investing gained immense popularity during the pandemic years of the early 2020s, with a large spike in participation. This rise in popularity can be attributed to commission-free trading platforms, which increased market access.

In a commission-free trading environment, brokerage firms don't charge a per-trade fee for executing your trade orders, like trading stocks, options, or ETFs. Not only this, but the general population has become more financially literate. News and data important to traders and their processes are public to everyone, and the only difference between professionals and all of us is the experience and possible time it takes to get and process new information.

The graph we displayed unfortunately only covers full-year trading frequency, but we haven't been strangers to volatility and large amounts of market activity in the last few months. In May 2025, retail investors accounted for 36% of US Stock trading volume (a record high). This surge is primarily driven by price action, most apparent is in the tech industry where retail traders surged and aggressively bought the dips caused by the trade uncertainty. Future sustained retail engagement will depend on market conditions, investor sentiment, regulatory developments, and performances of popular investment platforms (Robinhood, Charles Schwab, etc.). With continued trends of uncertainty in the markets and talks of overvalued stocks, we could possibly see a sudden slowdown of retail activity.

## **Apple Threatened with 25% Tariffs**

The headlines heard around the markets were that Trump isn't happy with Tim Cook's efforts to avoid tariffs rather than bringing the manufacturing to the US. Trump wants smartphone brands like Apple, Samsung, and other smartphone companies to bring their manufacturing operations to the US. All smartphones made outside of the US would be hit with 25% tariffs, potentially taking effect at the end of June, which is further stressing out consumers. If we didn't think smartphones were already getting expensive, an iPhone made in the US would be priced anywhere from \$1,500 to \$3,500.

- Apple's stock price fell 3% following the news of the 25% tariffs
- S&P 500 dropped by 0.67% following the news of the 25% tariffs

Apple had plans to shift all production to India by the end of 2026 before the trade negotiations on May 12<sup>th</sup> reduced tariffs to 30% from 145%, but the President isn't any more pleased. Apple is already expected to pay out \$900 million in tariffs in its current June quarter, and the threat of more tariffs on their plan B to avoid the prior tariffs will only put more pressure on Apple executives to figure out what they are going to do.

## **Tariffs cause Walmart to Raise Prices :'( and Why It's Scaring Consumers**

Walmart was the first company in America to publicly announce a price hike on its goods. On May 15th, during their earnings call, Walmart executives announced that they will see a rise in the price of goods due to the President's imposed tariffs. President Trump was not happy considering his message to corporations to "eat the tariffs", rather than to pass it onto consumers and contribute to a rise in inflation (which has been cooling off). Walmart executives made it clear that they were happy with negotiations happening, but they still believe they are excessive.

- Walmart's main trade partners are Mexico (25% blanket tariff) and China (30% blanket tariff)

Many companies are following Walmart's threat to raise prices. Most notably: Best Buy, Mattel, Shein, Temu, Proctor & Gamble, Adidas, Ford, and Subaru. Trump's tariff goals aren't panning out to the US population's expectations, and because they aren't going as planned, consumers are preparing to bear the costs which is freaking out markets. Hence, the lowered Consumer Sentiment levels, projected economic slowdown, and recession fears.

## **Trump signs executive orders to fast-track US nuclear power development**

Trump signed an executive order on Friday, May 23rd, to overhaul the Nuclear Regulatory Commission and speed up the deployment of new nuclear power plants in the US. The president issued other orders, like the boost of uranium mining in the US and an order to accelerate reactor testing at the Department of Energy's (DOE) national laboratories. These orders will seek to quadruple the US' nuclear energy capacity within 25 years as we continue to struggle with trade deals with major partners like Canada which we get a lot of energy from.

These nuclear energy initiatives plan to power data centers that support artificial intelligence and other emerging industries. The Unit 1 reactor at Three Mile Island is expected to return to operation in 2028 and sell its power to Microsoft.