

## TARIFF TRUCE RELIEF | 10.13.2025

For the first time since the April 8 low, stocks hit a bump last week after the Trump Administration reignited trade concerns by threatening major new tariffs on China in response to its restrictions on rare earth mineral exports. But over the weekend, the tone shifted. The Administration has since backed off those threats, signaling a willingness to negotiate. Markets are responding favorably on Monday, with major indexes rebounding as investors breathe a sigh of relief.

Context matters. The S&P 500 remains just 1.5% below its all-time high and firmly within an upward trend. Stocks continue to benefit from low unemployment, enthusiasm around AI, and a Federal Reserve that's cutting interest rates. Still, with fewer companies driving recent gains and more investors voicing concern about stretched valuations, last week's brief pullback wasn't entirely surprising.

Much depends on what the Administration does next. The *One Big Beautiful Bill Act* gave the economy a boost through tax cuts, which helped cushion the initial impact of tariffs, and markets have been far more tolerant of trade tensions since it was signed into law. This time, though, there's no similar financial cushion in place, so renewed trade uncertainty could have a more direct effect on businesses and consumers. While Trump has a history of leading with bold threats before negotiating down, investors will be watching closely for signs of whether this latest retreat holds.

More economically resilient sectors like healthcare and consumer staples have started to draw fresh attention amid the recent volatility. These areas have underperformed compared to the broader market and faster-growing companies for most of 2025, but they've been quietly building momentum in recent weeks—and their valuations now look more appealing. Falling bond yields could also provide much-needed support. It's too soon to say whether this rotation will stick, but it's definitely on our radar.

In short, the market's strong run appears to have survived another test. While trade tensions remain a potential wildcard, the Administration's softer stance has eased immediate fears and helped restore some confidence. For now, we're closely watching policy developments, mindful of shifting market leadership beneath the surface, and looking for opportunities that may emerge if volatility resurfaces.

Thanks,  
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