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A Brief Note on Tariffs and the Market's Response

April 3, 2025

Last night, President Trump invoked emergency powers to announce new global tariffs. The policy sets a minimum tariff of 10% across all countries and imposes reciprocal tariffs on 65 nations. This policy impacts traditional allies as much as adversaries. Moreover, discrepancies exist regarding the reported tariff rates on American exports. For example, while some sources claim South Korea levies a 50% tariff on U.S. goods, South Korea maintains that its average tariff rate is closer to 0.79%, in line with the 2012 Korea-U.S. Free Trade Agreement (KORUS).¹



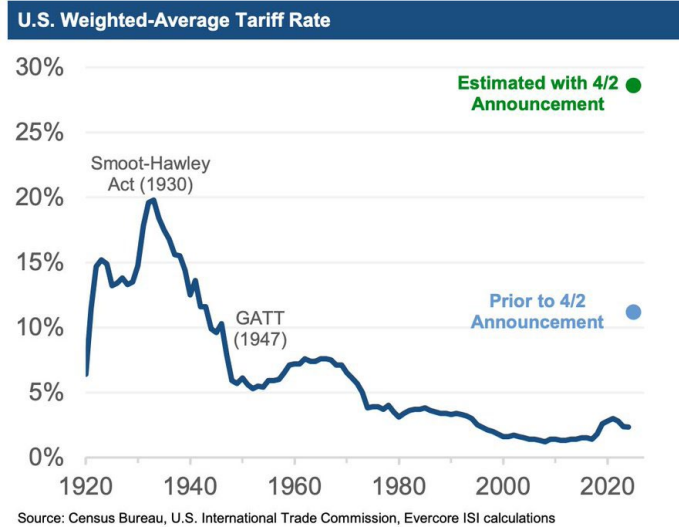
The general consensus is that tariffs are dire for the economy. Economists point to the Great Depression as an example of how restrictive trade policies can exacerbate economic downturns. The Trump administration is now recommending Tariffs **above** those set in the initial stages of the Great Depression.

¹ [Press Releases: Korea.net : The official website of the Republic of Korea](#)

² Gemini AI generated



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This is a concern for the economy and financial markets. It represents an isolationist stance rather than a genuine protectionist strategy, and it fails to align with the realities of global trade and modern supply chains.

What may come next:

- **Government checks:** The legislative branch has the authority to block the executive's tariff measures. Notably, the Senate voted to block the tariffs the same night they were announced, with three Republicans joining Democrats. The House of Representative did not secure enough votes to block it. We imagine that President Trump would veto a vote, which would then necessitate a 2/3 legislative vote – a harder hurdle to succumb. This would be a positive check on increasing executive power and of the current administration.
- **Transactional checks:** Known for his transactional approach, President Trump has prioritized market performance during his first term. The administration claims that the current tariff rates represent a high-water mark, with the possibility of further increases if affected countries retaliate. However, past behaviors—such as the reversal or delay of certain tariffs after early successes—suggests that political and market pressures may prompt future adjustments.

³ Evercore ISI



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- **Error checks:** As noted, the tariffs announced by President Trump for many countries may be incorrect. Given that the administration has tended to apply only half of the reported tariffs to trade partners, it seems reasonable to adjust the calculations accordingly. For example, if there is consensus that South Korea's actual tariffs are below 1%, one might expect the Trump administration to eventually align its policy with that lower rate.

Market Activity

Financial markets price in known events. This morning's market downturn reflects a reworking of recession odds and a pricing in and of near worst-case scenarios amid lingering uncertainty. We explore the dynamics of market uncertainty in more detail in our upcoming commentary.

In the interim, our strategy remains focused on diversification. By leveraging credit, international markets, and alternative assets, we aim to provide stability during these periods of market stress, while continuously analyzing potential adjustments and opportunities.

Our long-term view is that, although current policies may be economically detrimental and lead to continued market stress, the system's checks and balances will ultimately moderate these measures, allowing continued market innovation and economic growth to shine through within our general economy and financial markets.

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