THE COOK REPORT

Volume 35 | Number 1 | April 2025

INSIDE THIS ISSUE:

Tariffs

Reader's Corner

In the News

attcook.com

The Cook Report is published for our clients and friends.

The Cook Company, LLC is an independent registered investment adviser committed to meeting client objectives with comprehensive, unbiased financial advisory services.

Clients accepted by referral or self-referral.

The Cook Company, LLC
Impartial. Independent.
Since 1984.

Timothy M. M. Cook
timcook@attcook.com

1999 Broadway, Suite 810
Denver, CO 80202
303-572-6650

TARIFFS

We interrupt our previously drafted newsletter article to address President Trump's tariff announcement on April 2nd and the ensuing market sell-off.

Initial reactions are always tricky and to the extent they get into the prediction business, they often end up being wrong. They also tend to be driven by passions of the moment. If you make rational decisions during periods of market calm, it makes no sense to throw rationality out the window during market turmoil. As such, we aim to steer clear of predictions and try to calmly assess the tariff announcement.

If this weren't our job, we would avoid financial and political news for a few days and partake in something that makes us happy — we strongly encourage you to do just that.

WRONG ON THE BASICS

First, our bias. We disagree with President Trump's outlook that the United States has been negatively impacted by an increasingly integrated global economy. Trade is not a zero-sum game where only the U.S. can win and everyone else loses. Trade can and has increased the well-being of people around the globe, especially in the U.S. As economists have argued, without trade we would have to grow our own food, make our own clothes, and generally spend our days trying to eke out a subsistence existence (our future band will be named "Subsistence Existence").

We don't want to live in that world. Jumping somewhat into the weeds, we enjoy buying food from our local grocery store and we are perfectly happy with the 100% trade deficit we have with our grocer. Forcing our grocer to purchase financial services from us makes no sense. Placing a tariff of 50% on the goods our grocer imports from abroad makes even less sense. The importer pays the tariff, passes it to the grocer, who then raises prices on us.

The math President Trump used for his tariff rates does exactly that. He takes the overall trade deficit that the U.S. has with other countries and assesses a tariff of 50% of that number. Even countries that don't charge tariffs on U.S. goods got hit with 10% tariffs. Non-tariff barriers have certainly been erected by governments — the U.S. included — to protect certain industries, but the president did not spell out what those are or how these tariffs will induce countries to get rid of them. It is a puzzling economic gamble.

Al and Mary Jane enjoying a recent cruise along Italy's Amalfi Coast.

TARIFFS (cont.)

DON'T DOUBLE DOWN

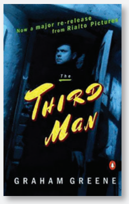
While the president's gamble sent a shock through the markets, now is not the time for you to double-down and think that you know how all of this will play out. You don't know and we don't know. This is the time to step back and calmly assess your situation and what you can control. Here, we offer some ways to frame the current situation as it relates to your financial well-being:

- Has your life situation changed in the last three days? Most likely, it has not. If it has and you were aware that the change was coming, we hope you began preparing for the change well in advance with a clear head.
- Markets are down, but you have not lost money. Yes, the value of your investments has dropped relative to where they were earlier in the week, but you still have the same number of shares as before. If you didn't need to change your portfolio on Monday, why do you need to change it today? You don't. Don't lock in an unnecessary loss out of fear.
- Are you invested for the long-term? Hopefully the answer is a definitive "yes." Time is your friend. Markets, companies, governments, consumers, and even you will adjust to whatever comes next. Investing requires patience and fortitude, particularly during times of chaos. We suggest revisiting our July 2022 newsletter that discusses the importance of time in the market for long-term investment success.
- Days like these happen in the markets. While it is unsettling that the selloff is a self-inflicted policy choice, equities have been poised for a correction after recent gains. We just experienced two years in a row where the S&P 500 index finished with gains over 20%. Expecting equities to continue such a torrid run is fantasy. In fact, since the 1920s, the S&P has had returns greater than 20% for three years in a row only once, in the late 1990s during the dot com bubble.
- Tariffs aren't the only game in town, especially when it comes to U.S. economic growth prospects. Congress is poised to pass an extension of the 2017 tax cuts, thus avoiding what the Tax Foundation estimates will be a tax increase on 62% of taxpayers. This will help growth, as will a deregulatory agenda.

There will be more news over the coming days, weeks, and months that will move the markets up or down. Even with the bad start to 2025, it is entirely possible that markets could rebound and squeeze out gains for the year. The best thing to do now is keep your cool. Uncertainty will always be with us, but having a financial plan anchored by a well-diversified portfolio should serve you well for the long-term. And if you need more reassurance, give us a call — we will be happy to chat.

READER'S CORNER

My Brilliant Friend [Book One, The Neapolitan Quartet] by Elena Ferrante, tr. From Italian by Ann Goldstein (Europa Editions, New York, 2012) chronicles the girlhood friendships of two Naples girls from childhood through adolescence. A compelling, intense insight to the feelings felt and shared as a part of growing up.



The Third Man, by Graham Greene (Penguin Books, New York, 1950) is the remarkable book that produced the film-noir classic that included Joseph Cotton, Alida Valli, Trevor Howard, and Orson Wells.

IN THE NEWS

- "Trump Just Shredded the Economic Playbook. Here Are Your Next Investing Moves," by Jason Zweig (***The Wall Street Journal***, April 4, 2025) offers good advice for handling the market reaction to President Trump's tariffs announcement.
- "Even Rich Retirees Fear Outliving Their Money," by Anne Tergesen (***The Wall Street Journal***, December 29, 2024) makes a good case for living beneath your means!
- "Where to Invest Your Money in 2025," by Lawrence Strauss (***The Wall Street Journal***, January 3, 2025) provides an opportunity to test your insights three months into the year.
- "Journal Report: Artificial Intelligence," (***The Wall Street Journal***) offers current insights into what to expect as AI becomes more embedded in modern life.