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# What to Remember About Stock Markets & Tariffs

## Understand the differences between price and value and stay disciplined.

In the midst of unsettling headlines, volatile markets, and economic uncertainty, it's easy for investors to lose their bearings. One week it's tariffs, the next it's inflation, then rising interest rates. As wealth management professionals, our responsibility is to help clients maintain perspective and stay grounded in facts – not emotions. Here's what every client and investor must remember about the stock market – and how tariffs fit into the broader equation.

### MARKETS ARE RANDOM – EVEN THE EXPERTS AGREE

Nobel Laureate Eugene Fama, a pioneer of modern finance, was awarded the Nobel Prize in 2013 for documenting what many seasoned investors have long understood: markets are inherently unpredictable. Prices absorb new information almost instantaneously, leaving little room to capitalize on trends or forecasts.

Some investors believe they – or their advisors – can time the market effectively. While occasional success may occur, research shows no reliable, repeatable strategy for consistently doing so. Long-term investment success comes not from market predictions but from discipline and commitment to well-defined goals.

### WHAT IS THE MARKET, REALLY?

Clients often ask, "What is the market?" It's not a monolithic entity. Rather, it's a collection of thousands of companies operating across industries and sectors, each influenced by a complex array of economic conditions. Think of it like a supermarket – dairy, meat, produce, dry goods – all contributing to the total basket of value.

Prices in this marketplace are driven by supply and demand. For every buyer, there must be a seller. This dynamic – not a singular external force – determines stock prices. The market is influenced by emotion, and human behavior under stress can trigger exaggerated reactions, both upward and downward.

### PRICE VS. VALUE: A CRITICAL DISTINCTION

One of the most important principles for investors to grasp is that price is not the same as value. Price reflects what someone is willing to pay at a specific moment. Value represents a company's underlying worth – its operations, cash flow, assets, and liabilities.

Consider the recent tariff announcements: the Dow Jones dropped sharply from over 40,000 to 37,000 in a matter of days. Yet nothing had fundamentally changed within the companies themselves. A week later, following a 90-day tariff pause, the index quickly rebounded. That wasn't a shift in corporate value – it was emotional volatility reflected in pricing.

Speculative bubbles illustrate this clearly. The tech sector's dramatic surge from 2023–2025 mirrored the dot-com era. But stock price explosions rarely correlate with actual value increases. When speculation overtakes fundamentals, corrections are inevitable.

### TARIFFS ARE JUST ONE PIECE OF THE PUZZLE

While tariffs often dominate headlines, they are only one factor among many influencing the market. Inflation, interest rates, consumer confidence, employment trends, immigration policy, and government debt also play significant roles. Focusing solely on tariffs oversimplifies a complex economic landscape.

Yes, U.S. equities performed well in 2023 and 2024, with gains exceeding 20% each year. However, those returns were disproportionately driven by a small group of mega-cap tech companies – the "Magnificent Seven" (Apple, Microsoft, Amazon, Meta, Alphabet, Nvidia, and Tesla) – which contributed over half of the S&P 500's performance.

Additionally, an inflated money supply provided excess liquidity that helped sustain market gains. As that liquidity contracts, markets could face new challenges.

### RULES OUTPERFORM REACTIONS

Emotional investing is reactionary. It's impulsive and often damaging. Markets are inherently volatile, and responding to every fluctuation can lead to long-term regret. Instead, investors need a structured approach – rules that are grounded in evidence, not emotion.

If you're already in the market, stay invested. If you've moved to cash equivalents for valid, strategic reasons – such as an upcoming financial need – stay the course. But trying to jump in and out based on headlines is market timing, and it's fraught with risk.

The S&P 500's historical average annual return is just over 10% (with dividends reinvested). Yet it has hit exactly 10% only five times in the past 99 years. Returns

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*"Risk comes from not knowing what you're doing."*

\- WARREN BUFFETT

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vary widely year to year, but the long-term trajectory has been consistently upward.

### FLIGHT TO SAFETY IS PART OF THE CYCLE

In uncertain times, investors often pivot toward "safe" assets like Treasuries or high-grade bonds. While this move may reduce short-term volatility, it can also limit long-term growth. It isn't necessarily the wrong approach – it just needs to align with your financial objectives and time horizon.

Market downturns or recessions may slow GDP and diminish risk appetite, but these are natural phases in the economic cycle – not permanent conditions. Seasoned investors prepare accordingly, not reactively.

### LET YOUR GOALS, NOT HEADLINES, GUIDE YOU

Tariffs may dominate the news, but they shouldn't dictate your financial strategy. What truly matters is understanding the difference between price and value, maintaining discipline, and avoiding impulsive decisions.

In turbulent times, emotion-driven choices can be costly. Let your financial objectives – not media noise – shape your path. Stick to a rules-based approach, stay diversified, and most importantly, remain calm.



**OUR OFFICE WILL BE CLOSED MONDAY, MAY 26TH IN OBSERVANCE OF MEMORIAL DAY.**