

Navigating the Trade War Environment

How to Interpret Whats Happening—And How to Trade It



Presented by:

Mayur Thaker, CFA
Equity Strategist
April 2025

Disclosures



The views of Mayur Thaker, CFA are not necessarily the views of Zacks Investment Research. Past performance is no guarantee of future results. Inherent in any investment is the potential for loss. ***This material is being provided for informational purposes only and nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security.*** No recommendation or advice is being given as to whether any investment is suitable for a particular investor. It should not be assumed that any investments in securities, companies, sectors or markets identified and described were or will be profitable. All information is current as of the date herein and is subject to change without notice. Any views or opinions expressed may not reflect those of the firm as a whole. Zacks Investment Research is not a licensed securities dealer, broker or US investment adviser or investment bank. The S&P 500 is an unmanaged index.

Trump Unveils 'Liberation Day' Tariffs



Reciprocal Tariffs
or
Minimum 10% Import Tariff

+

Section 301 / Section 321 (De Minimus) Tariffs

The sum total of these tariffs have taken the cumulative tariff on many products from China well above 100%.



Do not fear the tariff – it is meant to negotiate better terms or to encourage companies to circumvent the tariff by directly investing in the United States for manufacturing & hiring.

I do not believe the tariffs as unveiled on ‘Liberation Day’ will stand. They will be negotiated down.



The end result of the Trump trade wars will be a hybrid of tariffs and free trade.

1. High tariffs on countries who refuse to come to a compromise
2. Reduced tariffs on countries who negotiate lower trade barriers
3. Low tariffs on countries who similarly slash to zero or close to zero
4. Free trade under USMCA compliant items and other nations



The long-run result will be positive, in my view, as it achieves two things:

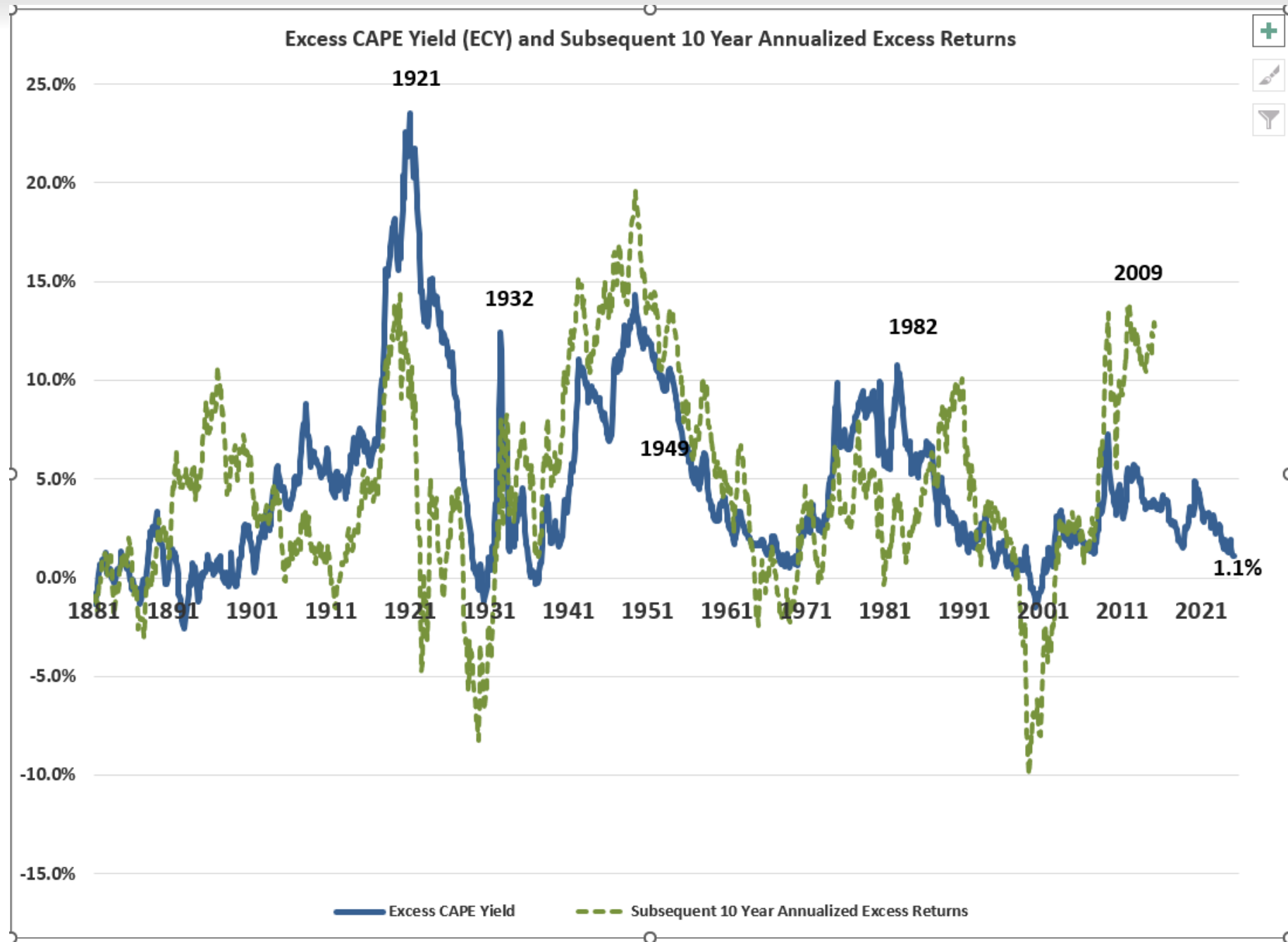
1. Brings certain jobs back to the US. Tariffs, at the margin, encourage direct investment.
2. Raises substantial revenue for the government, which opens up doors for further corporate & income tax reductions in the future
3. Opens up new geographic markets for US companies to sell into



However, the long-term gain will require short-term pain.



Valuation risk remains the top concern



Source: Robert Shiller, Yale University

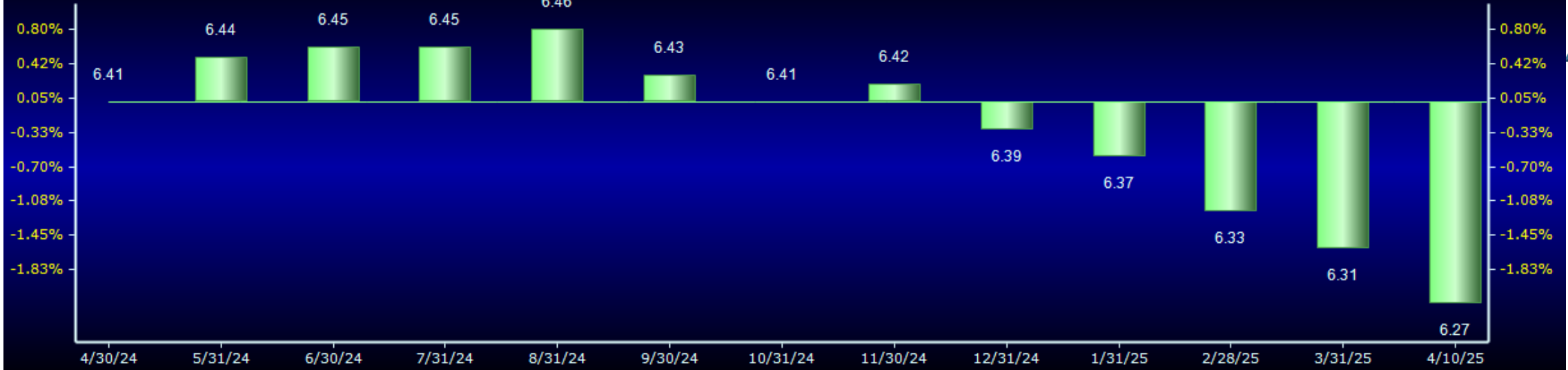


The equity risk premium, which can be estimated using Robert Shiller's CAPE yield spread or the Zacks Equity Risk Premium, both reached 23-year lows heading into this trade war.

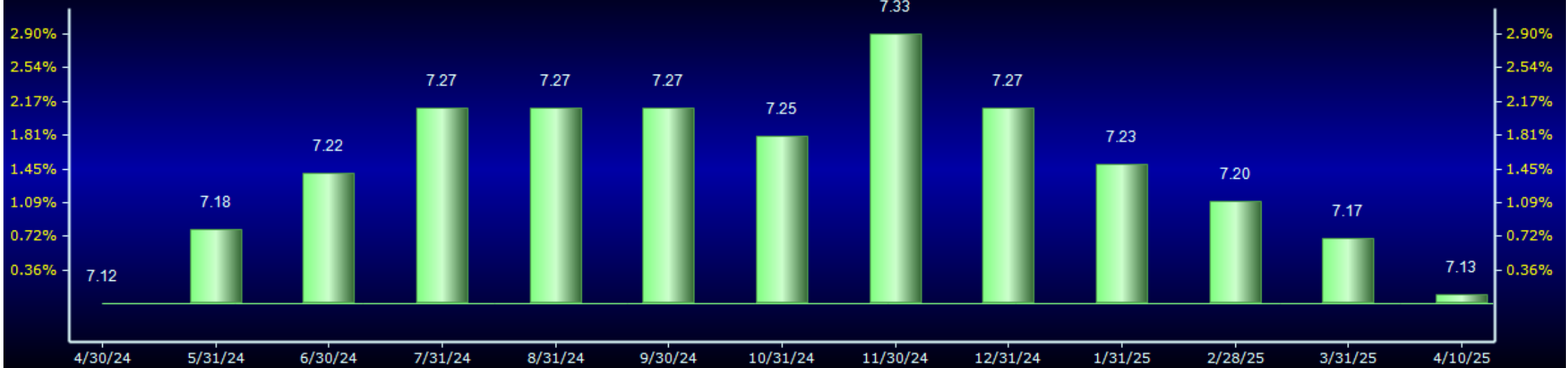
Valuation will be the #1 headwind for market returns, because we were priced for perfection when earnings results will be highly uncertain for the foreseeable future.



S&P 500 Composite Market ETF (SP5M) F1 - Dec 2025 EPS Estimate Revisions Most Recent Estimate \$6.27 as of Apr 2025 Down by -2.20% from Apr 2024



S&P 500 Composite Market ETF (SP5M) F2 - Dec 2026 EPS Estimate Revisions Most Recent Estimate \$7.13 as of Apr 2025 Up by 0.10% from Apr 2024



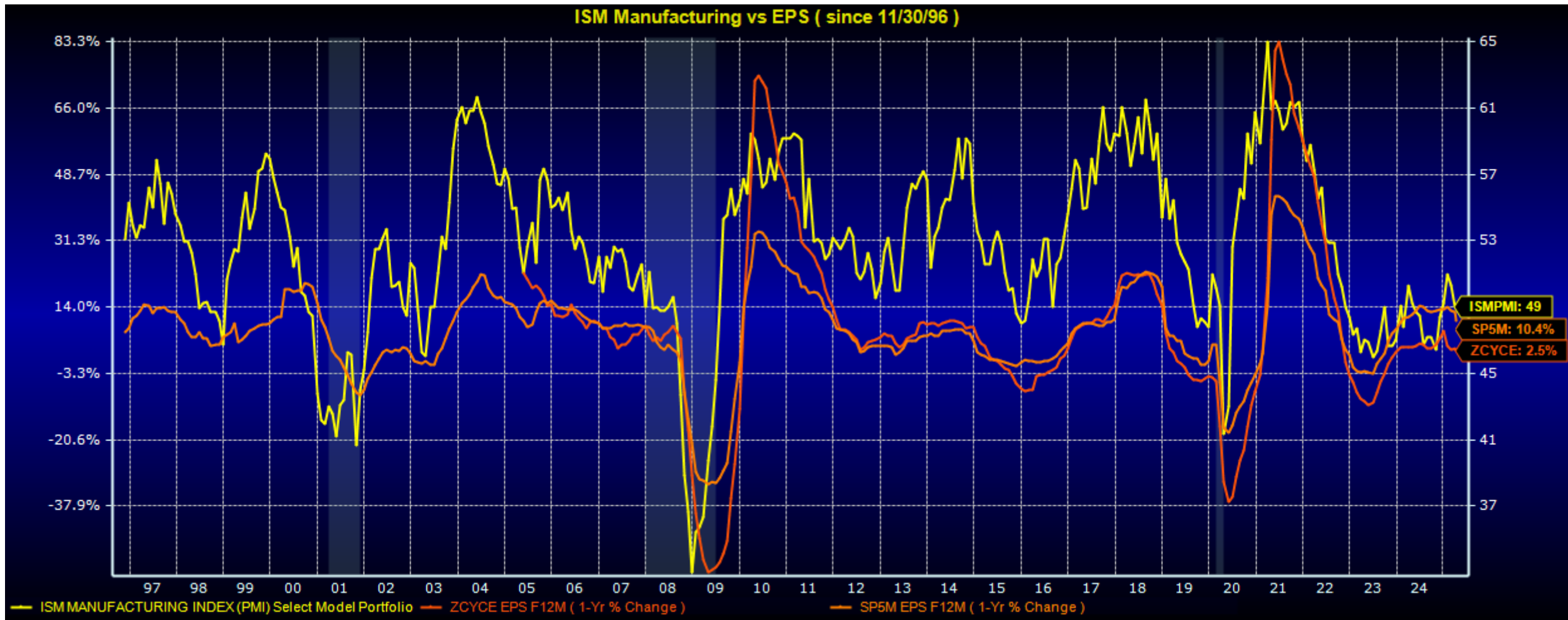


S&P 500 earnings are still looking to be resilient, with not much downward EPS estimate revisions yet.

However, even if earnings come in decent, valuation multiples are unlikely to return to the peak 22-23x we got to as we exited 2024.

Investors will require a greater premium to compensate for the trade uncertainty, in my view.

ISM Manufacturing PMI: Higher Highs & Higher Lows



ISM Manufacturing PMI has shared a 0.77 leading correlation coefficient with S&P 500 cyclicals

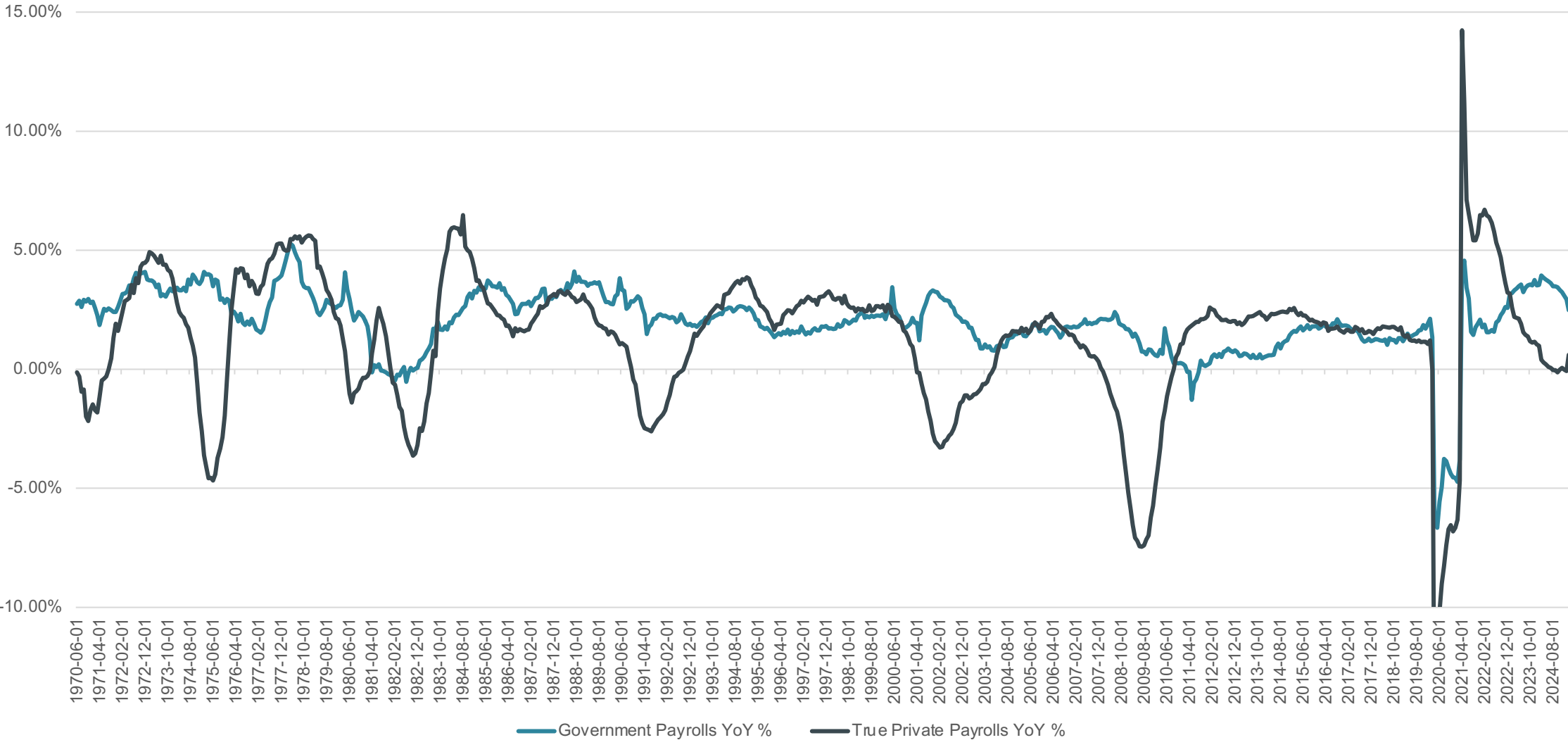


If manufacturing sustains the recovery, we could be at the very early stages of a cyclical earnings recovery for transportation, retail, consumer discretionary, and industrials.

This would *significantly* ease the burden on the “Mag 7” carrying the market solely on its shoulders by widening breadth.



Nonfarm Payrolls - YoY Growth Government vs True Private



Source: US BLS, Zacks Calculations | zrs.com

Employment continues very encouraging trends through March:



1. Household survey at 3-year highs after long stagnation
2. Permanent Job Losers stagnating for 6 months encountering
3. Private sector hiring accelerates while government sector hiring decelerates
4. Leading cyclical industries hiring accelerates



We cannot assign a high probability of recession when leading indicators of corporate earnings (ISM manufacturing) and jobs (cyclical employment) are both moving higher.



However, thanks to exaggerated valuations heading into this volatile period, I remain bearish US stocks.

I communicated this in my weekly column, titled 'Weekly Market Analysis' for the last 7-8 weeks, saying that if we get a weekly close below 5675 on the S&P 500, the market is a sell.

File Edit View Navigation Print Tools Help

Custom Charts Valuation Model 1-4 Panel Interactive Economic Estimates Research Composites Financials Peers Events Screening ZPM Excel Link Backtest

Ticker: SP5M Go>>

- Market
 - Market and Economic News (Daily)
 - Global Week Ahead (Weekly)
 - Market Analysis (Weekly)
 - Buy-Side & Sell-Side Macro Consensus (Monthly)
 - Economic Outlook (Monthly)
- Strategy
- Sector/Industry
- Equity Research
- ETF Research
- Mutual Fund Research
- Research Delivery

83.3% 66.0%



Manage Watchlists

Create New Watchlist

Create Watchlist from File

Search

Show: Equity ETF MF Index Economic Data

Zacks watchlist: Zacks Earnings Certain Portfolio EQUITY

Overview

Zacks Research

Quant Models

Data

Events

Alerts

News

- Market
- Strategy
- Sector/Industry
- Equity
- ETF
- Mutual Fund
- SMA (Beta)
- Research History

- Market and Economic News (Daily)
- Global Week Ahead (Weekly)
- Market Analysis (Weekly)
- Buy-Side & Sell-Side Macro Consensus (Monthly)
- Economic Outlook (Monthly)



We triggered that sell threshold on Friday, 3/14 @ 5638.

Since then, I recommended remaining out of US stocks and positioned defensively with:

1. Zacks Earnings Certain Proxy
2. Short-dated US Treasuries (SHY and JPST)

Stop-buy at SPX 5959 (as of today, April 11, subject to change). Read my Weekly Market Analysis for updates, published every Monday around 4pm EST.



The downside may get ugly for the time being, but this is why we designed the Zacks Earnings Certain Proxy.

Zacks Earnings Certain Proxy: Recession-Resistant, Durable Moat-Protected, Low Volatility, Steady Compounders





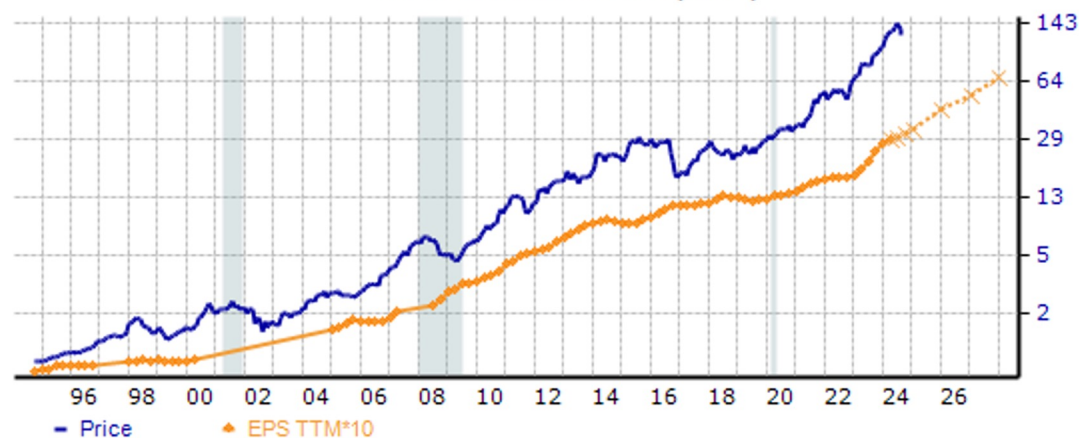
Price & Earnings
CHECK PT SOFTW (CHKP)

Price \$ | EPS*10



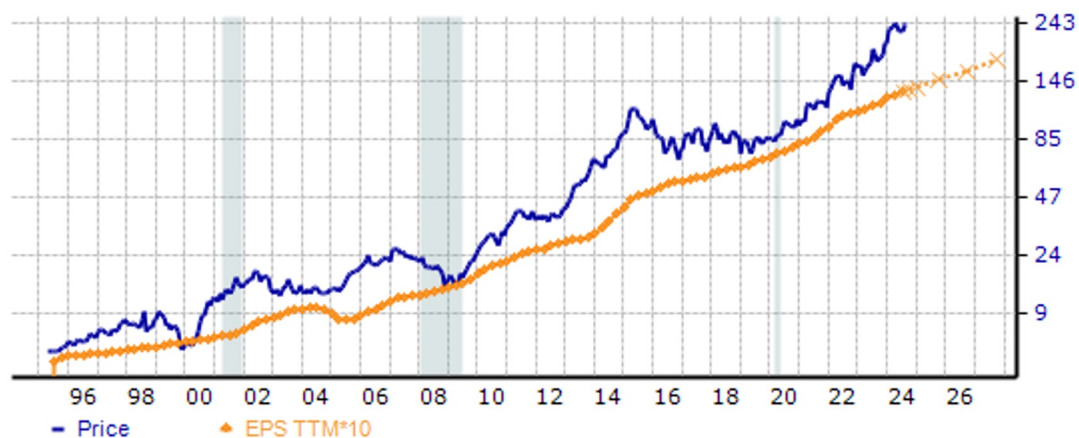
Price & Earnings
NOVO-NORDISK AS (NVO)

Price \$ | EPS*10



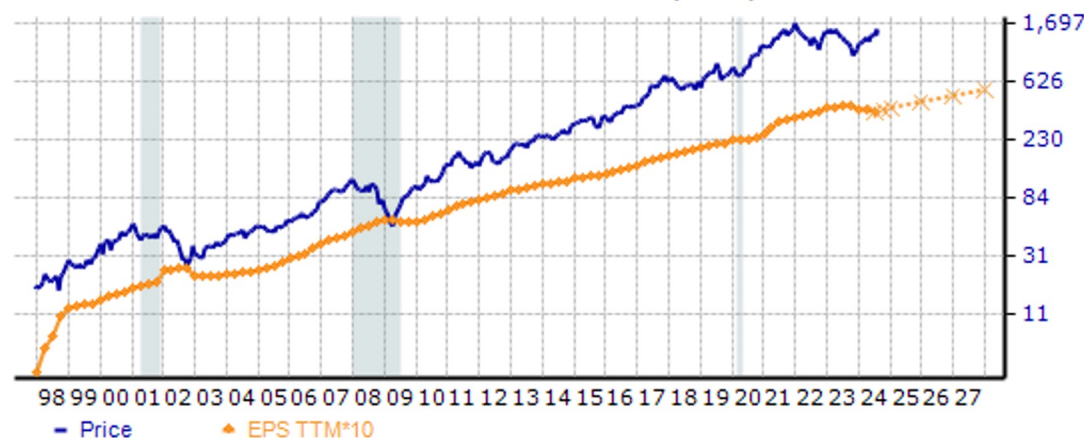
Price & Earnings
CENCORA INC

Price \$ | EPS*10

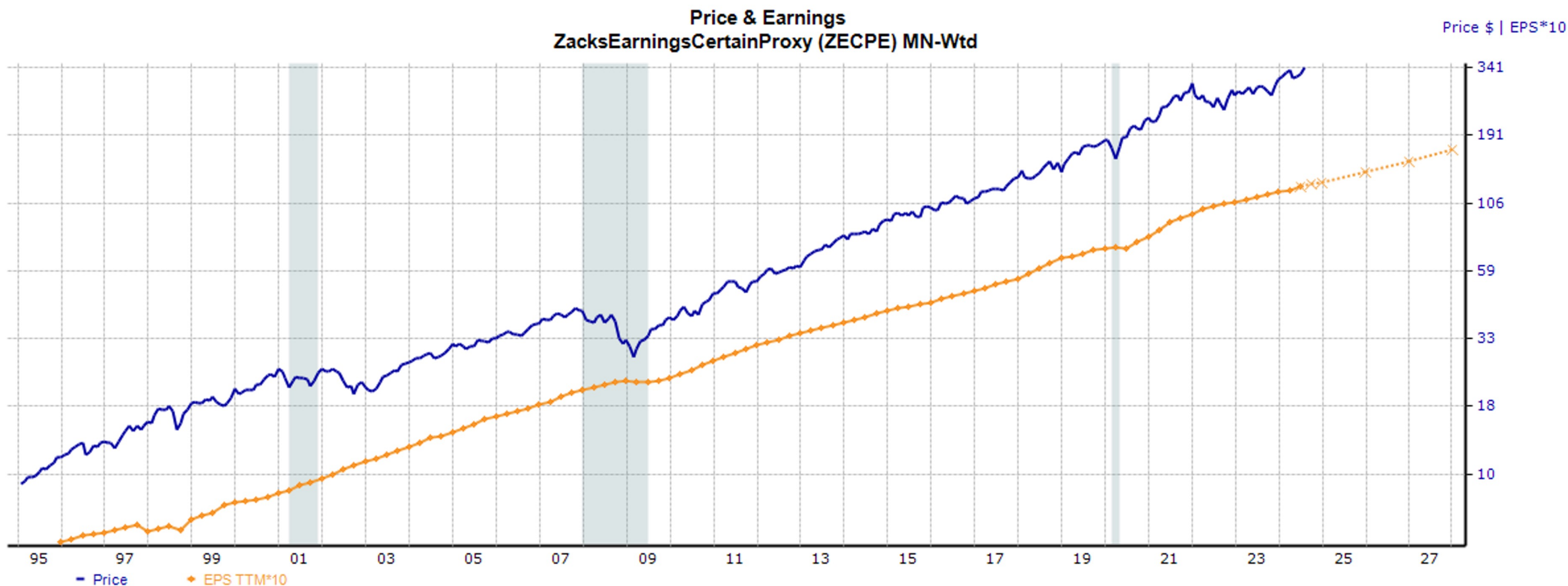


Price & Earnings
METTLER-TOLEDO (MTD)

Price \$ | EPS*10



Built for Long-Term Durability



Thank You for Attending!



Mayur M Thaker, CFA

Equity Strategist

Zacks Professional Services

Support: 866.794.6065 | info@Zackspro.com

Twitter: @freshjiva

[linkedin.com/in/mayur-m-thaker-cfa-86234235/](https://www.linkedin.com/in/mayur-m-thaker-cfa-86234235/)

866-794-6065

strategycall@zackspro.com

www.zackspro.com



Zacks Professional
Services



@ZATools

