

Today, April 2nd on 2025, President Donald Trump has announced a vast array of retaliatory tariffs to a vast array of different countries, from Madagascar and China. The tariffs were announced as a part of his "Make America Wealthy Again" and include a baseline of 10% tariffs for every country and half of what the other countries' tariffs/other subsidies (such as currency manipulation) on us are (for example, China has a 67% tariff on all American imports and now President Trump has just placed a 34% tariff on Chinese imports, on top of other tariffs previously imposed on the Asian country).

As of the time of writing, the S&P500 is dropping -3.49% in after market trading, with major stocks such as Apple or Amazon dropping and -7.10% and -6.12%, respectively. Given the bloodbath that is expected to happen in the market tomorrow, I wanted to make a statement about what I think of the policy and how I believe that will affect my stocks

As a Economics student at The University of Chicago and someone that generally supports free trade, I am not the biggest fan of tariffs, as I believe that countries have different strengths and weaknesses and competitive advantages, which help the global economy prosper through free trade. For example, if the US is good at services (and we do have a positive commercial balance for services) there is great benefit in making our population better trained and prepared to work in a services job instead of a manufacturing one. The inverse thing happens for countries whose population is prepared to work in manufacturing. So, in a theoretical world, the American population would benefit from a more comfortable, in the city services job making more money while we let the other countries take care of the goods while we can solely train the American people to be more effective at services jobs, making us more competitive in that sphere.

Furthermore, one of the reasons US exports will (pretty much) always be more expensive than other countries' in the global market is that the US dollar is stronger than many other currencies (namely the Chinese Yuan), and upon the decision of devaluing the dollar in exchange for a favorable trade balance, I think the US should opt for having a stronger currency.

There is something to be said, however, about the foreign investment and investment American companies will make in the US. This will increase productivity in the US, leading to development of factories and infrastructure all throughout the country and a significant increase in Real GDP. This will probably be accompanied by a rise in wages, now that the companies can't hire cheap labor across the ocean and will now have to pay American workers to manufacture the products for a human and respectable salary.

In the long term (+5-10 years) this will, further allow the population to live more prosperous lives of their own, strengthen the middle class and the industrial heartland of the country and, maybe in a distant future, make American families prosperous on their own to the level where the demand for subsidies such as Medicaid will fall and so will the deficit or tax rates.

As a Political Science and Economics student at the University of Chicago, I do see utility in placing tariffs on countries that impose tariffs on US goods. Madagascar, for example, has been imposing a 93% tariff on US imported goods, and today the Trump administration has imposed a 47% tariff on the african country. I do believe that it is fair that we should protect US manufacturing and jobs, since they are doing the same in their country to protect Madagascar's manufacturing and jobs. US exports have not been competitive in Madagascar ever since such a tariff was put in place by their government, and I do understand the wish to protect the American manufacturing industries as a response.

This game theory situation may lead to a scenario that the two players will need to come to the table and agree to cooperate, in a scenario where both countries go back to free

trade, or both keep the situation as is. In this case, using the retaliatory tariffs as a bargaining chip for better trade deals in the future seems like a great political strategy. If Madagascar manufacturing plants shut down because goods produced there are now expensive to consume in the US, the government of Madagascar will be more inclined to reduce their own tariffs and allow US manufactured products to be attractive in their island once again.

Now, I will address the impact of tariffs on my stock portfolio on a stock by stock basis.

Airbnb (ABNB) is a stock that produces software and operates in the hospitality industry, a notably cyclical industry, which will be indirectly affected by the tariffs. As money for trips and leisure experiences are usually on the bottom of the list of a family's spending priorities, the ~14% cut of on-app spending that Airbnb will take from customers will be smaller, since many of them will need to spend a bigger % of their income on more important products which now cost more money, such as food and clothes. However, since Airbnb is one of my most recent purchases, the stock price was already reflecting the tariffs imposed. In fact, many of the stocks in the stock market were priced predicting a 100% retaliatory tariffs on products, not a 50%, which is what ended up happening. I believe I bought the stock at a cheap price and that the company's MOAT and merchant's cut business model will largely protect the business from the commercial war.

Advanced Micro Devices (AMD) is a California based company that designs mainly CPUs GPUs and outsources its production to foundries, such as TSMC's, mostly located in Taiwan, which has been the target of a 32% tariff. TSMC is close to expanding its production capabilities to the US, with factories in Arizona, in order to avoid the tariffs. Until the Arizona factories are fully operational AMD will probably have to deal with larger costs of production and decreasing margins. Furthermore, the change from using TSMC's fabs to using Intel's or Samsung's, that are located in the US involves getting around contractual obligations with TSMC and adapting the microchips production standards to fit Intel's or Samsung's factories, which could take time and money. However, the same happens further down the production line. To protect its margins, AMD would pass these costs down the supply chain by raising prices on its CPUs and GPUs. Hyperscalers like Amazon and Google, facing high switching costs and limited alternatives, would likely accept these increases, at least in the short term. As a result, AMD's margins would remain relatively stable, though they could experience slight compression if demand softens or if AMD is forced to absorb some of the cost in more price-sensitive consumer markets. Overall, I do believe that this hit on the stock's profit margin has been priced months ago, ever since tensions in Taiwan and the election of trump in November 2024, and that the stock price will bounce back as the market's fears adjust again.

Abercrombie and Fitch (ANF) may be the most vulnerable stock to tariffs in this portfolio (and perhaps a mistake, since it was my latest addition). As the majority of its clothing is sourced from countries like Vietnam, China, and Bangladesh, countries heavily affected by the tariffs, their profitability will take a hit in the short term. While ANF could try to pass these costs onto consumers, its pricing power is limited making demand losses likely. Abercrombie operates in a competitive fashion market with low switching costs. As a result, the company would either absorb the added costs or risk lower sales, both of which would compress margins. However, I do recognize that ANF was a stock that I bought more because of its, in my opinion, ridiculously low valuation, and not specifically because of their MOAT or competitive advantage, I still think there is more than enough margin of safety for the stock to grow. I believe this to be true especially when considering the fact that the stock

has been down -40% since Trump's election, meaning that the market has probably already priced in the tariffs and lower margins, even overpriced it, considering the expected 100% retaliatory tariffs. So I believe that the stock is not in a great position, its low price still makes sense and I hope to profit from its discount.

ASML, a Dutch company and the sole supplier of advanced photolithography equipment essential for semiconductor manufacturing, exports its machinery globally, including to Taiwan's TSMC, South Korea's Samsung and American fabs such as TSMC's and Intel's. The newly imposed U.S. tariffs on Taiwanese or Korean semiconductors could significantly increase operational costs for these key customers, potentially leading them to delay or reduce investments in new equipment from ASML. While ASML might attempt to offset these challenges by adjusting pricing strategies, such actions could further dampen demand from clients already grappling with increased expenses. However, similar to AMD but with even a better pricing position than them, ASML's unique position as the exclusive provider of extreme ultraviolet (EUV) lithography machines affords it a strong negotiating stance, meaning that they could probably pass 100% of the cost of the tariffs to their customers. Demand may decrease but not margins. And even so, I don't believe demand for microchips will decrease because of tariffs - the AI frenzy and the arms race for better tech is stronger than commercial wars. Finally, ASML's ~\$40 billion backlog of orders will be fulfilled anyway, since the pricing for those contracts was settled months or years ago, which will protect ASML from the impact of tariffs for a few months or years.

Alphabet (GOOGL) will also be affected by the tariffs but not that badly. The company's primary revenue stream—advertising—remains robust, with YouTube's total ads and subscription revenues surpassing \$50 billion over the past four quarters. Since advertisement is a fundamental part of every business and Google has a fantastic MOAT on the sector I expect people and businesses, which will have their relative and disposable income decreased, to mostly absorb the impact of tariffs on their own (spending less money on other stuff, for the most part) and continue to spend more or less the same amount of money on ads. However, the tariffs could affect Google Cloud, which reported Q3 2024 revenues of \$11.4 billion, a 35% year-over-year increase. Higher semiconductor costs may lead to increased operational expenses for data centers, potentially impacting profit margins for that segment. Google will be slightly affected by the policy but is overall in a better position than most of the market, which will help their stock price resist the turbulence.

Inter & Co (INTR) is anticipated to experience minimal impact on its domestic operations from the recent U.S. tariffs, as these primarily target goods rather than services and Brazil operations will not change. The company's core offerings in Brazil, including digital banking, investments, credit, insurance, and a marketplace integrating top retailers, are expected to continue without any change. In the United States, Inter & Co has been actively expanding and has been their main promise of growth for the future, focusing on the Brazilian diaspora and broader markets by providing a comprehensive financial super app. This expansion strategy, centered around digital services, is likely to proceed as planned, given that the tariffs predominantly affect physical goods. However, the broader economic implications of the tariffs, such as potential inflationary pressures and reduced disposable income among American consumers, could influence savings and investment behaviors, which could damage Inter's AUC, loan portfolio and other services' volume in the US.

Lyft's core user base relies on its platform for essential transportation needs, such as commuting to work or running errands, suggesting that everyday usage may remain stable despite potential economic pressures. Additionally, in urban areas with limited public

transportation options, consumers may continue to depend on Lyft for daily mobility, mitigating some of the potential downturn in usage. However, increased tariffs could lead to higher inflation, reducing disposable income for consumers. This financial strain might result in decreased spending on leisure activities, potentially leading to a slight decline in Lyft usage for non-essential trips. I don't expect Lyft's earnings or stock price to be very affected by the tariffs

Finally, Tidewater (TDW), a leading provider of offshore service vessels to the global energy industry, may experience a nuanced impact from recent U.S. tariffs on imported goods. Domestically, these tariffs could incentivize increased oil drilling activities as U.S. firms aim to bolster domestic production to mitigate reliance on imported resources. This surge in domestic drilling could elevate demand for Tidewater's offshore vessels and services within the United States, potentially enhancing revenue streams. However, international operations might face challenges, as foreign companies could scale back drilling endeavors due to diminished export prospects to the U.S., potentially reducing demand for Tidewater's services abroad. However, it's important to note that the high costs associated with halting drilling operations often deter companies from complete shutdowns, even amidst reduced profitability. This operational inertia suggests that while international demand may contract, it is very unlikely to decrease substantially, allowing Tidewater to maintain a baseline level of activity.

The stock market will always have days of bloodbaths caused, yes, by policy decisions but caused, mainly, by people's change in perception on the stocks themselves, especially since many of these stocks were already priced in for the tariffs (and actually priced for a 100% retaliatory tariff, not a 50% one). Although we should brace ourselves for the impact, I fully expect the stock market to bounce back within a reasonable time frame and that my stock portfolio, composed of stocks with resilient economic MOATs and good valuations, will perform well compared to the market in the long run.