

## SUMMARY

The recent agreement between the US and China to substantially reduce tariffs for 90 days, following on a trade deal between the US and UK, resulted in a sense of relief among market participants and significant gains. As of May 2025, the broad Russell 3000 index of US stocks is up 0.3% year-to-date (having recouped its earlier losses), and the broad MSCI All-Country World ex-US Index is up 11.6%.

Consumer Price Index (CPI) inflation was 2.3% in April, below economist expectations and the lowest since 2021—though the impact of tariffs on inflation is complex and may not yet be fully realized, and given the shifting tariff policy, such inflation impact may (or may not) be transitory.

Forecasters are currently reducing their projected probabilities of a recession in 2025 (having generally just recently increased them.) The market expects two 0.25% rate cuts in 2025—another expectation that has been volatile in recent weeks and remains fluid as tariff reductions and tame inflation increase the odds of rate cuts, while reduced recession odds and remaining policy uncertainty decrease the odds.

Where do we stand now? Tariffs have raised \$47.3 billion in 2025, or about \$15 billion more than at the same time last year.<sup>1</sup> (For comparison, the US federal income tax raised \$2.4 trillion in 2024.) This money goes to the US Department of the Treasury and enters the general affairs budget, where it could be used for a wide variety of purposes.<sup>2</sup>

Despite the reductions from the original “Liberation Day” announcement, other subsequent exemptions, and then the UK and China agreements, tariffs remain well above previous levels, with a baseline of 10%. There have been many reports of reduced shipping container traffic and port activity, which (even if partly transitory) has not been observed yet in supply chain issues and other economic consequences.

GDP growth was negative in the first quarter, primarily driven by a large increase in imports as businesses rushed to get ahead of the tariffs being a major driver. Now, importers may rush (to some degree) again to get within the 90-day window of partially suspended China tariffs. Perhaps, after 90 days, tariffs will be even lower as a productive deal is reached—or perhaps the deal will collapse and we will be back to 145%, although

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<sup>1</sup> Politico. [Are Trump's tariffs making money? Watch this chart](#)

<sup>2</sup> Aprio. [Federal Budget: How is it Structured, Generated and Spent?](#)

recently, Treasury Secretary Scott Bessent has indicated a floor of 10% and a ceiling of 34%.

Further complicating the issue, the legal challenges to the tariffs are just getting started, with the first federal court hearing (by the US Court of International Trade) having happened on May 13<sup>3</sup>.

Last month, we published a [commentary piece](#) on the potential goals the US might be pursuing with tariffs, including reducing US trade deficits, restoring US manufacturing, raising revenue and serving as a negotiation tool to lower trade barriers and/or get other concessions from other countries. We seem so far to be going down the negotiation path, based on the UK and China agreements and the administration's discussions of many other deals supposedly in progress. The market welcomes the negotiation path, if for no other reason than it is the surest path back to relative normalcy.

The political impact of tariffs will likely weigh on policy changes—a slight majority of Americans (53%) think recent tariffs will hurt the US economy, though there is a strong partisan effect in the results (Republicans are more favorable.)

The tariff situation remains volatile and hard to predict. Markets seems to be pricing in a reasonably favorable conclusion and more stability going forward. We will continue to monitor the situation, looking for, in the best case, productive trade deals.

Read below to find more information on the China and UK negotiations, and the recent visit to the Middle East.

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<sup>3</sup> Vox. [Trump's tariffs are probably getting struck down by a federal court | Vox](#)

## Recent US Trade Deals

PARTNER	KEY TERMS	STATUS
China	Tariff reductions <sup>4</sup> (US:145% to 30%, China: 125% to 10%), 90-day suspension, ongoing talks	In effect on May 12 <sup>th</sup> 2025
United Kingdom	New trade agreement <sup>5</sup> ; tariff reductions on certain industries, along with \$700 million in US ethanol exports and \$250 million in other agricultural products (beef) to the UK, as well as the creation of a \$5 billion opportunity for new US exports benefitting US farmers, ranchers, and producers, ongoing talks	Trade agreement on May 8 <sup>th</sup> 2025
Saudi Arabia and Qatar	Saudia Arabian investment in the US, Qatar purchase of aircraft	Ongoing

## US-China Tariff Reduction Agreement

- Both countries agreed to suspend or roll back most of the tariffs imposed since early April 2025, with the US lowering tariffs on Chinese imports from 145% to 30% and China reducing tariffs on US goods from 125% to 10%.
  - This arrangement is set for an initial 90-day period, during which further negotiations are expected to continue.
- The agreement also includes China suspending or removing non-tariff countermeasures, such as export restrictions on critical minerals and actions targeting US companies.

<sup>4</sup> Gibson Dunn. [Stepping Away from the Brink: U.S.-China Trade Deal Offers 90-Day Tariff Reduction - Gibson Dunn](#)

<sup>5</sup> Whitehouse. [Fact Sheet: U.S.-UK Reach Historic Trade Deal – The White House](#)

- Both sides will retain a baseline 10% tariff during this period, and some earlier tariffs (such as those related to national security and specific US trade laws) will remain in place.

## **US-United Kingdom Trade Deal**

- The US will reduce tariffs on British auto imports from 25% to 10% on the first 100,000 vehicles per year; any additional vehicles will be subject to the higher rate.
- The US will eliminate the 25% tariffs on UK steel and aluminum exports, though these exports will remain subject to a 10% baseline tariff.
- A 10% baseline tariff will remain on most other UK exports to the US, which is higher than pre-2025 levels but lower than the peak tariffs imposed in March and April 2025.

## **US-Middle East Trip**

President Trump's inaugural foreign visit of his second term to Saudi Arabia also signifies the establishment of new trade relations, which includes a substantial commitment of \$600 billion in investment by the United States within the country<sup>6</sup>. This commitment encompasses a defense sale agreement valued at \$142 billion. At the same time, President Trump announced a \$96 billion agreement between Boeing and Qatar Airways for the provision of up to 210 aircrafts, which is anticipated to support approximately 154,000 jobs in the United States during the production and delivery phases<sup>7</sup>.

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<sup>6</sup> Whitehouse. [Fact Sheet: President Donald J. Trump Secures Historic \\$1.2 Trillion Economic Commitment in Qatar – The White House](#)

<sup>7</sup> BBC. [Trump: Boeing wins Qatar Airways order of up to 210 jets](#)

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