



Wild Ride Ahead Part 2

Last week, I discussed how the market is in for a wild ride. In particular, stock market valuations are at nosebleed levels, and the odds favor a painful pullback.

The unrelenting news cycle surrounding President Trump's activities adds fuel to the fire.

This week, there was a lot of news surrounding tariffs, and as the situation developed, the stock market and the U.S. Dollar moved sharply back and forth.

I remember starting to study economics in high school in the early 1990s, and I also learned some political science.

The first presidential election I could vote in was Bill Clinton versus Bob Dole in college. At that time, I was also taking some political science classes.

I do not recall much discussion about "executive orders. "

We live in a time when the president has more power than one might have thought, given the ability to sign an executive order and make something happen.

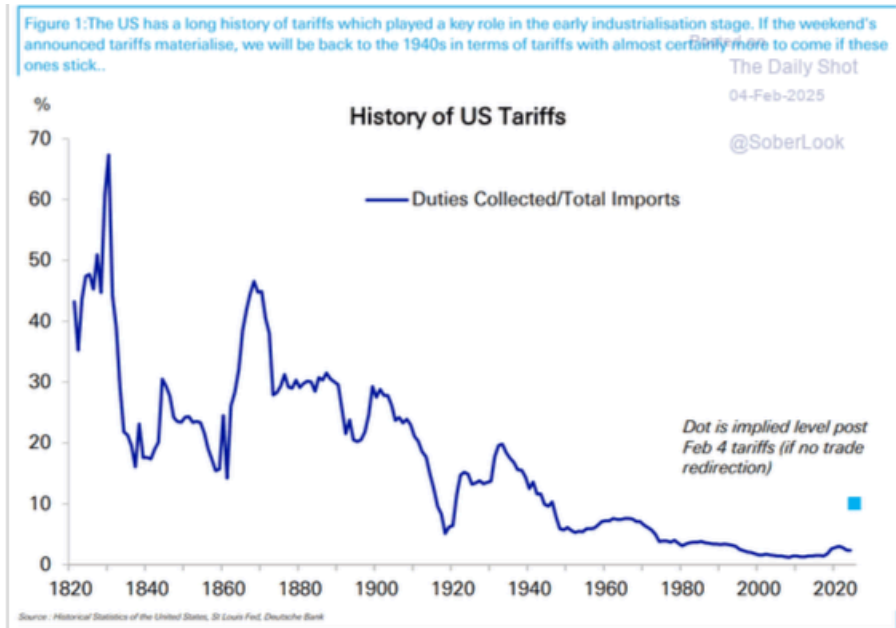
What does Congress do these days?

President Trump has signed many executive orders and holds a press conference in his office seemingly every day.

This week, there was a flurry of orders to impose tariffs. Like executive orders, tariffs weren't much discussed when I studied political science because they weren't a big deal.

This week, I was fascinated by all this activity and I wanted to share some charts with you.

Like I said, in the 1990's tariffs weren't much of a thing. See the chart below.



For many of us, a policy shift would be something we haven't experienced in a long time or at all. If tariffs are put in place, we will be back in 1930s territory.

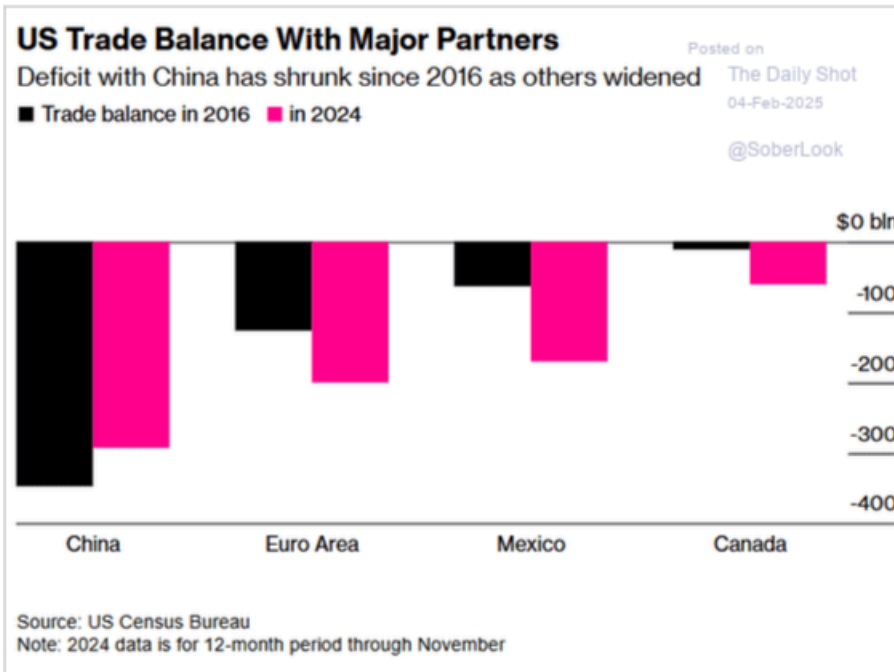
There's a lot of bluster and fake news coming from the media about tariffs. Trump warned Canada and Mexico that they must stop the flow of people over the border and illicit drugs. Nothing happened. He imposed tariffs. All of a sudden, those countries are sending thousands of troops to the border and focusing on stopping the flow of drugs. For now, the tariffs are on hold for 30 days.

Obviously, the implementation of tariffs is meaningful because Canada and Mexico acted once the tariff was in place.

Actions speak louder than words.

As the chart below shows, the deficit with Canada, Mexico, and Europe has expanded. Trump has warned in one of those office pow-wows that Europe is next on his list.

These countries have a lot to lose if the trade deficit narrows. Again, once the tariff was imposed, they acted swiftly to have it "paused."



Source: @bpolitics [Read full article](#)

All of this begs the question, what do these countries make that we need so badly that we have a trade deficit with them?



Cars, energy, and junk.

According to Pierre Poilievre, the next likely Prime Minister of Canada, his country sells energy products to the U.S. at a massive discount. If that's true, we're possibly getting a good deal, and a deficit isn't so bad.

If necessary though, we can probably do these things at home.

I'm also not convinced that tariffs are inflationary. Inflation is too much money chasing too few goods. If the price of something goes up 25% due to tariffs, smart consumers will substitute it for something else.

A case in point is Apple. Apple complained about tariffs on Chinese-made goods because it couldn't compete against cell phones made in other countries. Now, it has some facilities in the U.S., Thailand, and South Korea, among other places.

Funny how that works. Tariffs seem to change behavior.

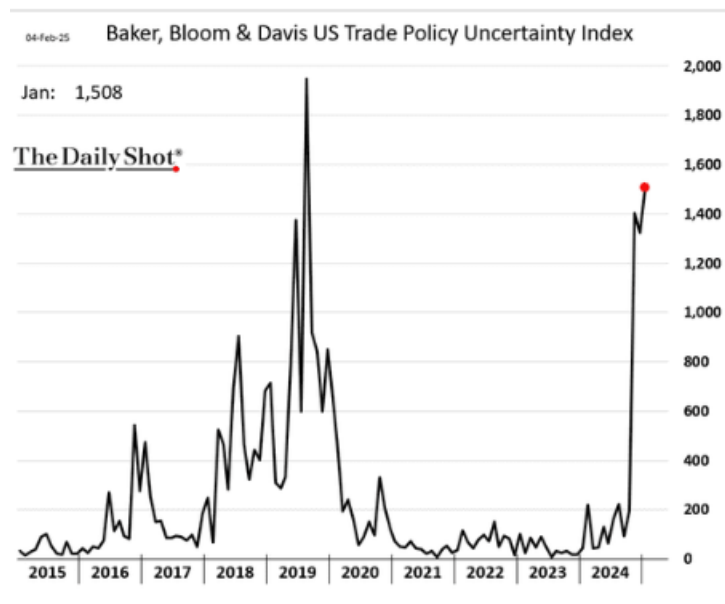
Since many of us don't know much about tariffs, as they're a return to policies before we walked the Earth, the constant news cycle, and propaganda spouted by globalists, I expect increased market volatility.

Both in the short-term and intermediate-term.

Here's an interesting chart measuring trade policy uncertainty. It's been off the charts since the November election.

The reality?

No one knows.



What does it mean for investing?

Well, after a period of underperformance relative to the S&P 500, smaller stocks may finally have their day in the sun. Several times, I have talked about the spread between small and mega-cap stocks at historical levels.

That spread will close. When it does, the gains will be substantial. Many smaller companies are not global. They make one product. They do it well. As a result, they may benefit from a more favorable domestic regulatory environment and less competition from foreign competitors due to tariffs. Of course, it depends on who their end customer is, so not all small companies will benefit equally. But good things may come in small packages going forward!

In particular, quality microcaps like from my *Microcap Millions* strategy may benefit even more.

Microcap Millions is up 12.00% in 2025 compared with 0.44% for the benchmark. That's after gains of 59.55% and 58.78% in 2023 and 2024, respectively.

If you'd like to learn more about how microcaps can help you on your journey to financial freedom, contact me at jd@unboundedwealth.com

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