



Trump Tariffs & Tail Risks

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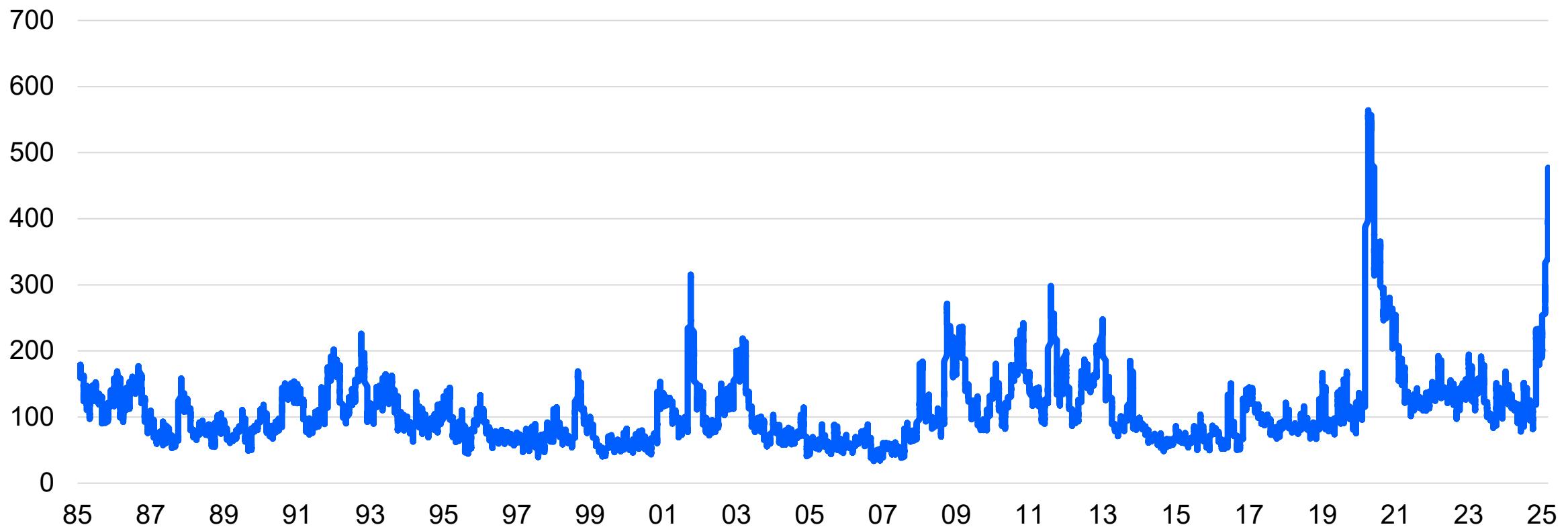
March 2025

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Introduction

Economic Uncertainty Spikes

Economic policy uncertainty for the U.S., index, 30-day MA, NSA



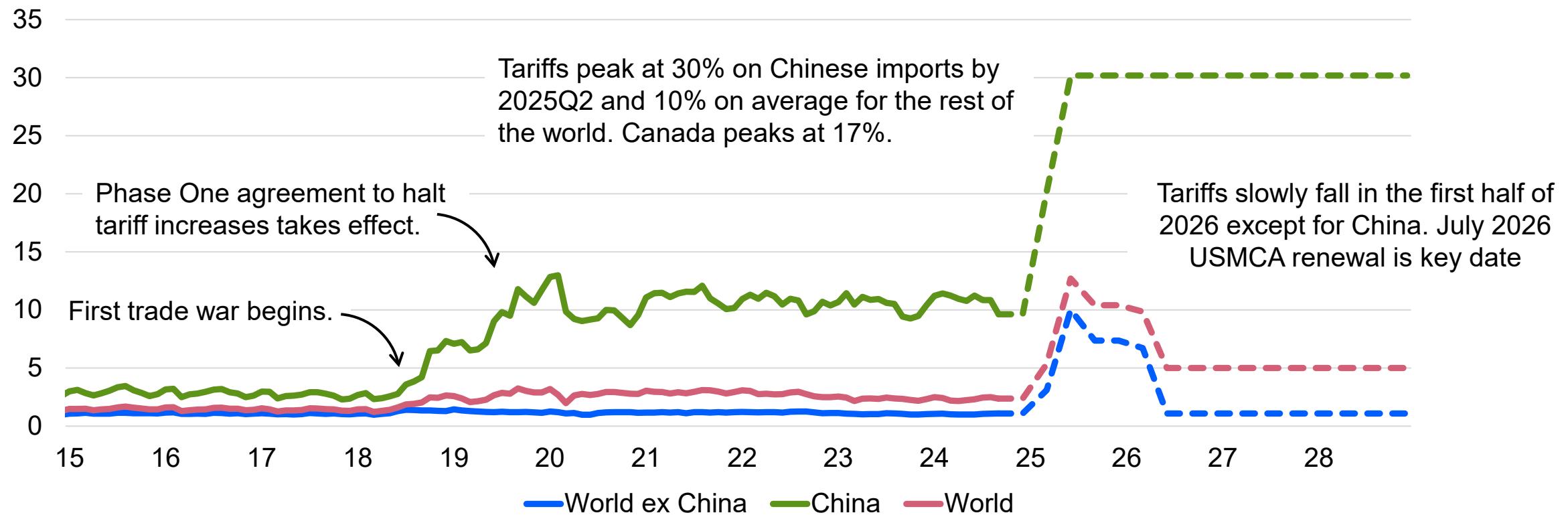
Sources: Baker, Bloom, and Davis; Moody's Analytics

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The Trump Economy

Global Trade War

U.S. import duties as a % of U.S. imports



Sources: Census Bureau, Moody's Analytics

U.S. Tariff Assumptions

Increase in average tariff rate across all goods, March 2025 outlook

	China	Mexico	Canada	Euro Zone	Japan/Some APAC	Vietnam/Some APAC	Brazil/ LATAM	US Total Increase	New US Effective rate
Baseline	20	18	17	10	2	10	5	10.5	12.7
S2	33	21	21	13	5	17	10	14.5	16.7
S3	47	23	21	17	7	23	15	18.1	20.3
S4	60	25	21	20	10	30	20	21.7	23.9

** S4 assumption is fixed based on analyst survey, S2 and S3 are constructed at even intervals from BL

** These are peak quarterly rates, not annual averages.

** Tariffs ramp up through 25Q1-25Q3, pause in Q4, then tariffs pull back in 26Q1

** S0, S1, S5, S7, S8 tariff assumptions are same as BL

** S6 tariff assumption same as S3

DOGE Cuts...

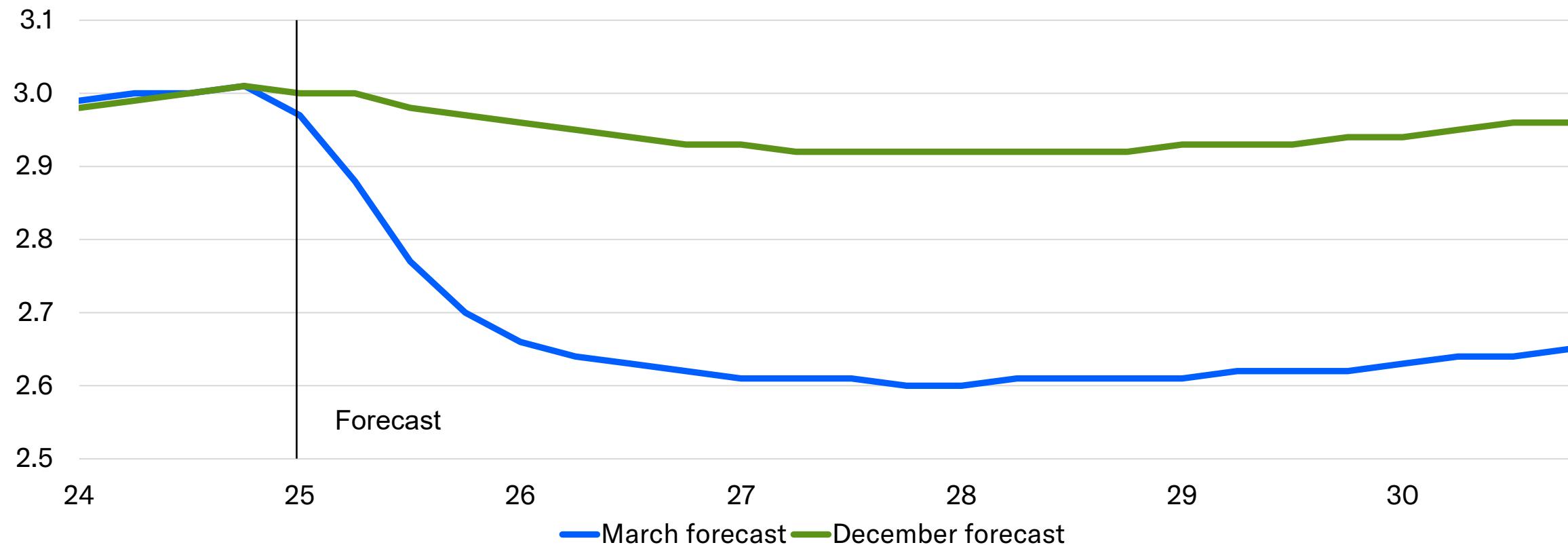
By agency and funding source, \$ mil

Agency	Contracts	Grants	Real Estate	Total	Total ex grants
USAID	12,408.4	13,527.2	0.0	25,935.7	12,408.4
Department of Treasury	2,185.5	780.3	0.3	2,966.1	2,185.8
Department of Homeland Security	829.4		0.0	829.4	829.4
Department of Veteran Affairs	809.1		9.1	818.1	818.1
Department of Education	805.0		2.7	807.7	807.7
Department of Health and Human Services	681.4	219.8	11.4	912.5	692.7
Department of Agriculture	233.9	957.5	0.4	1,191.8	234.3
General Services Administration	228.4		3.0	231.4	231.4
Department of Labor	192.0	32.9	0.0	224.9	192.0
Department of Energy	186.2		0.0	186.2	186.2
Others	1,171.0	2,443.9	118.6	3,733.5	1,289.6
Total	19,730.3	17,961.6	145.3	37,837.2	19,875.6

Sources: DOGE.gov, Moody's Analytics

...Will Hit Government Jobs Hard

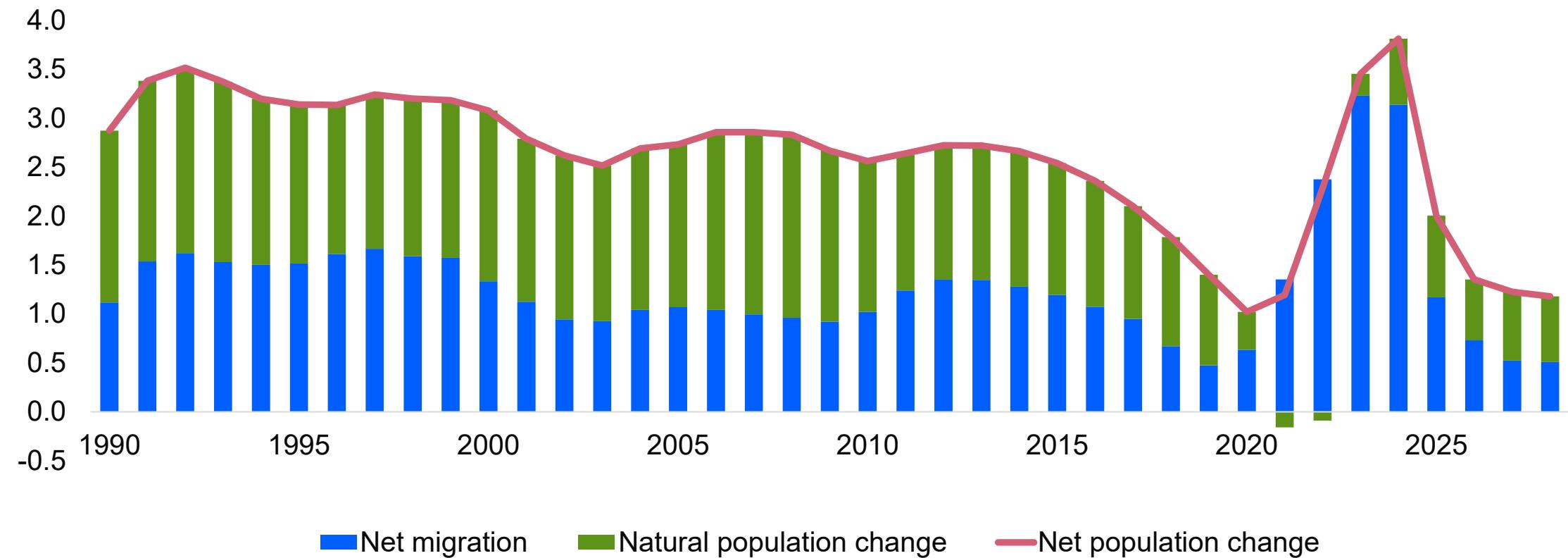
Federal government employment, mil



Sources: BLS, Moody's Analytics

Less Immigration, Weaker Population and Labor Force Growth

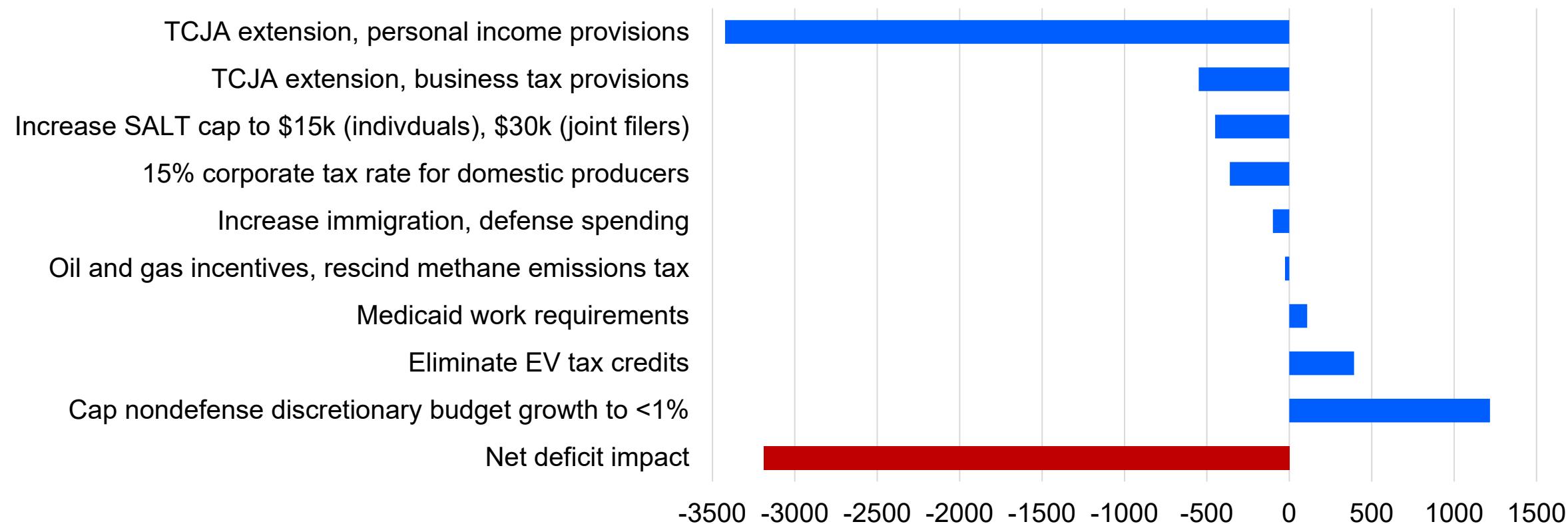
Millions of people



Sources: UN, Moody's Analytics

Trump's Fiscal Policy Agenda Doesn't Address Fiscal Challenges

10-yr static federal budget score vs current law, net effect on the deficit, March 2025 baseline, \$ bil



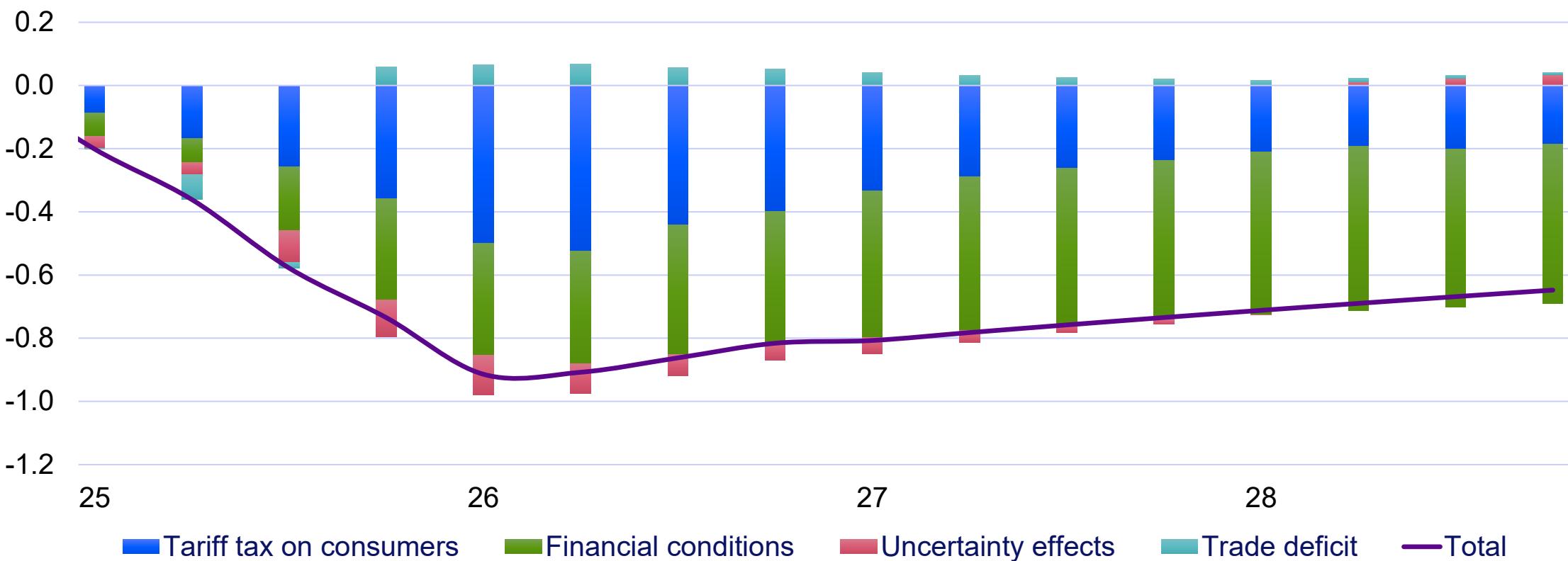
Sources: CBO, Committee for a Responsible Federal Budget, Penn-Wharton Budget Model, Tax Foundation, House Freedom Caucus, Moody's Analytics

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The Economic Outlook

Economic Growth is Diminished...

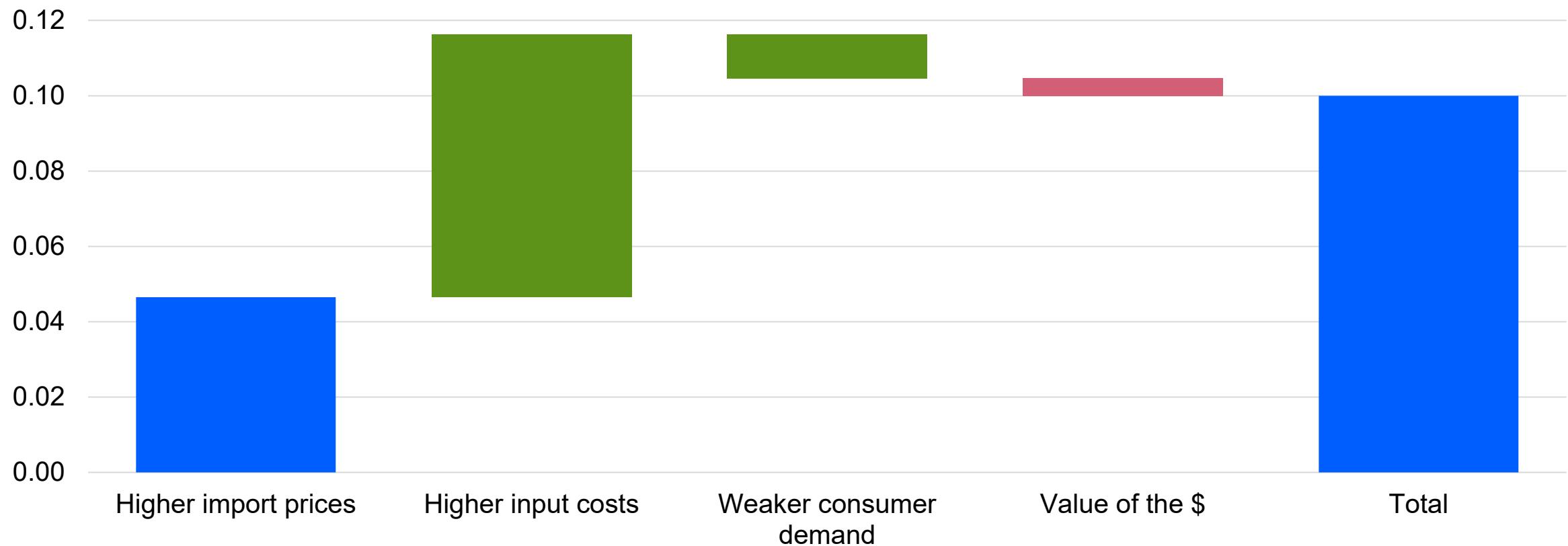
% Difference in Real GDP due to President Trump's assumed economic policies



Sources: BEA, Moody's Analytics

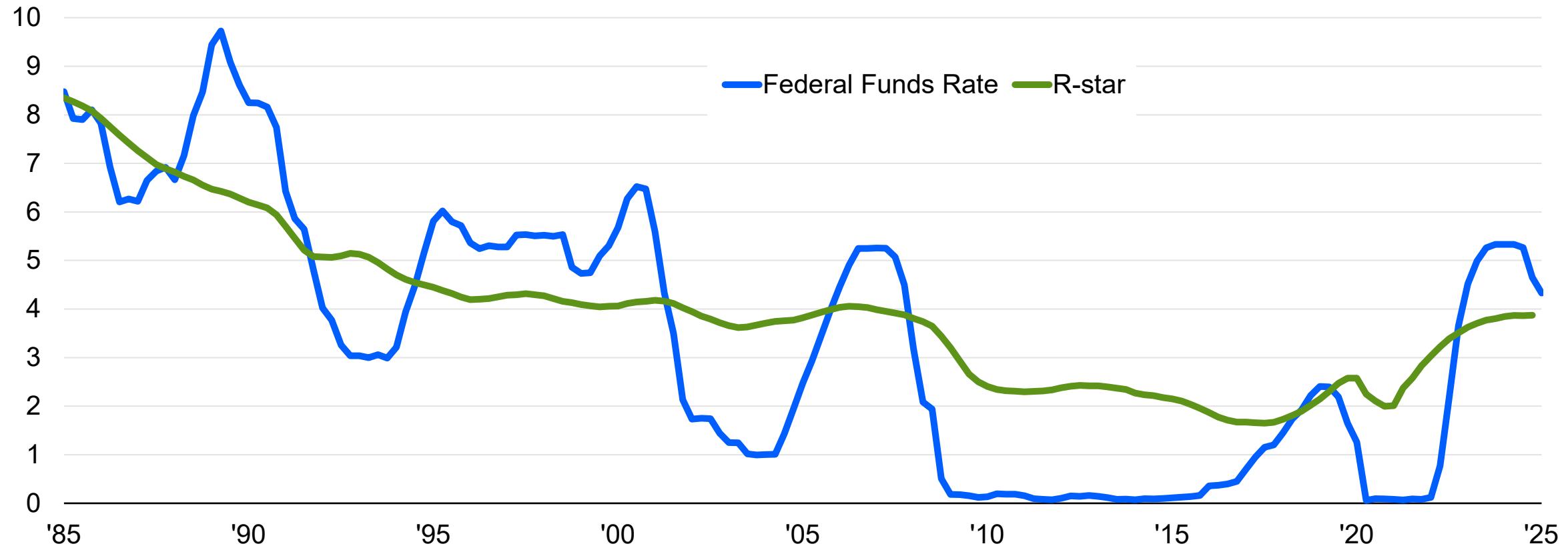
...Prices Are Higher...

Impact of a 1 ppt increase in the U.S. effective tariff rate on the core PCE deflator, %, by channel



Sources: BLS, Moody's Analytics

...and the Federal Reserve More Circumspect in Cutting Interest Rates



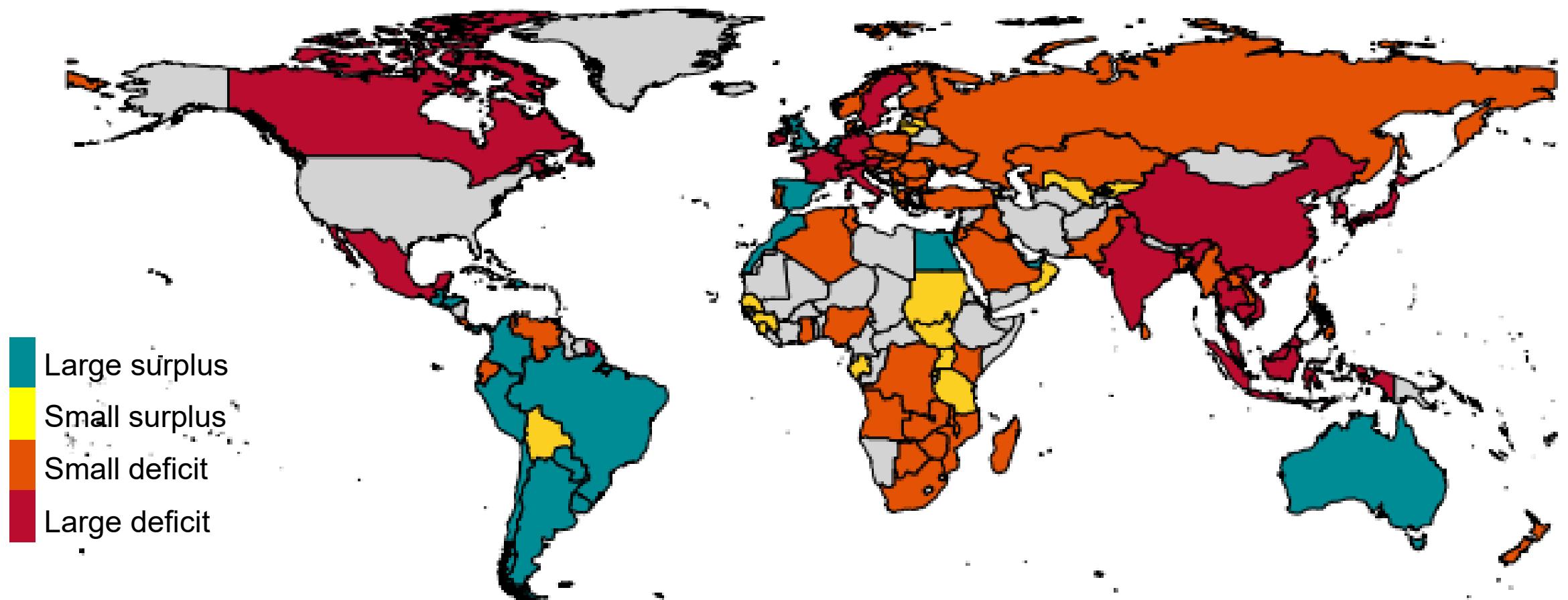
Sources: Federal Reserve, Moody's Analytics

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Global Trade War

Who's in Trump's Tariff Cross-Hairs...

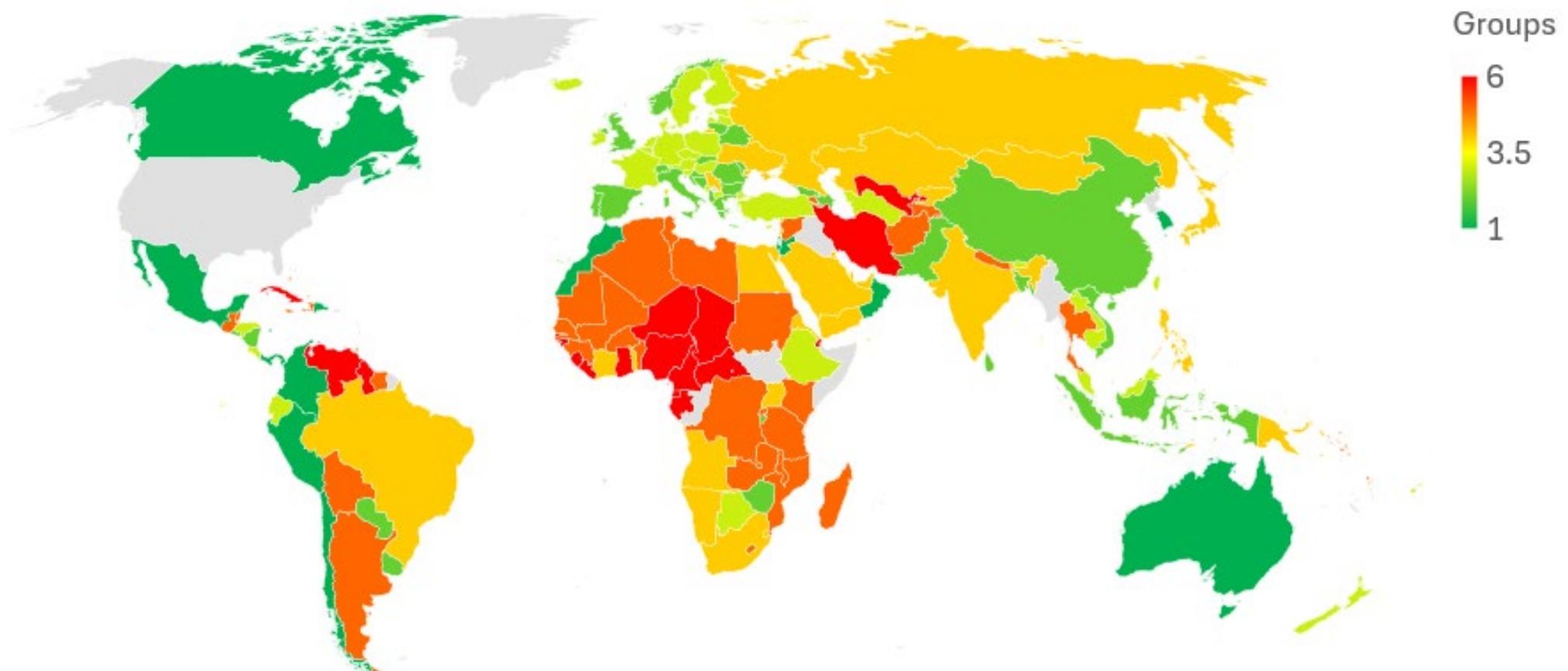
U.S. trade balance, 2024



Source: U.S. Census Bureau, Moody's Analytics

....And Will Face Reciprocal U.S. Tariffs

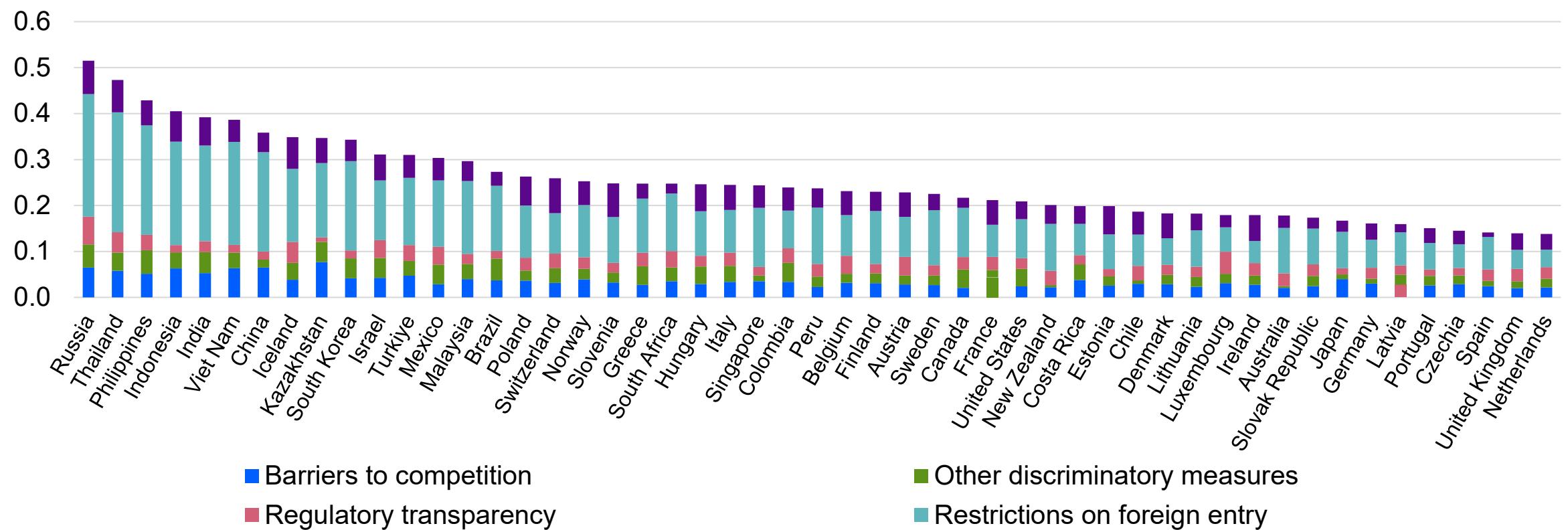
Foreign tariffs on U.S. goods less U.S. tariffs on foreign goods, 2023, %



Sources: UNCTAD, Census, Moody's Analytics

Is the U.S. Being Mistreated in Global Trade?

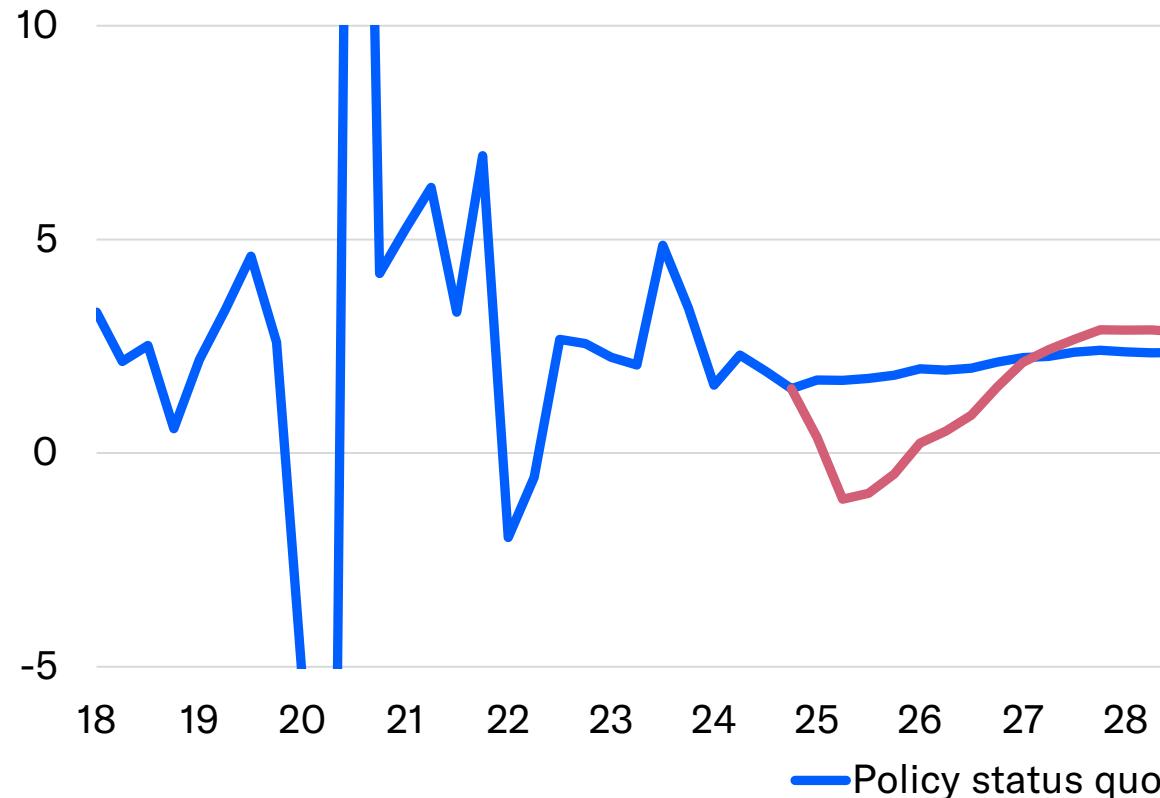
Effective tariff rate, most favored nation, trade-weighted mean, all products, 2022, %



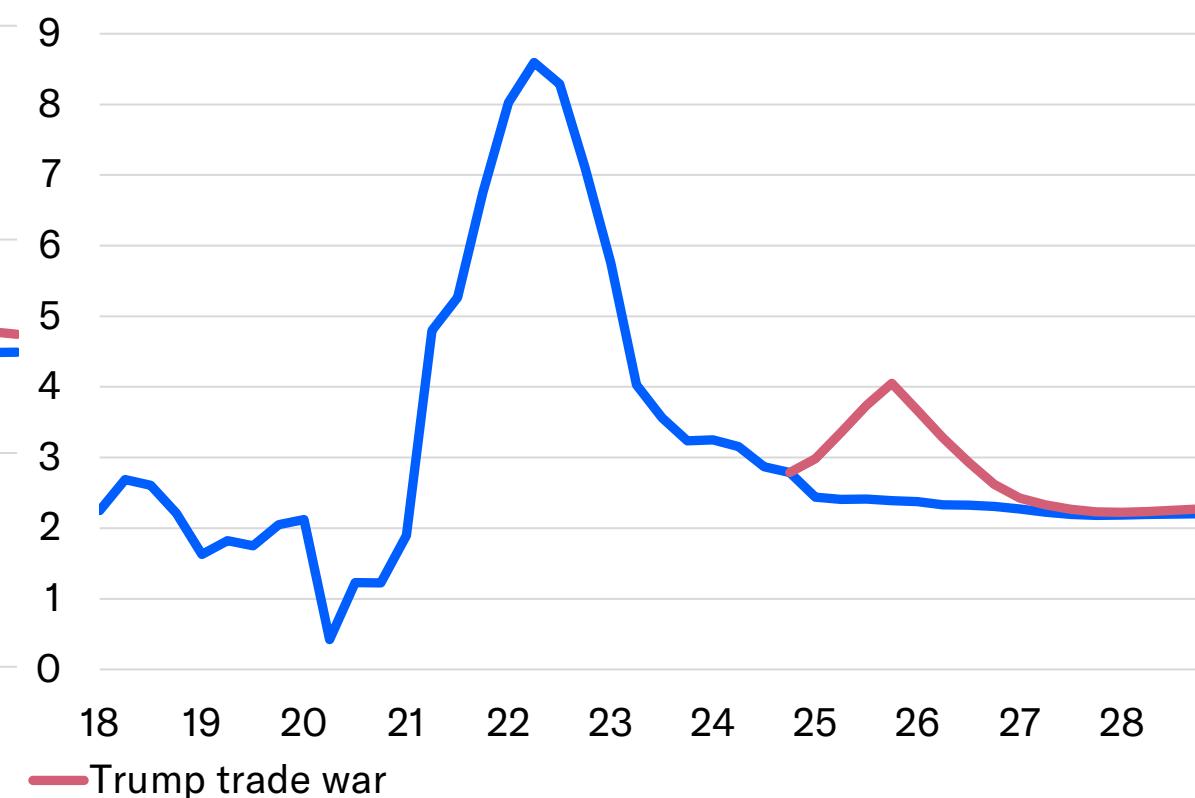
Sources: OECD, Moody's Analytics

A Global Trade War Will Significantly Damage the U.S. Economy...

Real GDP, annualized q/q % change



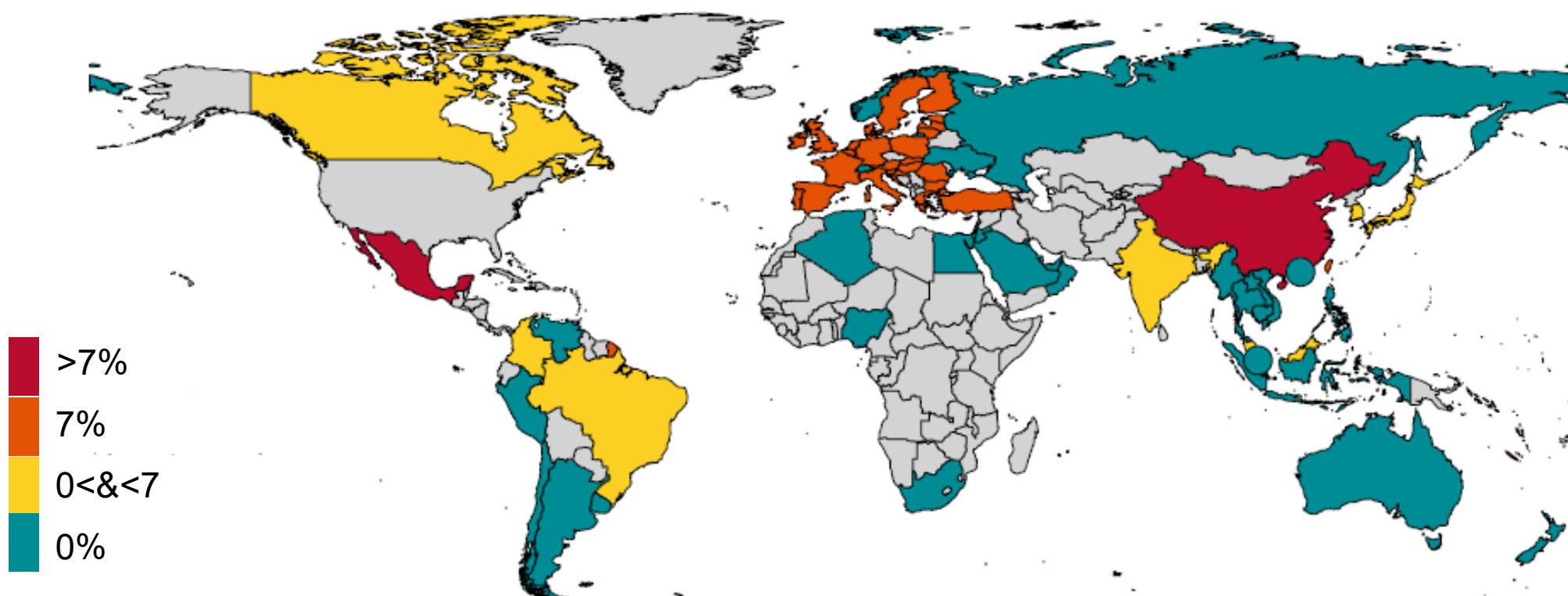
CPI inflation, % change yr ago



Sources: Multiple sources, Moody's Analytics

... As U.S. Trading Partners Retaliate...

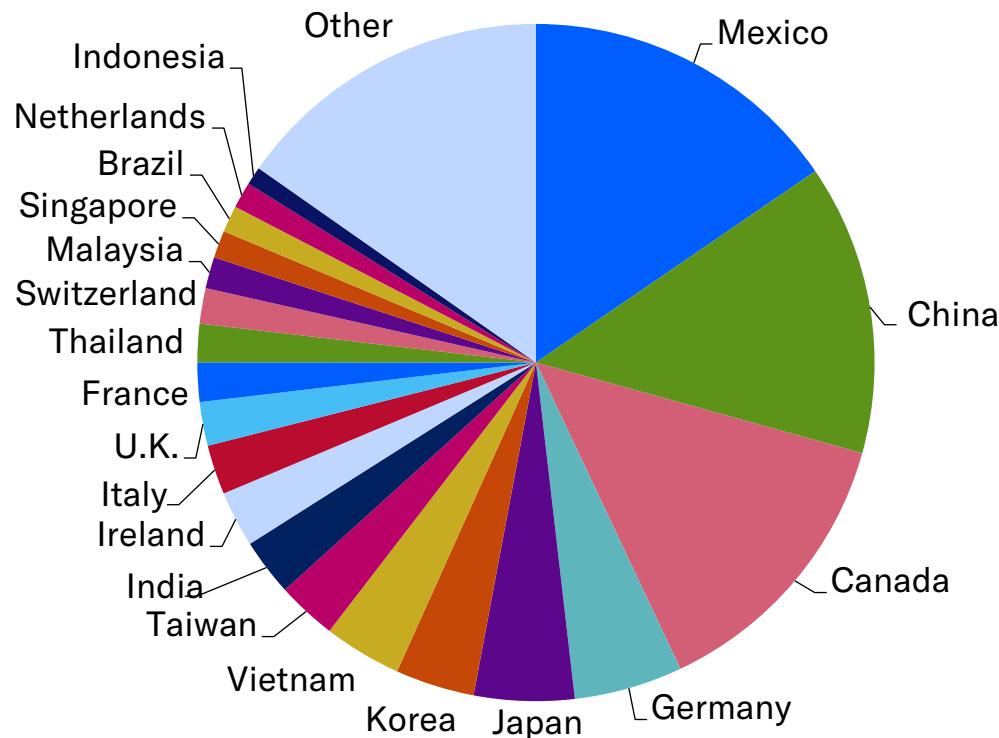
Expected retaliatory tariffs on U.S. goods exports, increase in average tariff rate, %



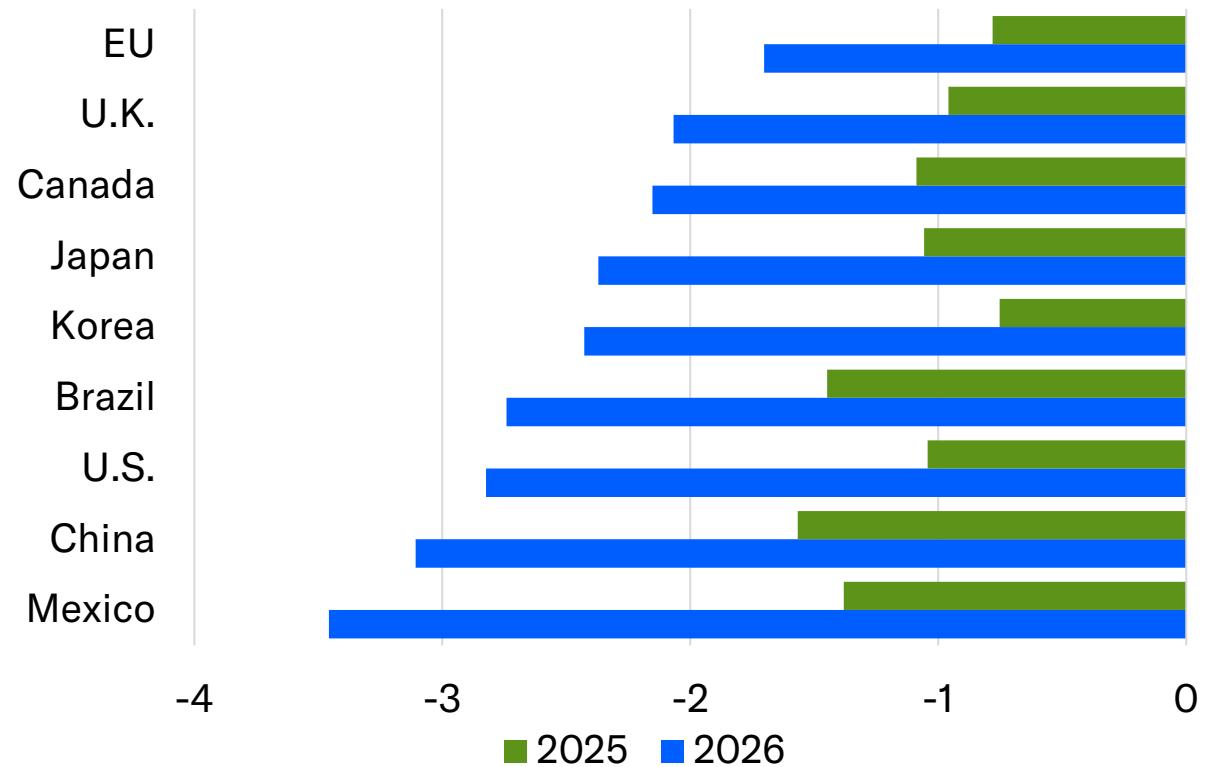
Source: Moody's Analytics

...and Their Economies Will Also Be Hit Hard

Distribution of U.S. goods imports by country, 2023



Real GDP by country, **only including Trump tariff policy**, deviation from baseline forecast, ppts



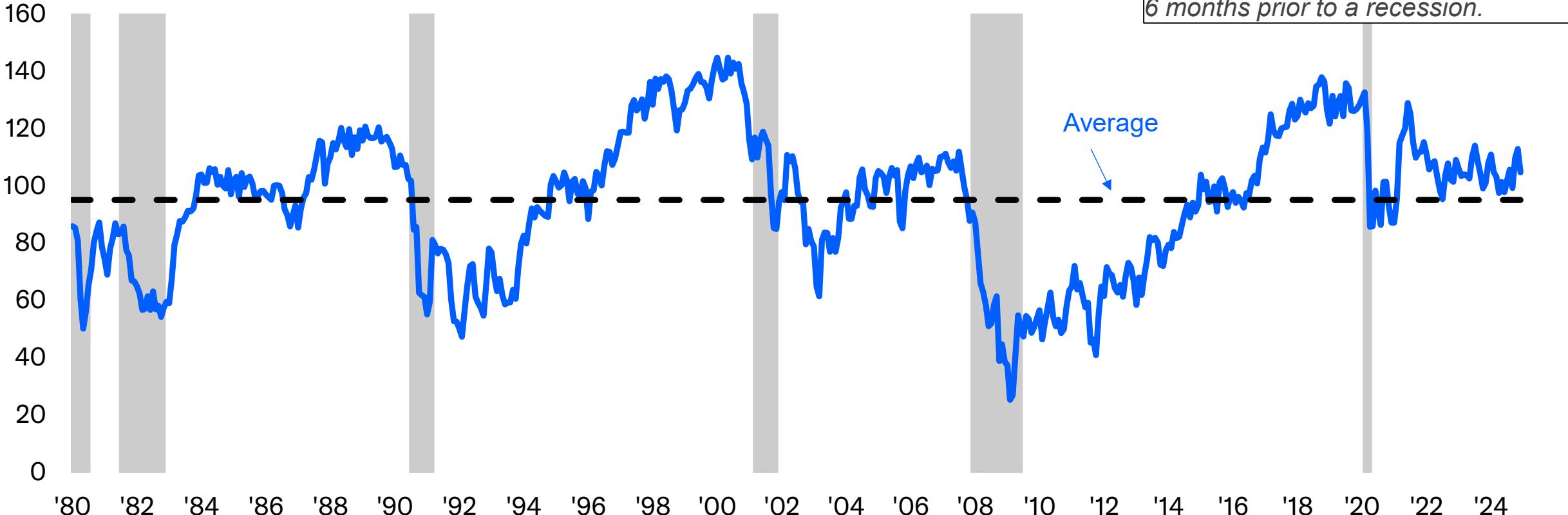
Sources: U.S. Census Bureau, Multiple national statistical agencies, Moody's Analytics

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Recession Watch

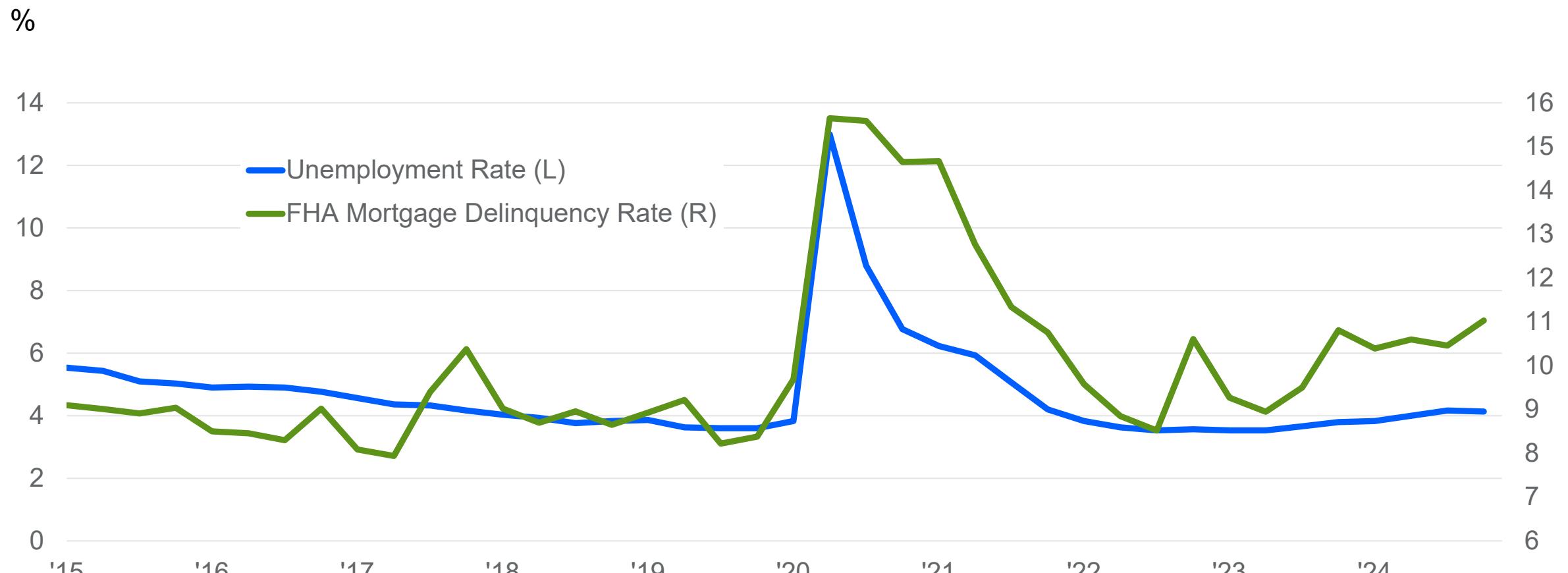
Will Consumers Hold the Faith?

Conference Board consumer confidence index, 1985=100, SA



Sources: The Conference Board, Moody's Analytics

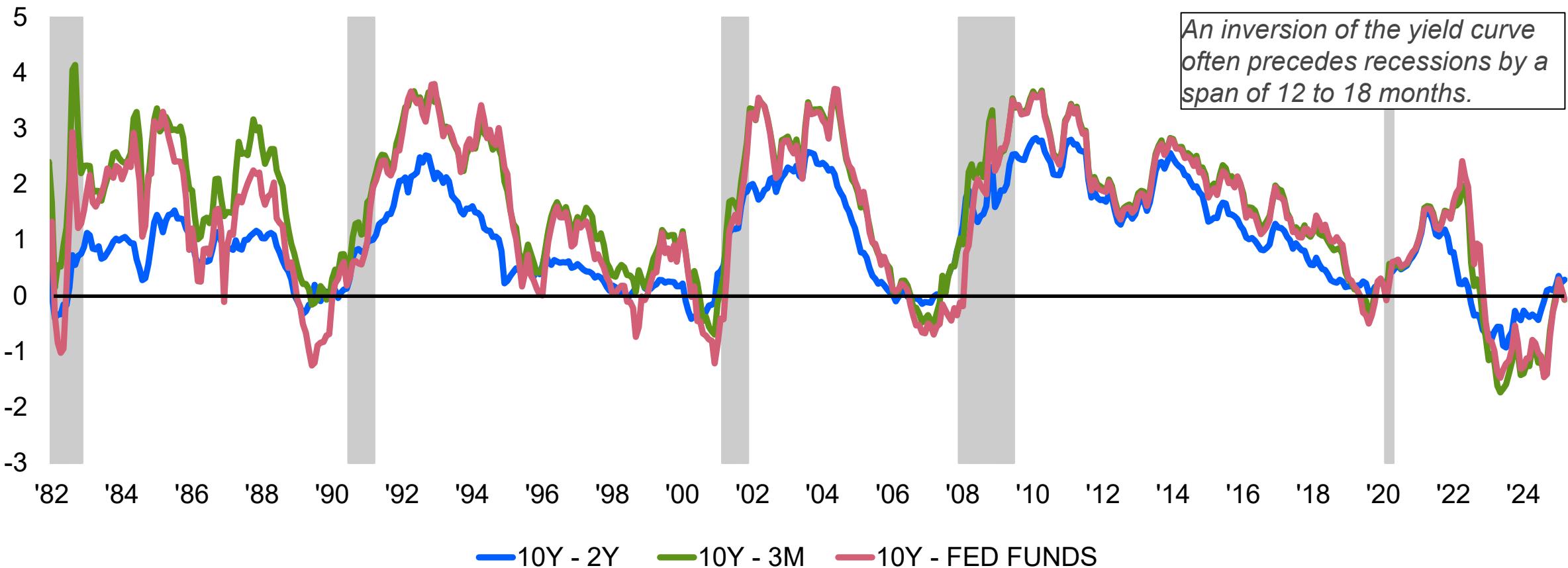
FHA Borrowers Under Financial Stress Despite Low Unemployment



Sources: Mortgage Bankers Association, BLS, Moody's Analytics

Inverted Yield Curve Suggests Recession (Again)

Yield Curve: 10-year minus 2-year or 3-month Treasury yield, ppt



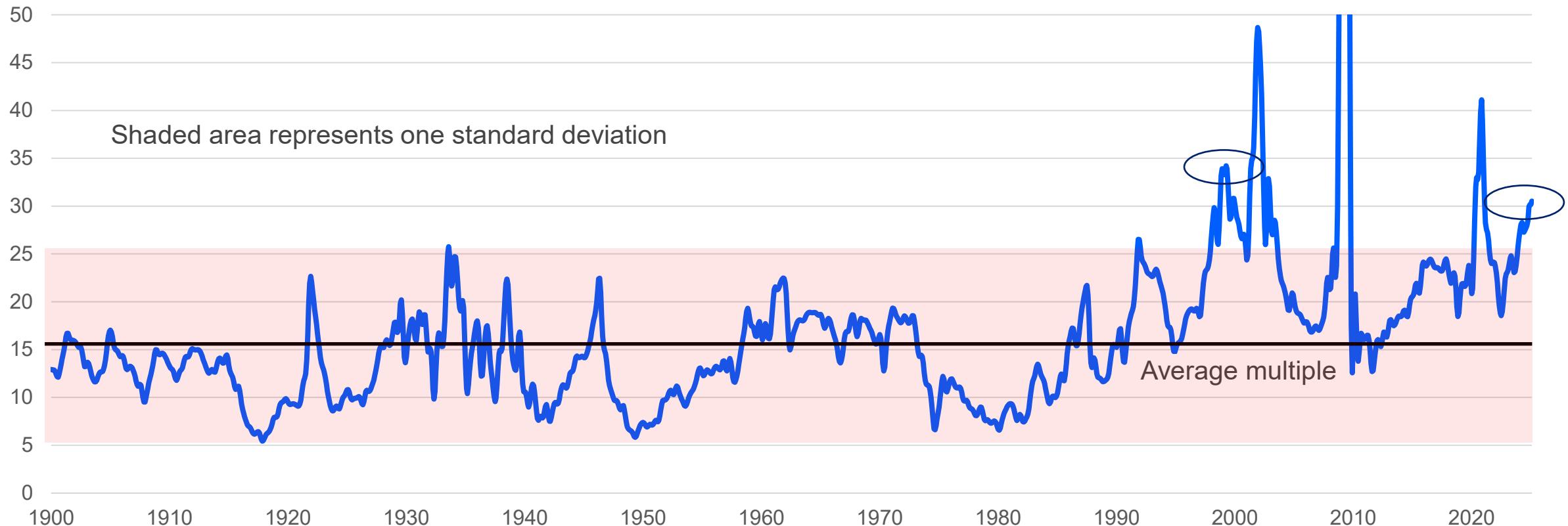
Sources: Federal Reserve Board, Moody's Analytics

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Tail Risks

Richly(Over) Valued Stock Market...

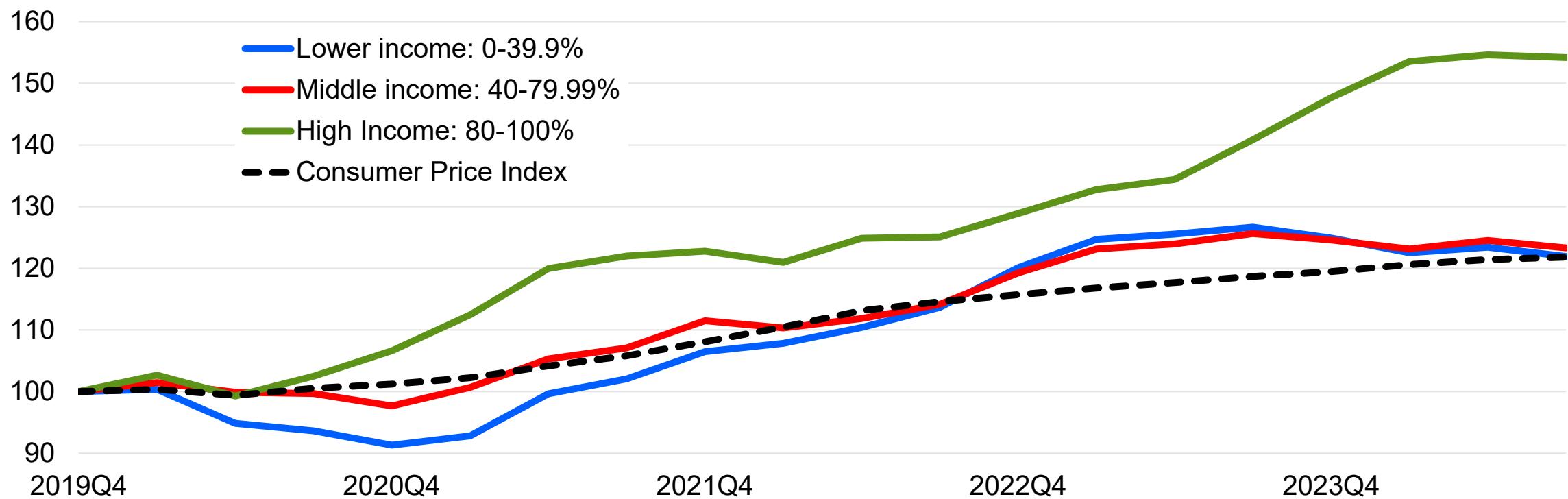
Ratio of S&P 500 price to earnings



Sources: S&P Global, Moody's Analytics

...Is a Threat to Spending by the Well-To-Do

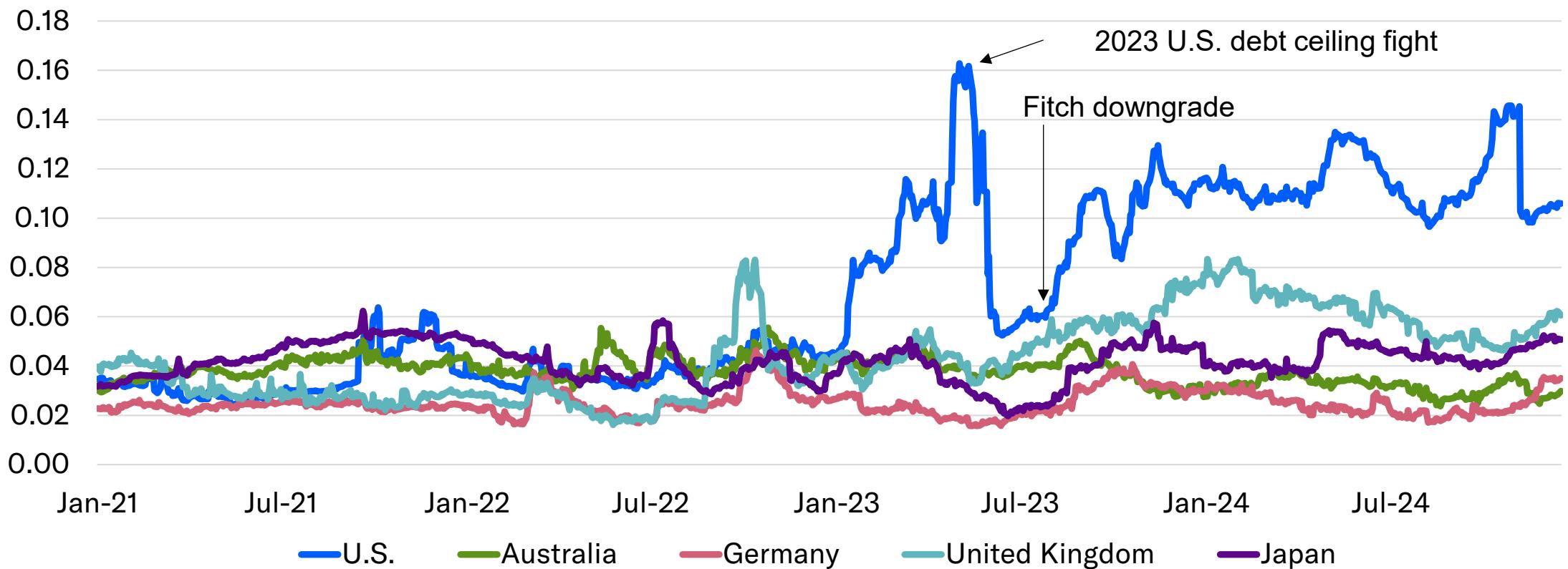
Personal outlays by income group, 1999q4 = 100



Sources: BLS, Moody's Analytics

Global Bond Investors are Nervous

5-yr CDS-implied expected default frequency, annualized %



Source: Moody's Analytics

Q&A



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