



## *America Exceptionalism at Risk?*

*By Eduardo Cortes, CIO*

*April 15, 2025*

On November 4, 2024, the S&P 500 equity index closed at 5,712.69. On November 6, following the presidential election, the index closed at 5,929.04 in anticipation of the pro-growth agenda Trump touted while campaigning. The Index moved higher still to a record 6,144.15 on February 19, 2025, just before the president imposed tariffs on Mexico, Canada, and China. Since then, financial markets have been consumed with tariff pronouncements, retractions, retaliation, and escalation. By quarter end, equity markets retraced all the "Trump gains," and then collapsed further following April 2's "liberation day" global tariffs announcement.

The severe market reaction reflected the deleterious impact of a broad-based tax on U.S. consumers and the logistical challenge thrown at firms that rely on imports to manufacture and distribute goods. Under the guise of fairness, the President slapped friends and foe with prohibitive levies. The sudden and indiscriminate manner with which the tariffs were imposed also gave rise to prospects of a chaotic global trade war. Ironically, aside from the crude negative impact on other nations, the tariffs could spark a readjustment of trade relations based on lower tariffs (which may occur in negotiations currently under way). Specifically, in many nations tariffs and trade barriers were imposed years ago to protect domestic industries and employment. Technological advancements and vast understanding of global supply and demand dynamics have rendered many of these protectionist decrees mute in today's connected world.

Away from tariffs, President Trump moved aggressively to insert himself into the Russia/Ukraine crisis and to repatriate delinquent immigrants. The manner of these actions seemed to appease the aggressor in the conflict, and to disregard legal due process in the treatment of individuals. Furthermore, the Department of Government Efficiency took a hatchet to many departments leading to confusion, fear, and resentment among long-term government employees. Mr. Trump's instincts and rhetoric on these subjects resonate with most Americans. Fairness on trade, global peace, orderly immigration, and the elimination of government waste are clearly goals most citizens support. However, the ruthless approach taken to each of these evokes concern and resistance amongst most Americans.

Through and following Covid, the term American Exceptionalism appeared frequently in reference to America's advanced medical research, leadership in antidote discovery, and economic resilience. More recently, the country's technological innovation and entrepreneurship received plaudits for propelling the economy's productivity and boosting the standard of living. Exceptionalism is hard to define, and arguably a conceited term related to distinctiveness and exemplary behavior. Fundamentally, the term refers to characteristics citizens take for granted, yet they distinguish Americans from others. Rights and traits like freedom, democracy, morality, responsibility, integrity, the rule of law, and empathy are widely adopted and passed on across generations. We view ourselves as being good people who treat others fairly and with integrity.

This Exceptionalism is now at risk. A mere 72 days from inauguration President Trump hit the world with a global tax. He also publicly chastised an ally and indiscriminately rounded up delinquent immigrants. While he mentioned these matters on his campaign, the world expected implementation with a level of decorum, rationality, and consistency given the experience of his prior administration. However, approaching the world with isolationist indifference weakens America's message and threatens the Administration's credibility. Our leadership in matters of security, international law, and dispute resolution may be ignored when not grounded in moral

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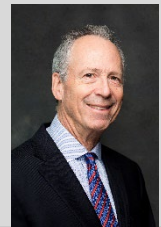
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legitimacy. Furthermore, after alienating members of his party, the extension of Trump's signature domestic policy accomplishment the Tax Cuts and Jobs Act of 2017, may be in jeopardy. Many economists raised the probability we will have a recession by the second half of 2025. While change often requires sacrifice, Americans did not sign up for a painful recession in an attempt to extract taxes from nations that formerly admired us.

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