

# TM Capital Advisor



## Tariffs Up / Markets Down – What is Next?

Over the last few months and years, with every announcement related to US trade policy, we've become accustomed to a quick barrage of emails from every law firm and market observer in our database about "what we know, what we don't know and what this means." Despite the administration's announcements at 4pm yesterday, our inbound email flow in this regard has remained thin. We attribute this to the fact that this situation is uniquely dynamic and remains a bit of a "choose your own adventure" book. The next few days and weeks could go in any number of directions. More on this shortly.

To set the table, our coverage universe in consumer products is scrambling. However, there is, frankly, not much to do at the moment outside of pushing suppliers to ship as many containers as they can prior to April 9th when the new tariffs begin to take effect. Beyond that, we imagine that many consumer goods importers will be sitting frozen, delaying receipt of overseas containers until there is further clarity. These import driven companies will simply not be confident in their ability to push through 25-30% price increases to cover the tariff dollar losses, particularly in a slower consumer economy. Let alone the roughly 50% price increase that would be required to maintain margin percentage levels.

Over the last 1-2 months, consumer goods businesses have been hammering their Chinese manufacturers to share in the pain of what were, at the time, contemplated to be a 10-20% tariffs. Our consumer products ecosystem reports that the result has driven supplier concessions in the low to mid-single digits percentage range. In the face of the "reciprocal" tariff levels announced yesterday, we anticipate that, without significant signals of change coming from Washington, US importers will be forced to immediately begin canceling orders from their Asian supplier counterparts. Might this spur materially greater concessions from suppliers? If the alternative is "holding the bag" on tens of billions worth of inventory otherwise slated for the US market, we suspect that the answer may be yes.

While the Trump Administration's aggressive actions towards China are very much in character, the market is surprised by the aggressively high tariffs placed on goods from other Asian trading partners such as Vietnam and Cambodia. We believe that this is likely another stab at China, with Chinese owned manufacturing companies having spent much of the last few years building capacity in those countries as a hedge against future US action. Of course, if our supposition is correct, many US companies which heeded government cues and shifted out of China and into other Southeast Asia supply markets are caught in the crossfire.

A few of the dynamics we'll be watching closely for clues in the coming hours, days or weeks.

1. When will foreign countries come to the negotiating table? It is hard to predict, particularly as the first bits of news finding their way to the press center around retaliatory rather than conciliatory actions. However, specifically with regard to China – the trading partner who, by and large, is getting the shortest end of the US tariff stick – we can't help but notice that these announcements align closely with certain other actions/events. For one, the administration's April 5th deadline for a Tik Tok deal is rapidly approaching, with Amazon emerging as a potential buyer over the last few days. Likewise, China has been throwing up roadblocks to Blackrock's deal to secure control of Panama Canal ports (both of which appear to be Trump Administration priorities). We also note that the 32% tariff announced for Taiwan appears to exempt computer chips, with the expectation that something may be announced separately in the near future. It also remains unclear whether or not the additional tariffs on Venezuelan oil importers (including China) are incremental to the reciprocals. Our deep seated suspicion is that these items are related – with the US and China anticipating utilizing them as trading chips in negotiating some form of grand bargain. With the Tik Tok deadline rapidly approaching, we wonder if that is an indication that these conversations will begin to evolve sooner rather than later.
2. Will governments step in to begin to provide support? We've begun to hear rumblings spanning Canada to Wales referencing the needs for those and other governments to potentially provide "near-term" financial support to their affected manufacturers. Our consumer products ecosystem also speculates that the Chinese government has quietly provided support to its manufacturing base in the past. If so, these actions may foster a "glide path" rather than a "cliff" associated with tariff ramifications.
3. With tariff discussions looming, we have heard comments reporting retailers "trying to secure" domestic products for their shelves in anticipation of tariff-related pricing or availability disruptions. While having expensive goods on shelves is not ideal – having nothing to sell is worse. Pending retailers' rapidly evolving view of consumer health, we anticipate significant activity on this front.
4. Will Congress act? The results of the special elections in Wisconsin and Florida on Tuesday certainly served as a shot across the bow to Republicans in Congress as they begin to think about the 2026 midterms. While seemingly obvious, it is worth reiterating that these results came BEFORE yesterday's tariff announcement and today's severe drop in the stock market. Will the fear of losing seats in next year's midterms lead to Republican action in Congress to take back authority to negotiate trade agreements? While this would, no doubt, lead to a messy battle in Washington – the fact that a handful of GOP senators joined Democrats yesterday to pass a resolution to undo the 25% tariff on Canadian imports – may serve as a harbinger of what is to come.

We understand that many of our clients and friends are working to process and navigate these challenging dynamics. Please reach out to any member of our consumer team as you contemplate methods for navigating the market in these uncertain times.



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