



BLUE GRANITE CAPITAL, LLC

INVESTMENT COMMENTARY, APRIL 2025

On April 2nd—ironically dubbed “Liberation Day”—the Trump Administration announced sweeping trade tariffs that rattled markets worldwide. Though the intent may be to strengthen America’s global position, boost domestic manufacturing, and enhance consumer wealth, the initial rollout felt more like a “bull in a China shop.”

While we believe the President ultimately supports free trade and economic growth, the current tariff approach leans more toward protectionism. It is possible this strategy is intended as a negotiation tactic to secure better trade terms, rather than a long-term plan to raise barriers that could stifle global commerce.

What began as a routine market correction in February quickly escalated with the introduction of these broad tariffs. By early April, major indices had declined over 20% from their highs—officially entering bear market territory. Although we see this as an overreaction, the sharp pullback follows an extraordinary two-year, 50% surge in the S&P 500, driven largely by overvalued stocks and hype surrounding artificial intelligence.

Volatility is now the norm. The market’s reaction reflects not just tariff uncertainty, but also concerns about inflation, interest rates, and global conflict. Predicting the exact economic fallout is nearly impossible until concrete data emerges. However, one thing is clear: tariffs are effectively tax hikes that raise costs for businesses and consumers alike.

There are no winners in a trade war—only varying degrees of loss. Without meaningful negotiations between the U.S. and China, the risk to global trade and growth is significant. A sharp contraction in international commerce would have worldwide repercussions. Markets, in turn, remain unsettled by this unpredictability and the broader sense of policy disarray.

Recent commentary from Fed Chair Jerome Powell acknowledged that tariffs are likely to slow growth and temporarily raise inflation. His remarks, coupled with growing investor concern, have contributed to additional market declines. Consumer sentiment, a critical driver of economic activity, has hit multi-year lows. Since consumer spending makes up 70% of the U.S. economy, this downturn in confidence could pressure both economic growth and corporate earnings.

We have long cautioned against the overconcentration in AI and the so-called “Magnificent 7” stocks. While these names helped propel the market higher, such narrow bets are inherently unsustainable. The recent sell-off reflects a necessary reset, and we view it as a healthy development for long-term market stability.

Now, value stocks—our core focus—are leading the charge. Despite geopolitical headwinds and tariff-related uncertainty, this rotation supports our longstanding strategy of diversification. We continue to believe that a balanced, broad-based portfolio provides the best defense in turbulent times.

Investing remains a long-term endeavor. While the current environment poses challenges—from trade tensions to recession fears—we remain confident in our disciplined approach. By focusing on high-

quality, dividend-paying companies across sectors, we aim to provide both growth potential and downside protection.

As always, we are closely monitoring developments and will adjust allocations as conditions evolve. Please do not hesitate to reach out with any questions or concerns.

Warmest regards,
Scott, John & Dave