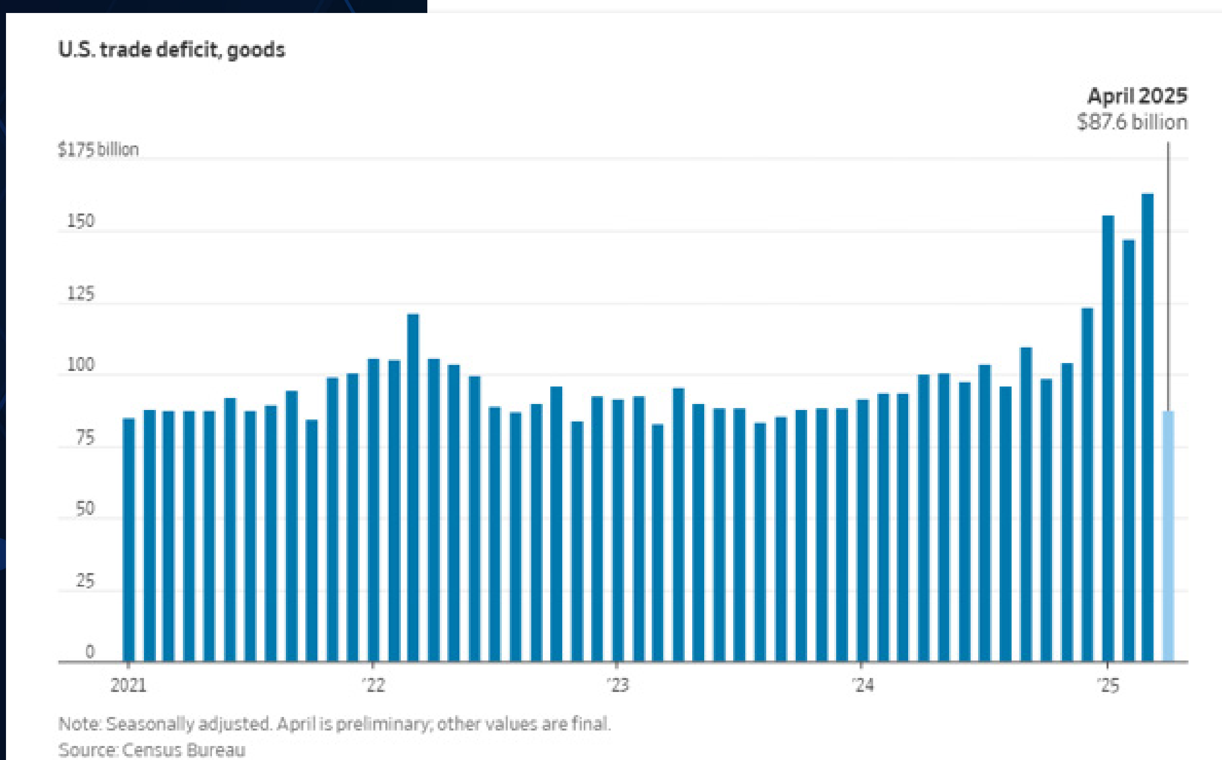
STRATOS
INVESTMENT MANAGEMENT

FRONTRUNNING TARIFFS

COMMENTARY

JUNE 2025

Given the huge spike in the trade deficit in goods post-election, we expected the deficit to correct. Our expectations have been vindicated. According to data from the US Census Bureau, the April trade deficit shrank by more than 46%, down to $87.6 billion from $162.3 billion in March. (Goods exports rose by 3.4% to $188.5 billion and imports fell by 20% to 276.1 billion.) This marks the largest one-month decrease in goods imports on record.



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While the trade deficit had been trending higher since mid-2023, it shot up in the months subsequent to President Trump's

November election victory. The April decline is simply a halt in buying due to frontrunning the expected tariffs (this is preliminary data which will be revised with the June 5 trade deficit release from the US Bureau of Economic Analysis (BEA)). Is this a sign of continued future improvement? We believe that as long as tariffs remain in flux (how much, how long and whether they are constitutional), the goods deficit should remain (relatively) benign.

Of greater interest (and concern?) should be whether or not we 1) get follow-through in domestic industrial capacity rebuilding and 2) how we supply the labor necessary to staff the new facilities. We will look at both subjects in later pieces.