Market Resource Jan 2025: The Economic Impact of Tariffs Explained, Economy & Oil Product Shipper Torm a closer look

1 message

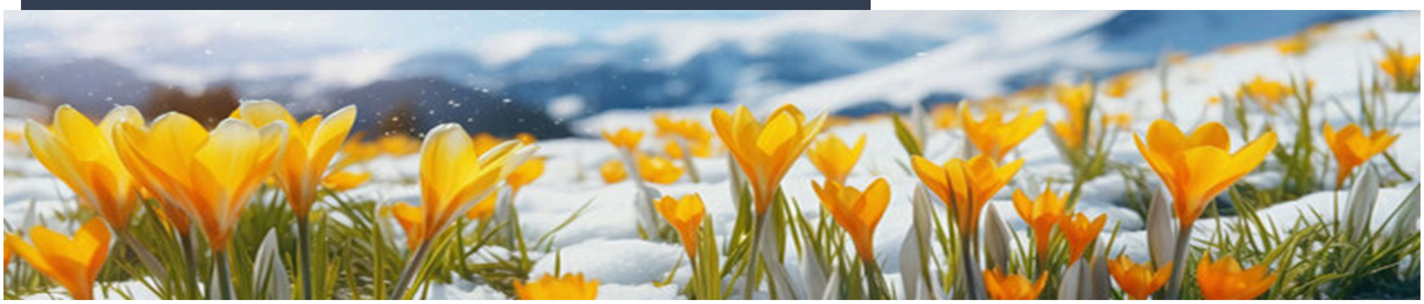
Allen Cooke <allen@broxtoncapital.com>
To: Allen Cooke <allen@broxtoncapital.com>

Sun, Feb 2, 2025 at 1:17 PM

JANUARY 2025

BROXTON

CAPITAL ADVISORS



YTD as of 1/30/2025*

Alpha Portfolio	2.61%
Smart Yield	2.43%

MARKETS

DOW JONES	5.60%
S&P 500	3.90%
NASDAQ 100	3.61%
REIT INDEX	2.60%
SMALL CAP	3.93%
HIGH YIELD	1.65%

BOND YIELDS

10 YR TREAS	4.51%
YTD CHANGE	-1.27%
30 YR TREAS	4.76%
YTD CHANGE	-.48%

SINCE INCEPTION
Through December 31, 2024

Tariffs Inbound!!!!: Academics point out that tariffs are not beneficial and cause inefficiencies but estimate that the effects of the Trump Mexico / Canada tariffs could be low. President Donald Trump reiterated that he expects to put 25% tariffs on Canada and Mexico starting on Feb. 1, (Saturday). So look out for maple syrup and Mexican beer prices!!! Decisions on China tariffs will be made later. Mexico exports roughly $400 billion annually with around 80% coming into the United States. Mexico exports cars, car parts, electronics, crude oil and medical instruments. We import around $425 billion in goods from Canada annually, such as, crude oil, petroleum products, cars and car parts; and machinery . At full effect this will affect 2.3% of U.S. GDP. So for a better explanation, we looked to the Tax Foundation. The Tax Foundation is an international research think tank based in Washington, D.C. that collects data and publishes research studies on U.S. tax policies (wikipedia).

Tax Foundation: "Historical evidence and recent studies show that tariffs are taxes that raise prices and reduce available quantities of goods and services for US businesses and consumers, which results in lower income, reduced employment, and lower economic output. For example, the effects of higher steel prices, largely a result of the Bush administration's 2002 US steel tariffs, led to a loss of nearly 200,000 jobs in the steel-consuming sector, a loss larger than the total employment in the steel-producing sector at the time."

The Foundation further noted: "Tariffs result in less efficient production, leading to reduced economic output and lower incomes over the long run. This is the standard analysis of tariffs going back to Adam Smith and the classical economists, who recommended keeping tariffs as low as possible (tariffs were a primary source of government revenue at the time)." ***The Foundation estimates that the total cost (of Mex & Can tariffs)will be $79 billion, equal to a tax of $625 per household annually (due to increased costs) but will provide $200-300 in increased tax collection per household. But this is before accounting for behavioral changes!*** (which will reduce the impact further) So less real maple syrup and more domestically produced corn syrup posing as maple syrup? 🤔 So, possibly a nothing burger? This could explain the shrug off coming from the stock market. We shall see.

BROXTON	462.93%
S&P 500	583.91%
DOW JONES	519.11%

Economy: GDP Now estimates GDP growth of 2.3 percent for the fourth quarter of 2024, down from 3.1% in late December. Restaurant sales fared well in December. Website Restaurant Business: "Food services and drinking places sales declined 0.3% in December, from November, according to U.S. Census retail sales data. They were up 2.4% compared to the same period a year ago." Synchrony Financial (SYF) reported a slight decline in 30 day + delinquencies for December of 2024 from the previous month but unchanged from December of 2023. For the third quarter of 2023 S&P 500 GAAP earnings were up 9.1% versus 2023. So....no recession signs.

TORM plc. (TRMD): Shares of shipping companies have declined across various shipping categories due to falling rates. Further downside for rates is likely if the Gaza conflict and the Ukraine war come to an end. Torm's fleet consists of smaller-sized tankers ranging from 45,000 to 115,000 DWT (deadweight tons), which are typically less than half the size of supertankers. The company currently operates 96 vessels. Larger tanker rates have recently spiked, while smaller tanker rates have declined. This spike was driven by recent U.S. Treasury Department sanctions against 180 vessels, primarily larger tankers, involved in shipping Russian oil. Torm is well-managed, with a strong book value per share of $21 and our forecasted cash buildup is substantial. We rate the shares as a sell for the short term. Potential investors are advised to monitor the shares and tanker rates for an opportune entry point.REPORT

* YTD returns are estimates based on available intra day prices on Friday the 31st of January 2025 and as such will be different for the
full month of January 2025. Also there are further disclosures below

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www.broxtoncapital.com 310 208 2151

R. Allen Cooke
Portfolio Manager
Broxton Capital Advisors

www.broxtoncapital.com

310 208 2151 (W)
310 208 2228 (F)
310 279 3338 (C)