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Think Strategically

Engineering Wealth Through Discipline: Why Temperament, Not Turbulence, Shapes Financial Success

July 14, 2025

Francisco Rodríguez-Castro, President & CEO

The Power of Temperament in Uncertain Times

In a world filled with unpredictable headlines and economic noise, one lesson endures: success in investing comes not from sheer intellect, but from a stoic temperament combined with emotional intelligence. **Benjamin Graham used to say, "The investor's chief problem and even his worst enemy is likely to be himself".** This thought holds more relevance today than ever before.

Amid a renewed wave of tariffs, geopolitical tensions, and investor anxiety, it is not the analysts with the fastest models or the traders with the deepest data sets who come out ahead. It's those with emotional steadiness, patience, and long-term perspective.

Market Resilience Amid Policy Shifts

Despite waves of tariff news dominating headlines, U.S. equities have shown surprising strength. Stocks hovered near record highs set earlier this week, propelled by robust performance in the energy and industrial sectors. These gains offset the risk-off sentiment that has typically accompanied trade policy disruptions.

Two significant events defined the week:

1. **The expiration of the 90-day tariff pause on July 9**, followed by a new wave of tariffs affecting over 20 countries, is now set to take effect **on August 1**.
2. **The adoption of the One Big Beautiful Bill Act on July 4**, which extended key provisions of the 2017 Tax Cuts and Jobs Act, introduced new tax breaks for individuals and businesses, and enacted targeted spending reductions across federal programs. While the One Big Beautiful Bill Act introduces new tax relief and reinforces key business incentives, it also carries substantial fiscal consequences. According to estimates, the extended tax cuts are expected to reduce federal revenues by approximately **$4.5 trillion** over the next decade. These cuts are only partially offset by **$1.2 trillion** in planned spending reductions, which include stricter work requirements and eligibility limitations for programs like Medicaid and food assistance, as well as the rollback of renewable energy credits. The net result is a projected increase of **$3.3 trillion** in federal deficits over the next ten years—a structural challenge that could weigh on future policy flexibility and debt sustainability.

Together, these policy developments are reshaping the macroeconomic landscape and testing investor resolve.

The Tariff Timeline — Then vs. Now

- **Revenue & Government Borrowing:** In Fiscal 2025, U.S. customs duties reached a record **$113 billion** in the first nine months, including **$26.6 billion in June alone**. While this represents a cash windfall for the federal government, historical evidence shows that such revenues rarely translate into sustained economic growth.
- **Consumer Pain & Inflation:** According to Yale's Budget Lab (July 2025), tariffs have raised consumer prices by **1.3%–1.5%**, costing households **$1,700–$2,000 annually**. These costs disproportionately impact lower-income families, reinforcing the regressive nature of tariffs.

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GDPNow 2Q25

Date	GDPNow 2Q25	Change
4/30/25	2.40%	Initial Forecast
5/1/25	1.10%	-54.17%
5/6/25	2.20%	100.00%
5/8/25	2.30%	4.55%
5/15/25	2.50%	8.70%
5/16/25	2.40%	-4.00%
5/27/25	2.20%	-8.33%
5/30/25	3.80%	72.73%
6/2/25	4.60%	21.05%
6/5/25	3.80%	-17.39%
6/9/25	3.80%	0.00%
6/17/25	3.50%	-7.89%
6/18/25	3.40%	-2.86%
6/27/25	2.90%	-14.71%
7/1/25	2.50%	-13.79%
7/3/25	2.60%	4.00%
7/9/25	2.60%	0.00%

- **Economic Growth & Employment:** Yale estimates a **–0.7 percentage point drag** on real GDP for 2025, with a **0.4% persistent output loss** $110 billion per year and approximately **538,000 job losses** by year-end. The latest GDPNow for the second quarter is at 2.6% as of July 9, which is still healthy growth.
- **Inflation & Interest Rates**: however, the Inflation scenario remains complicated with the latest Inflation Nowcasting for the Consumer Price Index at 2.64% and Core CPI at 2.94%, both ahead of the Fed's 2% target rate. The CPI and Core CPI will be released **on July 15**, and we shall have a clearer picture of where the Inflation fight stands. Lastly, in terms of the Fed's interest rate cut projection, the latest Fed rate outlook for 2025 is 3.9%. These projections imply **two quarter-point cuts in 2025**, tapering to one more cut in 2026, and then stabilizing near long-term neutral levels.

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CPI & Core CPI

Inflation Nowcasting

Inflation Nowcasting	CPI Forecast	Core CPI Forecast	Updated
June	2.64%	2.95%	7.12.25

What's New in July 2025?

Post-Tariff Pause Escalation: With the 90-day tariff pause expiring on July 9, President Trump announced a new wave of tariffs affecting over 20 countries. Tariff rates, scheduled to take effect August 1, range from **20% to 50%**. Some highlights:

- **Brazil:** Tariffs increased from 10% to 50%, citing legal friction over former President Bolsonaro.
- **Canada:** Tariffs rise from 25% to 35%, though USMCA-compliant goods are exempt.
- **Vietnam:** Successfully negotiated a drop from 46% to 20%.
- **UK:** Maintains a trade deal with 10% tariffs.

The broad trend shows flexibility — some countries have reduced levies through bilateral agreements, signaling that diplomacy may temper some of the inflationary effects.

What's Different in 2025?

Scale & Reach of Tariffs: Trump 2.0 has imposed the most comprehensive tariff policy in modern history:

- **50% tariffs** on steel, aluminum, appliances, and vehicles
- **25% tariffs** on autos and auto parts
- **Additional 25% Section 301 tariffs** and **20% fentanyl-related tariffs**
- Many goods now face **combined effective rates exceeding 55%.**

Global Trade Repercussions: Canada and Mexico are locked in tit-for-tat battles. China rerouted exports via Southeast Asia: May exports to the U.S. from China fell 43%, while Vietnam and Indonesia surged 15% and 12%, respectively.

Legal Boundaries: A U.S. Trade Court ruling in V.O.S. Selections v. Trump (May 2025) struck down select tariffs, setting a precedent against unilateral executive trade actions.

Real-World Case Studies

- **Swiss Watches:** A **31% tariff** has distorted retail markets, pushing buyers into the second-hand market. New sales remain weak, showing the distortionary effects of tariffs on consumption behavior.
- **Ports & Infrastructure:** U.S. ports warn that **100% tariffs** on Chinese-made cranes risk delaying modernization and misusing national security as a justification for economic inefficiencies.
- **Inflation and Monetary Policy Outlook** while early 2025 tariffs were absorbed across the supply chain, economists warn that sustained high rates will gradually push up consumer prices:
- **Profit margins are too tight** to continue absorbing tariff costs.
  Inflation is likely to drift higher over the second half of 2025.
  PCE inflation stands at **2.3%** (as of July), while the Fed funds rate remains at 4.5%.
  The Federal Reserve is expected to hold rates steady through summer but may begin cutting by fall 2025, targeting a range of 3.0% to 3.5% by 2026, assuming inflation moderates

The Economic Toll of Tariffs: 2025 Data Snapshot

From Yale Budget Lab and other institutional sources:

- Tariffs added 1.5% to core inflation
- Average household burden: $1,700–$2,300 annually
- U.S. tariff revenues: $113 billion YTD
- GDP drag: –0.7 percentage points
- Persistent output loss: –0.4% or $110B
- Jobs lost: ~538,000

Investment Strategy: Navigating Uncertainty

While trade tensions persist, we believe:

- Large- and mid-cap U.S. equities remain attractive, especially during dips.
- International equities require caution, especially developed large-cap.
- Extend duration in U.S. investment-grade bonds (7–10 years) to lock in favorable yields.
- Underweight international bonds and U.S. high-yield given tight spreads.

Use volatility strategically—rebalance, buy opportunistically, and avoid emotional selling.

The Last Word: Saving $100,000 in 8 years or less

One of our many strategies includes advising our clients to begin saving early for life's challenges. Financial independence is not a luxury reserved for the few; it's a goal within reach for anyone willing to adopt structure and discipline. We recommend starting early and setting a target of $100,000 in total savings by age 30. But more than a milestone, this amount represents resilience: the financial freedom to make career moves, handle emergencies, or invest in new opportunities without fear.
Whether you're 22 or 52, reaching that $100,000 benchmark is possible with a steady plan.

The 60/20/20 rule: A Time Tested Method

- **60%** of income goes to essentials (housing, food, insurance)
- **20%** toward financial goals (investments, savings, debt repayment)
- **20%** for lifestyle spending (entertainment, travel, hobbies)

For example, someone earning **$50,000 per year** and consistently saving 20% that's $10,000 annually can reach $100,000 in 8 years with a modest 5% annual return. The math works, but the mindset matters more:

- Automating your monthly savings
- Invest early in IRAs or low-cost ETFs
- Avoid lifestyle inflation as income rises
- Use employer 401(k) matches or side income to accelerate your goals

But this milestone isn't just about dollars. It's about building the financial muscle to plan bigger, live freer, and handle life's curveballs with confidence. It gives you a buffer, a foundation, and most importantly, options.

Zooming out, long-term financial security means understanding the broader mechanics of wealth. For instance, if your future income goal for retirement is $75,000 annually, you'd need around $1.5 million in invested assets, assuming a 5% sustainable withdrawal rate. That doesn't happen by accident—it happens by planning decades in advance.

So start now. Start small. But start with structure. Because what you build over time isn't just a portfolio, it's peace of mind, flexibility, and purpose-driven freedom.

Your future isn't found in the noise. We engineer it with goals and through life-changing discipline.

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Francisco Rodríguez-Castro, President & CEO • frc@birlingcapital.com
PO Box 10817 San Juan, PR 00922 • 787.247.2500 • 787.645.8430