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Think Strategically

Standing at the Threshold of The Golden Age of America

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Creative Destruction: The Golden Age Gamble
Creative destruction—the relentless cycle of innovation that displaces outdated systems is no longer confined to markets and industries. Economist Joseph Schumpeter most famously penned the concept of creative destruction in his 1942 book **"Capitalism, Socialism and Democracy".**

He describes this as the process of industrial mutation that incessantly revolutionizes the economic structure from within, incessantly destroys the old one, and incessantly creates a new one.

However, Creative Destruction now defines the political and economic landscape of the United States as we usher America's New Golden Age Gamble. With new policies emerging and old frameworks dismantled, the nation navigates through a period of profound transformation and division. Nowhere is this more evident than in the bold and polarizing moves reshaping U.S. trade policy under President Trump, which we discuss in detail below.

Some eleven weeks ago, President Trump was sworn in as the president of the United States beneath the Capitol dome, proclaiming the dawn of the Golden Age of America. From that moment on, swift and unrelenting executive actions have aimed to usher in what his administration touts as the most prosperous era in American history.

Some Eleven weeks ago, President Trump was sworn in as President 47 beneath the dome of this Capitol and proclaimed the dawn of the Golden Age of America.
From that moment on, it has been nothing but swift and unrelenting actions to usher in the greatest and most successful era in the history of the United States.

Act I: Redefining Trade—The America First Mandate
On January 20, 2025, President Trump signed a pivotal "America First Trade Policy memorandum", initiating a comprehensive review of the country's trade practices and persistent trade deficits.
In his first week, he signed an executive order to eliminate discrimination and ensure merit-based hiring practices within the federal workforce. This was followed by an order in February 2025 to impose a 10%

tariff on Canadian energy exports, including oil, natural gas, and electricity, further cementing his administration's trade-focused approach.

On the foreign front, the Trump administration took swift steps to recalibrate America's relationships with the world. Within days of taking office, Trump paused U.S. foreign aid programs for 90 days, ordering a thorough review of all international commitments. He also withdrew the U.S. from the World Health Organization, citing concerns about its management and alignment with American interests.

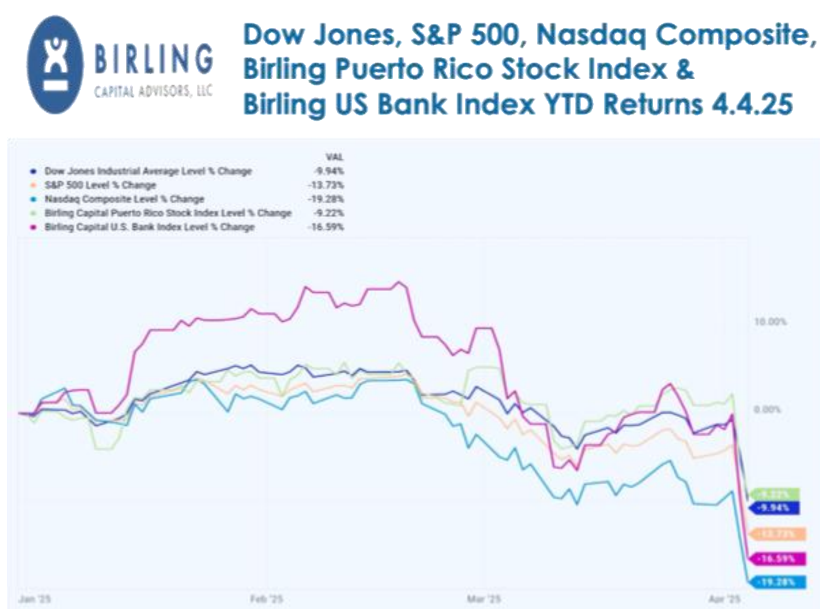
Just days later, on February 1, 2025, he signed executive orders imposing tariffs on several key trading partners: 25% on goods from Mexico and Canada and 10% on imports from China. These measures were framed as protective steps for American industries and jobs.

Act II: Reshaping Domestic Policy and Government
Trump also signed an executive order freezing hiring across the federal civilian workforce to reduce government size and enhance efficiency. He intensified immigration enforcement and reversed prior policies to broaden the scope of immigration arrests.

Foreign aid programs were paused for 90 days pending a comprehensive review, and the U.S. officially withdrew from the World Health Organization.

The Department of Government Efficiency (DOG-E), established by President Trump on January 20, 2025, and led by Elon Musk, has initiated significant workforce reductions across the federal government. Within the first three months of its operation, DOG-E oversaw the elimination of approximately 280,000 federal positions across 27 agencies. This figure includes many layoffs in March 2025 alone, with 275,240 job cuts. These actions have led to widespread criticism and concerns about delivering essential public services. Additionally, English was designated the official language of the United States, and merit-based hiring was reinforced within federal agencies.
In February 2025, the U.S. imposed a 10% tariff on Canadian energy exports—oil, natural gas, and electricity—cementing Trump's aggressive, trade-centric approach.

Act III: The Great Tariff Escalation
On April 2, 2025, the Trump administration announced sweeping new tariffs: a minimum 10% levy on all imports, with higher rates for nations with whom the U.S. has significant trade deficits. China faced a 34% tariff, prompting immediate retaliation and Markets recoiled.



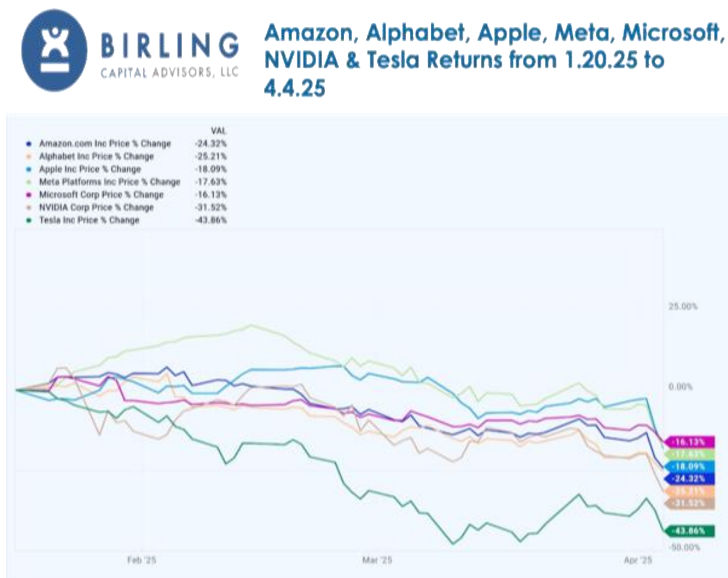
Between March 31 and April 4, 2025:

- **Dow Jones** fell 3,686.90 points and $3.34 trillion in Market Cap with a YTD return of **-9.94%.**
- **S&P 500** dropped 537.77 points and $4.03 trillion in Market Cap with a YTD return of **-13.73%.**
- **Nasdaq Composite** plummeted 1,711.50 points and $2.37 trillion in Market Cap with a YTD return of **-19.28%.**

- **Birling Capital Puerto Rico Stock Index** declined 368.83 points and $1.429 billion in Market Cap with a YTD return of **-9.22%.**
- **Birling Capital U.S. Bank Index** lost 890.05 points and $264.17 billion in market Cap with a YTD return of **-16.59%.**
- **Total market cap loss: $9.74 trillion.**

The Billionaire Fallout: Wealth Erosion of Top CEOs
As we highlight the market losses, we chose to analyze three CEOs who were front and center at President Trump's inaugural ceremony and that has been quite supportive ofPresidentident; these are Tesla CEO Elon Musk, Amazon Founder Jeff Bezos, and Meta Founder & CEO Mark Zuckerberg.
We chose the period between January 20 and April 4, 2025:

1. **Elon Musk, CEO of Tesla**
   - Stake: 12.8% or 410 million shares
   - Price on 1.20.25: $426.50
   - Price on 4.4.25: $239.43
   - Loss: $76.7 billion
2. **Jeff Bezos, Founder Amazon**
   - Stake: 8.58% or 909.41 million shares
   - Price on 1.20:25: $237.68
   - Price on 4.4.25: $171.00
   - Loss: $60.7 billion
3. **Mark Zuckerberg, CEO Meta**
   - Stake: 13% or 350 million shares
   - Priceon 1.20.25: $688.57
   - Price on 4.4.25: $504.73
   - Loss: $64.3 billion



These three CEOs lost **$201.7 billion** in less than 100 days into the Trump Presidency; we wonder how much more they are willing to lose.

2025 Inflection Point: There are only two Outcomes for the Trump Tariff Regime
As the new tariff regime begins with rising volatility, we showcase that the GDPNow model has shown a significant downward revision in its forecast for the U.S. economy's first-quarter growth of 2025.
On January 31, 2025, the model estimated a 2.9% annualized growth rate. However, by April 3, 2025, fell to a contraction of -2.8%. This shift represents a decrease of 196.50% percentage.

- The strategy could be a huge success that drives a new era of growth and wealth or
- The new tariff regime becomes a dismal failure that drives the U.S. into a long-term depression.
- Only time will tell, and we can only connect the dots looking forward.

The Impact of Tariffs on U.S. Trade and Markets
President Trump's tariff proposal, which applies the 10% tariff on all imports, comes when global trade is volatile. The U.S. will also impose higher tariffs on countries with more significant trade deficits, such as China, which will see a total tariff rate of 34%. Other major partners, including the EU, Vietnam, and Japan, will face similar escalations. Notably, Canada and Mexico were excluded from the new tariffs, though they will still face some sector-specific tariffs under the USMCA framework.

China's swift retaliation with its 34% tariff will likely create a back-and-forth, further intensifying global trade tensions. This uncertainty has led to a "risk-off" market sentiment, as investors have pulled back, driving down equity prices and pushing bond yields lower.

Economic Slowdown and Inflationary Pressures
The sudden rise in tariffs represents a significant shift in U.S. trade policy and will likely contribute to economic deceleration. Tariffs generally lead to higher business costs, which could ultimately result in diminished consumer spending as inflation-adjusted incomes shrink.

Historically, U.S. tariffs have remained relatively modest, averaging just 1.7% from 2000 to 2024. However, new tariffs raising the average U.S. tariff rate to between 20% and 25% marks a stark contrast. This escalation could generate an estimated $660 billion in tariff revenue, roughly 2.3% of projected GDP in 2024. The U.S. enters this period of heightened tariffs with a strong economic foundation. GDP growth had outpaced expectations, with Q4 earnings from S&P 500 companies growing by 18%, marking the highest quarterly earnings growth since late 2021. The labor market remains resilient, with jobless claims well below the historical average. While risks of a recession have risen, there is still a strong likelihood that the economy could weather this storm, primarily if the Federal Reserve acts to support growth through monetary easing. Tariffs are expected to put upward pressure on inflation in the short term. As importers pass on the costs of tariffs to consumers, prices for goods, particularly in sectors like food, could rise. This mirrors the effect of earlier tariffs during the 2018-2019 period, though the inflationary impact could be more pronounced this time. However, there are mitigating factors at play. U.S. importers may absorb some of the costs, and consumers may benefit from a stronger U.S. dollar, making foreign goods cheaper in dollar terms. The market remains confident in the Fed's ability to keep inflation under control, even as tariff-induced price hikes play out.

Investor Opportunities for Diversification and Strategic Asset Allocation to Face Volatility
As geopolitical tensions mount, investors may face increased uncertainty in the short term. Investors must remain calm and avoid emotional decision-making in response to headlines. Historically, market volatility, while uncomfortable, presents opportunities for long-term investors who stick to a diversified, balanced strategy. Those who stay invested and ride out these short-term dips are often better positioned for long-term growth, as missing out on just a few of the market's best days can significantly erode returns.

Given the volatility triggered by tariffs, investors should consider diversification as a key strategy in 2025. While U.S. equities have dominated the past two years, international stocks and U.S. investment-grade bonds have shown positive returns year-to-date, offering a cushion against the underperformance of U.S. stocks. Diversifying across asset classes can help mitigate risk during times of market turbulence. Maintaining a strategic allocation to U.S. investment-grade bonds remains essential, as these have historically provided a safe haven during market volatility.

Ultimately, investors should remember that volatility is an inherent part of investing. Sticking to a disciplined, long-term investment strategy tailored to your financial goals is the best. Reacting to short-term market swings can lead to poor decision-making and missed opportunities.

The Final Word: The Crossroads of Risk and Reinvention
As the dust settles from these initial policy shocks, one truth becomes clear: we are not simply navigating a new economic environment but helping shape it. The U.S. stands at a historic inflection point.

The volatility is real. The risks are undeniable. But so, too, is the potential for renewal. America's Golden Age will not be handed down—it must be earned. For investors, this is a moment not for retreat but for resolve, not for fear, but for fortitude.

In every Golden Age, the risk is greatest at the threshold. It is there that fortune favors the resolute — but if the strategy fails, that same threshold can become the gateway to disaster.

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