



SOUTHERN ROCK  
CAPITAL

Liberation Day

April 2025



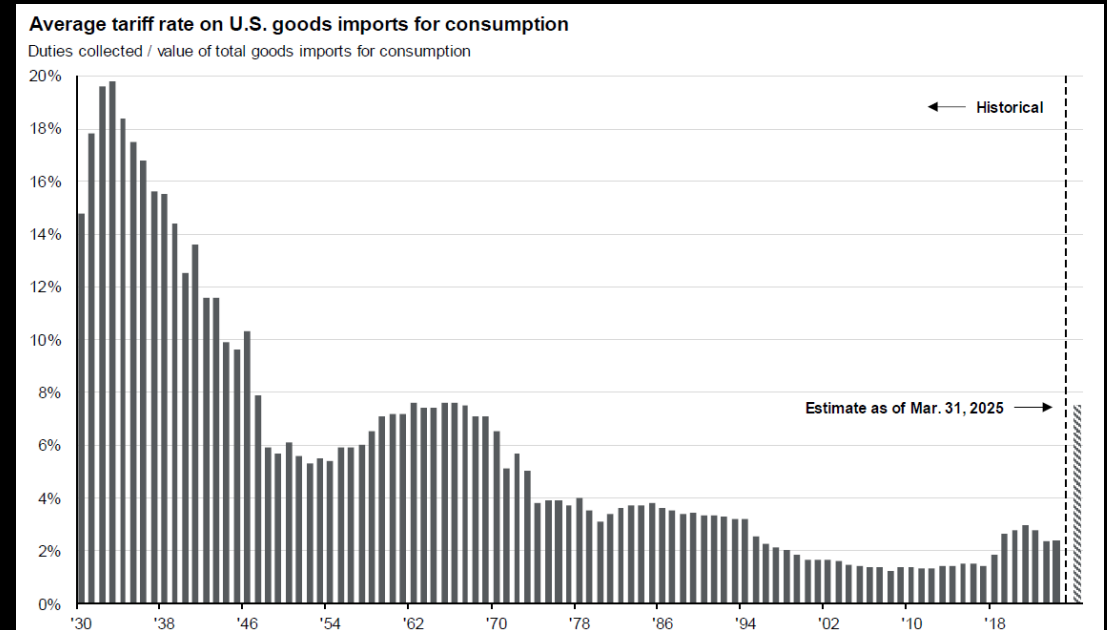
# Liberation/ Liquidation day

On April 3, 2025, the stock market experienced a violent wake-up call, as President Trump's sweeping new tariffs sent shockwaves through global markets. Major indexes tumbled; the Dow dropped nearly 1,700 points and the Nasdaq fell almost 6%; erasing trillions in market value in a single day.

Designed to impose a universal 10% levy on all imports with steep, additional rates on key partners like China, Japan, and the EU, the tariffs were intended to level the playing field for American manufacturers. Instead, they sparked widespread panic, fuelled fears of a deep recession, and ignited talk of retaliatory measures around the world. Investors quickly shifted their portfolios toward safer assets, underscoring that in today's market, protectionist policies can turn a bold move into a stark lesson in volatility.

Recent tariffs are shaking up the global economic landscape, a clear, bold shift away from the free-trade status quo that's powered global growth for decades. It's like someone pulled the plug on the old playbook, forcing businesses and investors to re-read the rules in real time.

Higher tariffs mean higher costs for imports, which is usually passed on to the consumers, igniting inflation that could squeeze household budgets and business margins alike.



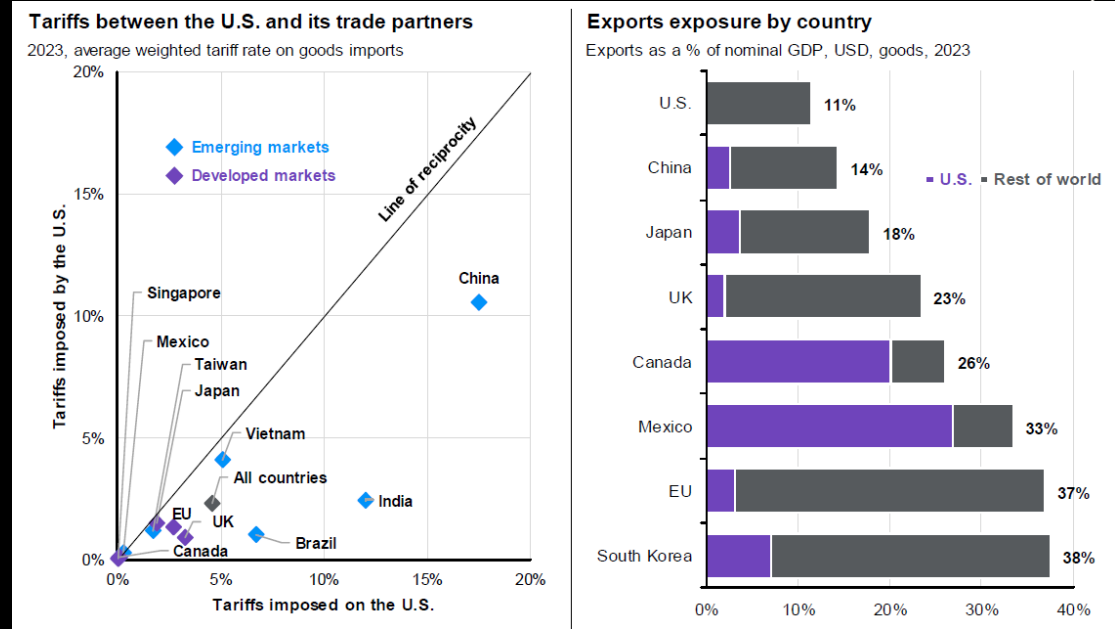
Source: JP Morgan Asset Management

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In this volatile environment, trying to forecast economic outcomes is like trying to predict tomorrow's weather in the middle of a storm. We're talking unprecedented uncertainty where traditional models struggle to keep up, so smart investors are increasingly relying on probability thinking, assessing multiple scenarios rather than banking on a single forecast.

Despite these headwinds, the US remains an attractive investment destination thanks to its rock-solid legal framework, deep capital markets, and relentless innovation. That said, rising fiscal deficits and a shifting global trade order add a dose of risk that's hard to ignore. In market downturns like these, however, the short-term pain can be a potential buying opportunity if you're disciplined and focused on long-term fundamentals.

Global trade has been the engine of prosperity since World War II by allowing countries to play to their strengths, what economists call comparative advantage. This efficiency is what makes free trade such a powerful force for growth. But when you clamp down on that openness, you risk slowing innovation and productivity, creating a self-inflicted wound on the economic landscape leading to volatility as the market participants try to adjust to this new regime.



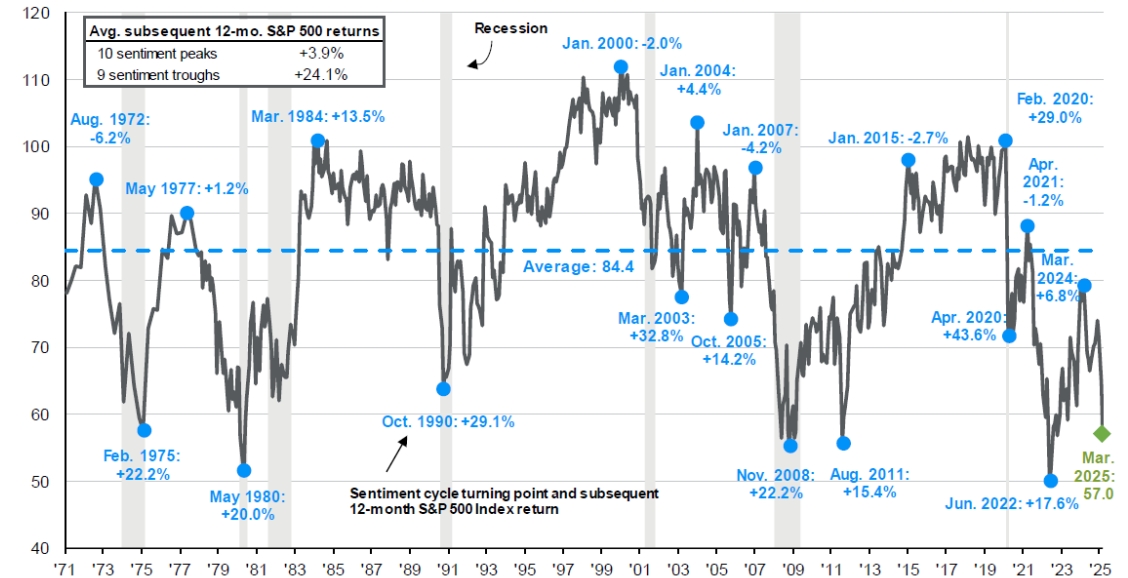
Source: JP Morgan Asset Management

# STICKING TO OUR STRATEGY

Most of us who had the privilege of being part of a sports team will recall the gruelling pre-season training sessions, hours spent sprinting, enduring endless bleep tests, and pushing our limits to build endurance. Our coach would always remind us, “We train hard now so that when the regular season arrives, it’s easy. We plan ahead to be in better shape than our opponents, and when the game is on the line, we’re prepared.”

Today, the investment world finds itself in a similar crucible. We’re witnessing unprecedented global market movements, where indiscriminate selling and sudden drops have become a distressing new norm. Circuit breakers have been activated in several countries, and governments are stepping in, eager to stabilize the global stock markets. Social media is awash with panicked investors, scrambling for a clear strategy amid the severe turbulence. Yet, it is precisely in these moments of uncertainty that we must remind ourselves of the long hours, the meticulous preparation, and the disciplined strategy that we have built over decades. Just as pre-season training is about laying a solid foundation for success, our investment journey has been about reading, researching, modelling scenarios, and testing new strategic allocations. It is this rigorous groundwork that gives us the confidence to hold our positions when markets get turbulent.

Consumer Sentiment Index and subsequent 12-month S&P 500 returns



## STICKING TO OUR STRATEGY

Not every portfolio will weather every storm in the same way, but those built on robust fundamentals and a clear long-term structure are poised to endure. A well-diversified portfolio, much like a balanced sports team, ensures that if one area is hit hard, others can help buffer the impact. It's about having a game plan that isn't swayed by short-term noise but is focused on the long-term horizon. When the market truly tests you, it's the strength of your preparation and your ability to stick to your plan that will make all the difference. In essence, as investors, we must channel the mindset of that pre-season warrior. We have worked hard, we have prepared rigorously, and we have built our strategies to withstand volatility. Now is not the time for knee-jerk reactions or to stray from our disciplined approach. Instead, let's remain steadfast, trust our process, and remember that it is our enduring preparation that will see us through even the most challenging times.

The table to the right depicts the biggest 2-day % declines and the subsequent forward returns for the S&P 500 since 1950. Notable there has never been a subsequent 1-year period where the S&P 500 was not positive over the prevailing 1-, 3- and 5-year periods.

### S&P 500 : Biggest 2-day % declines and forward total returns (1950-2025)

Rank	End Date	Biggest 2-Day % Declines			Forward S&P 500 Total Returns		
		Start S&P 500	End S&P 500	2 Day change	1-year	3-year	5-year
1	19/10/1987	298	225	-24.5%	28%	55%	119%
2	20/10/1987	283	237	-16.3%	24%	47%	108%
3	12/03/2020	2 882	2 481	-13.9%	62%	63%	144%
4	20/11/2008	859	752	-12.5%	49%	73%	164%
5	04/04/2025	5 671	5 074	-10.5%	?	?	?
6	06/11/2008	1 006	905	-10.0%	21%	48%	119%
7	15/10/2008	1 003	908	-9.5%	24%	44%	109%
8	7/10/2008	1 099	996	-9.4%	9%	24%	88%
9	9/03/2020	3 024	2 747	-9.2%	44%	50%	127%
10	22/10/2008	985	897	-8.9%	25%	48%	119%
				Average	32%	50%	122%
				S&P 500 <small>(Average rolling period)</small>	12%	25%	40%

“Investing is the only business I know that when **things go on sale**, people run out of the store”

Mark Yusko

## Our view

Trump's first round of extremely high tariffs is all part of his aggressive negotiating tactics. We believe that the actual final implemented tariffs could be much lower.

None the less, any final implemented tariffs that are higher than current tariffs would lead to higher inflation and slower growth over the short to medium term, as the incentive to bring offshore manufacturing back to the United States will take much longer to implement.

We also believe that Trump's ego will not tolerate a recession in the United States, hence we expect to see tax relief to be announced soon by the Trump administration. We also have three potential safety nets at play, the Trump Put, The Fed Put as well as U.S. Sovereign Wealth put, that could potentially collectively help limit market weakness and provide a buffer against prolonged declines.

We are currently facing an uncertain global trade environment with outcomes that remain unpredictable. Therefore, we advocate for a measured, wait-and-see approach. Our initial portfolio analysis & construction was conducted with rigor, focusing on companies with robust fundamentals and exceptional management teams well-equipped to navigate this evolving landscape. Given these uncertainties, we believe that prudent portfolio rebalancing is essential to manage risk and position our clients for long-term success.

# TRUMP

## THE ART OF THE DEAL



*"Trump makes one believe for a moment in the American dream again." —The New York Times*

**DONALD J. TRUMP with TONY SCHWARTZ**

*"My style of deal-making is quite simple and straightforward. I aim very high, and then I just keep pushing and pushing and pushing to get what I'm after. Sometimes I settle for less than I sought, but in most cases I still end up with what I want."*

*Donald J. Trump*



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