RESEARCH CAPITAL CORPORATION

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May 21, 2025

Long-Term Investing Has Become a Risky Proposition

The Trump tariff circus is destabilizing the equity markets and bond markets at the same time. This is a problem that does not appear to be ending anytime soon. Trump initiates tariffs, and when the stock markets recoil and nosedive he throws a suspension of the tariff for a temporary time and then institutes new tariffs, sometimes worse than the ones he is suspending temporarily.

Bonds are a case in point. **The Treasury market** has got considerable attention lately because, in response to the tariff announcements, yields rocketed and prices sank in a manner that has, in the past, been associated with full-blown financial crises. That market has calmed down a bit, but the chances of further eruptions are high. They may even be set off by other parts of the Trump policy tool kit, e.g. the president's goal of extending tax cuts that expire this year and adding new ones, enormously expanding the federal budget deficit and the Treasuries needed to finance it. Global investors are starting to question the wisdom of holding U.S. dollars and Treasuries, and the dollar's value has been falling.

What is clear is that under these conditions, it's harder to be a long-term investor. When disruptions occur like the kind that have been unfolding, the best advice is to **avoid doing anything hasty**. We saw this back in November and sold our highflyers and overvalued companies and continued to do so into the new year. We prepared for bargains by **building a cash position** that we have prepared for when there is less disruption. When will the disruptions end? Who knows. What I do know is that with manufacturers not knowing how much their materials will cost due to tariffs and buyers not knowing how much their products may be sold for profitably, many manufacturers are simply clearing out older inventory and are holding off on commitments to buy and produce new products. This may cause a spike in demand and a lack of available products, if Trump's tariff policies subside.

The stock market has already had abrupt reactions to tariff announcements, and I expect more to come. High tariffs are likely to dent corporate earnings, and they have increased the chance of a recession. Jumping into the stock market when it falls — "buying the dips" — may not look like a brilliant approach if the market falls further and you were counting on a quick profit.

I personally am reluctant to risk my own money in this whirlpool of chaos until I see some form of stability. If I see peril in investing at this time, I certainly will not expose your hard-earned money to it either. Until the 90-day tariff cut with China is resolved, **I think it prudent to stay with what we hold and await more financial data** to be released that shows the state of the global economies.

I have a feeling that this summer will be a quiet one until September. If I see a screaming buy that regardless of the Trump disruptions look like great value, I will present it to you. In the meantime, I think we need to stay in cash and await the impact of the Trump administration's chaotic disruption with patience and calm. **We will still be collecting our dividends and interest on our cash while we await the outcome**.

Sincerely,

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