



RUTGERS



Investing in a Global Economy During Turbulent Times

2025 Performance Management and Risk Conference

John M. Longo, PhD, CFA

Distinguished Professor of Finance, Rutgers Business School

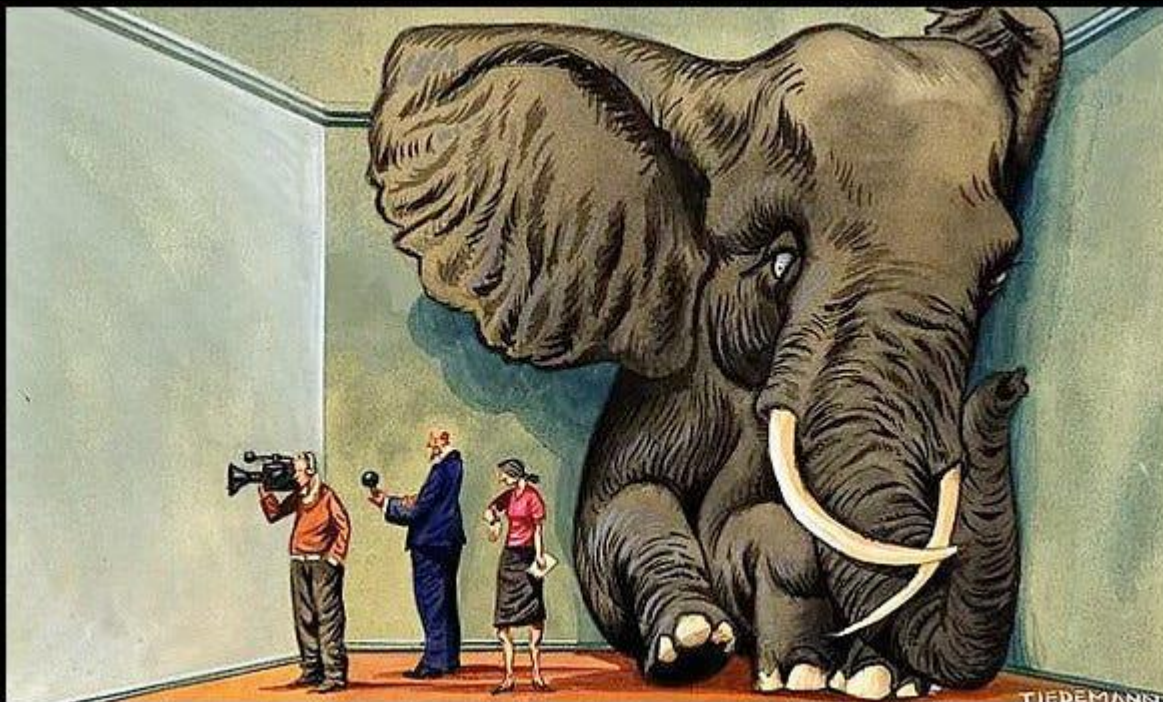
Chief Investment Officer, Beacon Trust

May 21, 2025

Disclaimer

This presentation is for information purposes only and does not constitute investment advice. Investments entail risk and may result in substantial losses.

The Macroeconomic Elephant in the Room: Tariffs

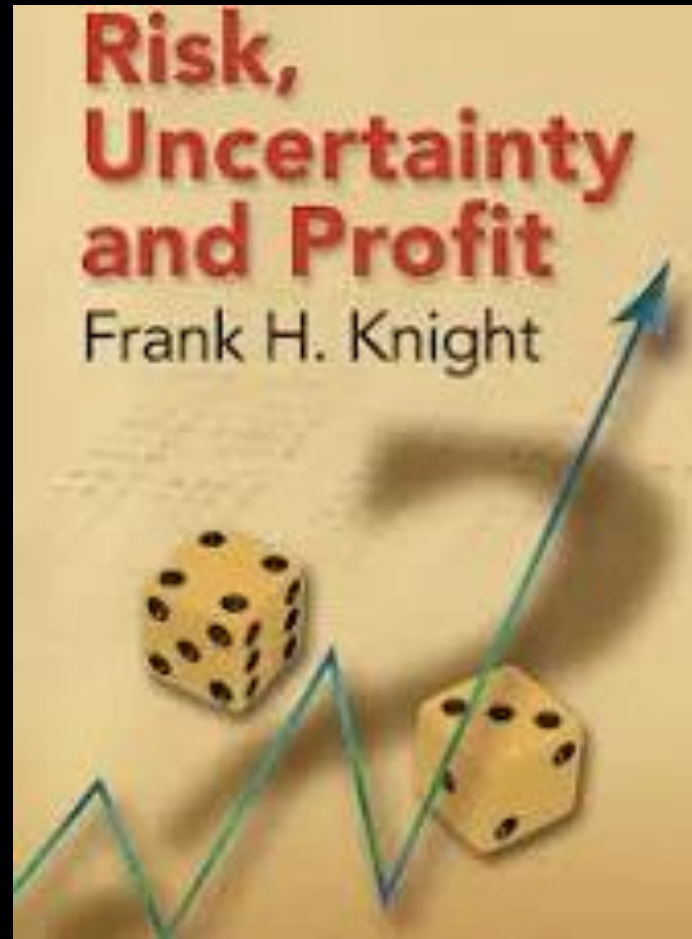


Source: Medium



Source: Calgary Herald

Frank Knight from the University of Chicago: On Risk vs. Uncertainty (1921)



Risk: Probabilities may be quantified

Uncertainty: Cannot estimate probabilities with any degree of precision.



Mark Rowan, Apollo CEO, on Uncertainty and Business Activity



Marc Rowan, CEO Apollo

08:01
Marc
Rowan

No. We don't. Um, think of our, our portfolio is a US-centric and a to a lesser extent a Europe-centric portfolio. Um, on balance, tariffs are kind of not an issue. There are winners and losers across the portfolio. What we do see though is uncertainty. When you don't know what the rules of the game are, you stop investing, you stop hiring, you stop making moves. And that's what in my opinion, we're seeing across the economy. We're seeing uncertainty. We're we're seeing a slowdown. That does not mean that cannot pick up again if we have certainty. But until we have certainty, we're going to see a slowdown.



Milton Friedman on Benefits of World Trade: Pencil Example



Source: PBS (Free to Choose) and YouTube
<https://www.youtube.com/watch?v=67tHtpac5ws>

High Prices Don't Cause Inflation, Unless There Are No Substitutes



If Ferrari raises the price of its car by \$50,000, it doesn't affect me. However, if every car maker raises the prices of their cars by 10%, it does affect me.

Restrictions Make Sense on Some of Palantir's Products

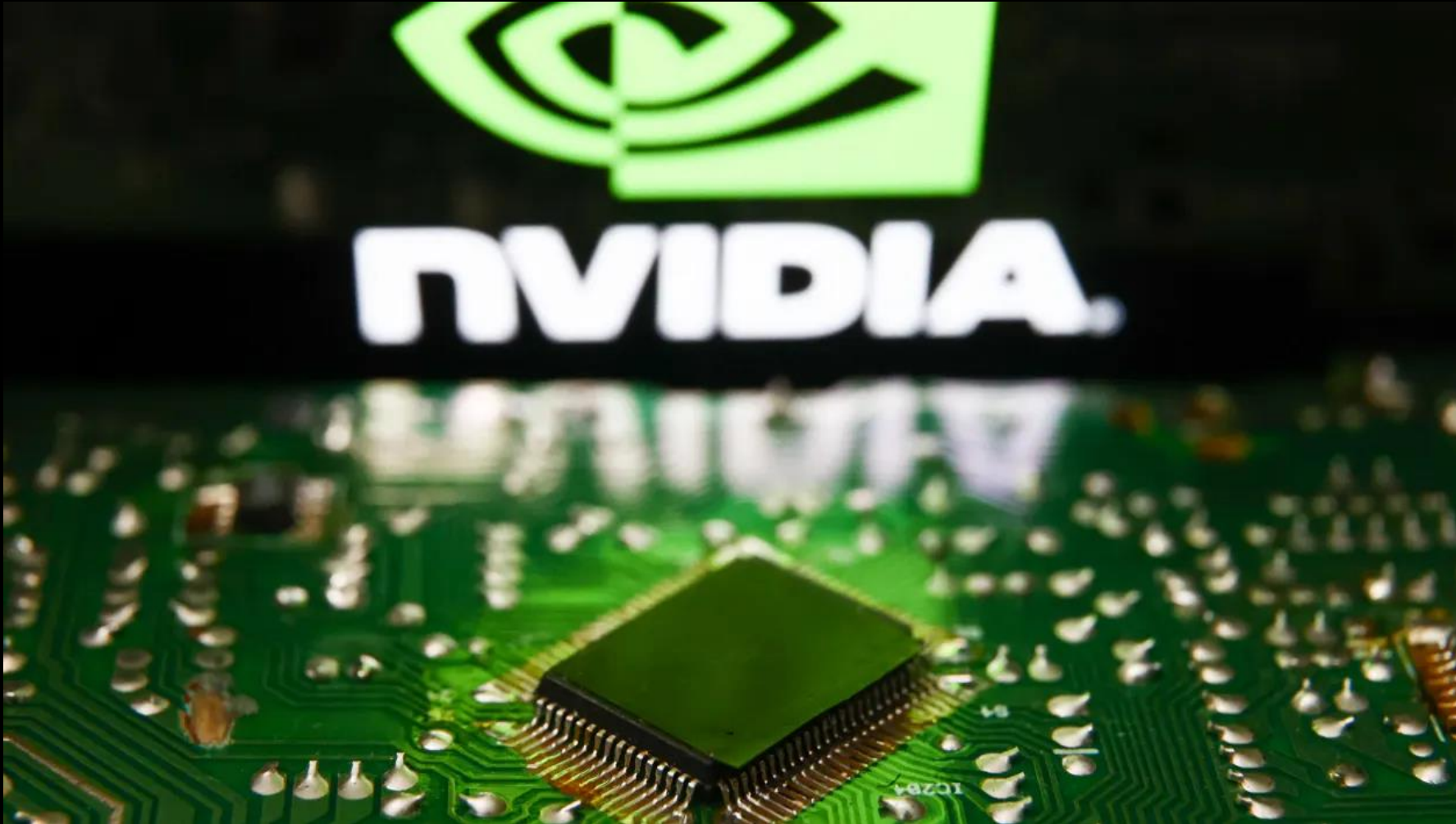


Our product is used, on occasion,
to kill people.”





















- Alex Karp
Palantir CEO

Palantir's software was reportedly
used to find Bin Laden. Palantir
does not do business with China,
Russia, or other countries
opposed to the West.

Restrictions Make Sense on NVIDIA's Advanced AI Chips



How Much Do New Balance Sneakers Cost On Amazon.com?

 <p>  +95 New Balance Men's 574 V1 Core 4.5 ★★★★★ (11.4K) Save 66% \$28⁷⁵ List: \$84.99 Lowest price in 30 days ✓prime Two-Day FREE delivery Wed, May 7 Add to cart </p>	 <p>  +8 New Balance Men's Bb80 V1 Sneaker 4.4 ★★★★★ (551) Save 56% \$33⁰⁷ List: \$74.99 Lowest price in 30 days ✓prime Two-Day FREE delivery Wed, May 7 Add to cart </p>	 <p>  New Balance Men's All Coasts 232 V1 Sneaker 4.4 ★★★★★ (356) \$34⁹⁹ FREE delivery May 12 - 16 Or fastest delivery May 7 - 8 Add to cart </p>	 <p>  +8 New Balance Men's All Coasts 210 V1 Sneaker 4.5 ★★★★★ (1.3K) \$34⁹⁹ ✓prime FREE delivery Thu, May 8 Add to cart </p>	 <p>  +41 New Balance Men's 237 V1 Sneaker 4.5 ★★★★★ (3.9K) Save 56% \$35⁴⁰ List: \$79.99 Lowest price in 30 days ✓prime Two-Day FREE delivery Wed, May 7 Add to cart </p>
 <p>  New Balance Men's CT210 V1 Sneaker 4.1 ★★★★★ (47) \$35⁴² </p>	 <p>  +2 New Balance Women's FuelCore Nergize V1 Sneaker 4.4 ★★★★★ (56.4K) 50+ bought in past month \$25⁷² </p>	 <p>  +26 New Balance Men's 997H V1 Sneaker 4.4 ★★★★★ (5.1K) \$35⁷⁵ List: \$89.99 </p>	 <p>  +12 New Balance Men's 574 V2 Sneaker 4.6 ★★★★★ (31.1K) \$37⁴⁶ List: \$84.99 </p>	 <p>  +38 New Balance Women's 515 V3 Sneaker 4.5 ★★★★★ (8.1K) \$37⁶⁹ List: \$74.99 </p>

Cost of New Balance “Made in USA” Sneakers: Price ~ \$200



New Balance Men's
Made in USA 990...

\$199.99

New Balance

★★★★★ (1k+)



 Free 3-day

New Balance
Classics Made in...

\$199.95

Zappos.com

★★★★★ (1k+)



New Balance Made
In Usa 998 Core...

\$185.00

NET-A-PORTER

 Get it by 4/17



New Balance Men's
Made in USA 993...

\$199.99

New Balance

★★★★★ (1k+)

Mini Case Study: Made in USA Showerheads

A business owner tested if customers would pay more for American-made. The results were 'sobering.'

Dominick Reuter

- Afina founder [Ramon van Meer](#) wanted to see if people would buy a Made-in-USA version of his specialty shower head.
- He found it would cost three times as much to produce — and raised the sale price by 85%.
- After several days of testing, a total of zero customers bought the USA model.

Canadian Hedge Fund Manager Quote: Tariffs on Bangladesh and Vietnam



Trevor Scott  @TidefallCapital · Apr 3



"Tariffs on Bangladesh/Vietnam are like a hedge fund manager fighting with his cleaning lady to get the right back to clean his own toilet."

 186

 1.5K

 12K

 635K



White Paper: Stephen Miran (Trump's Chair of the Council of Economic Advisors)

A User's Guide to Restructuring the Global Trading System

November 2024

Executive Summary

The desire to reform the global trading system and put American industry on fairer ground vis-à-vis the rest of the world has been a consistent theme for President Trump for decades. We may be on the cusp of generational change in the international trade and financial systems.

The root of the economic imbalances lies in persistent dollar overvaluation that prevents the balancing of international trade, and this overvaluation is driven by inelastic demand for reserve assets. As global GDP grows, it becomes increasingly burdensome for the United States to finance the provision of reserve assets and the defense umbrella, as the manufacturing and tradeable sectors bear the brunt of the costs.

In this essay I attempt to catalogue some of the available tools for reshaping these systems, the tradeoffs that accompany the use of those tools, and policy options for minimizing side effects. This is not policy advocacy, but an attempt to understand the financial market consequences of potential significant changes in trade or financial policy.

Tariffs provide revenue, and if offset by currency adjustments, present minimal inflationary or otherwise adverse side effects, consistent with the experience in 2018-2019. While currency offset can inhibit adjustments to trade flows, it suggests that tariffs are ultimately financed by the tariffed nation, whose real purchasing power and wealth decline, and that the revenue raised improves burden sharing for reserve asset provision. Tariffs will likely be implemented in a manner deeply intertwined with national security concerns, and I discuss a variety of possible implementation schemes. I also discuss optimal tariff rates in the context of the rest of the U.S. taxation system.

Currency policy aimed at correcting the undervaluation of other nations' currencies brings an entirely different set of tradeoffs and potential implications. Historically, the United States has pursued multilateral approaches to currency adjustments. While many analysts believe there are no tools available to unilaterally address currency misvaluation, that is not true. I describe some potential avenues for both multilateral and unilateral currency adjustment strategies, as well as means of mitigating unwanted side effects.

Finally, I discuss a variety of financial market consequences of these policy tools, and possible sequencing.

Stephen Miran, Former Hudson Bay Senior Strategist

“The root of the economic imbalances lies in persistent dollar overvaluation that prevents the balancing of international trade, and this overvaluation is driven by inelastic demand for reserve assets.”

Implications of weaker USD:
Increase in gold prices and
select non-U.S. assets—also
a positive for U.S. exporters.


Source: Hudson Bay Capital

Why Is Gold Surging? (Weaker USD, Stubborn Inflation, Falling ST Int. Rates)



Why Is President Trump Interested In Greenland?

Guide to Greenland



United States

Mexico


Gulf of America




Cuba


Puerto Rico


Greenland > Area :

836,300 mi²




Alaska	665.4K mi ²		Australia	2.989M mi ²		Canada	3.855M mi ²	
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 Reuters

Poll: 85% of Greenlanders do not want to be part of the US


6 hours ago




 Reuters


Greenlanders overwhelmingly oppose becoming part of the United States, poll shows


4 hours ago




 CBS News

85% of Greenlanders don't want their island to become part of the U.S., poll finds



 DW

85% Greenlanders oppose joining the US – poll



Trump Not Giving Up on Greenland (WSJ article May 7, 2025)

U.S. Orders Intelligence Agencies to Step Up Spying on Greenland

Effort underscores seriousness of Trump's intent to acquire the island from Denmark

Key Points

What's This? ⓘ

- The U.S. is increasing intelligence efforts in Greenland as President Trump has expressed interest in the island.
- Intelligence agencies are to identify Greenland and Denmark residents who support U.S. objectives.
- Trump has said he wants to take over Greenland for security purposes.

“We need Greenland for national security and even international security, and we’re working with everybody involved to try and get it,” Trump said in a joint address to Congress in March. “One way or the other, we’re going to get it.”

*

Q: Has a NATO Country Ever Attacked Another NATO Country? AI Response

ChatGPT 4o ▾

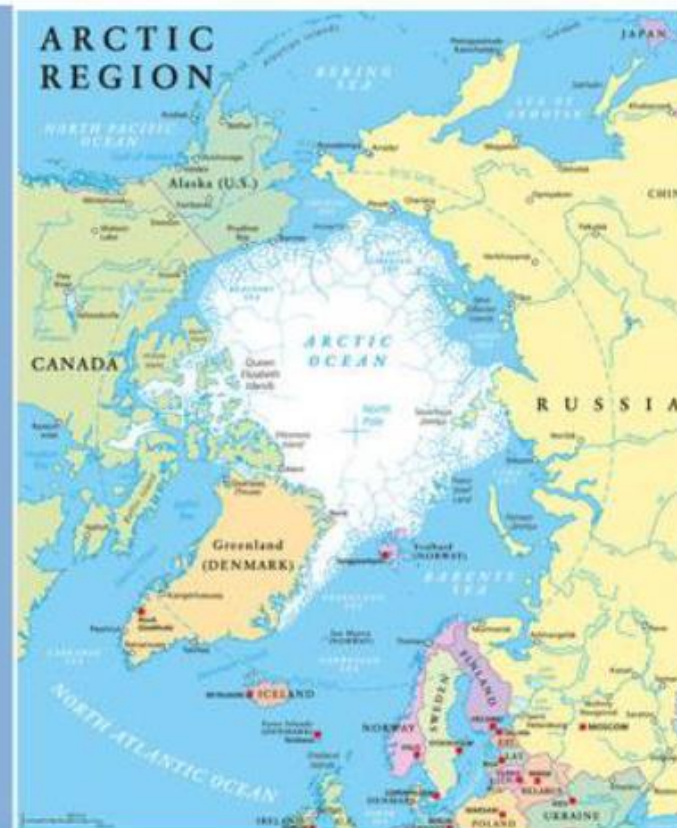
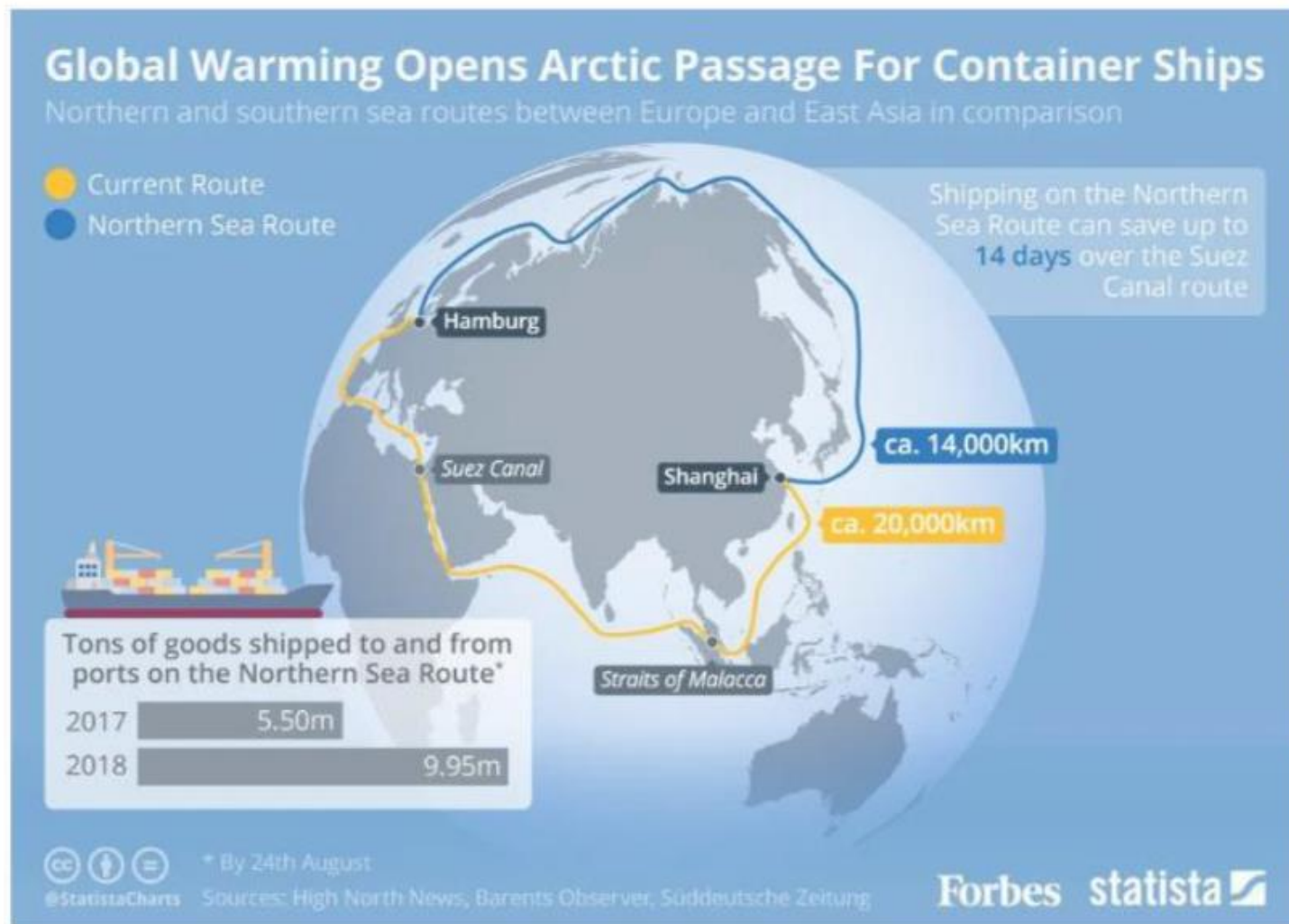
Has a NATO country ever attacked another NATO country?

1. Turkey vs. Greece

- **Background:** Turkey and Greece have a long history of disputes over Cyprus, airspace, and maritime boundaries.
- **Incidents:**
 - **1974 – Cyprus Crisis:** Turkey invaded Cyprus after a Greek-backed coup, but Cyprus was not a NATO member at the time. Tensions between Turkey and Greece (both NATO members) were extremely high and came close to open conflict.
 - **1996 – Imia/Kardak Crisis:** A standoff over uninhabited islets in the Aegean Sea nearly escalated into armed conflict.
- **Status:** No full-scale war occurred, but tensions persist, and both countries remain in NATO.

Why (Else) Is President Trump Cozying Up To Russia?

Trump's new foreign policy approach to Russia may be more about containing China



Trump's interest in Greenland is about shipping lanes, rare earth minerals, defense, and ego/expansion of U.S. controlled territory.

Golden Dome: Investment Opportunity in Defense Stocks?

President Donald Trump wants to create a 'Golden Dome' for the U.S. What would that actually look like?

Katie Hawkinson



AI response to defense stocks that may help build a U.S. “Golden Dome” missile defense system.

Large firms: LMT, NOC, RTX, GD, BA

Mid-sized firms: LHX, LDOS, KTOS, PLTR, MRCY, RCLB, ASTR
ETFs: ITA, XAR, PPA

President Trump Tweets Add to Normal Volatility



YouTube · CBS News

Trump blasts Powell as
"major loser" as worries about
U.S. economy persist

MSNBC News

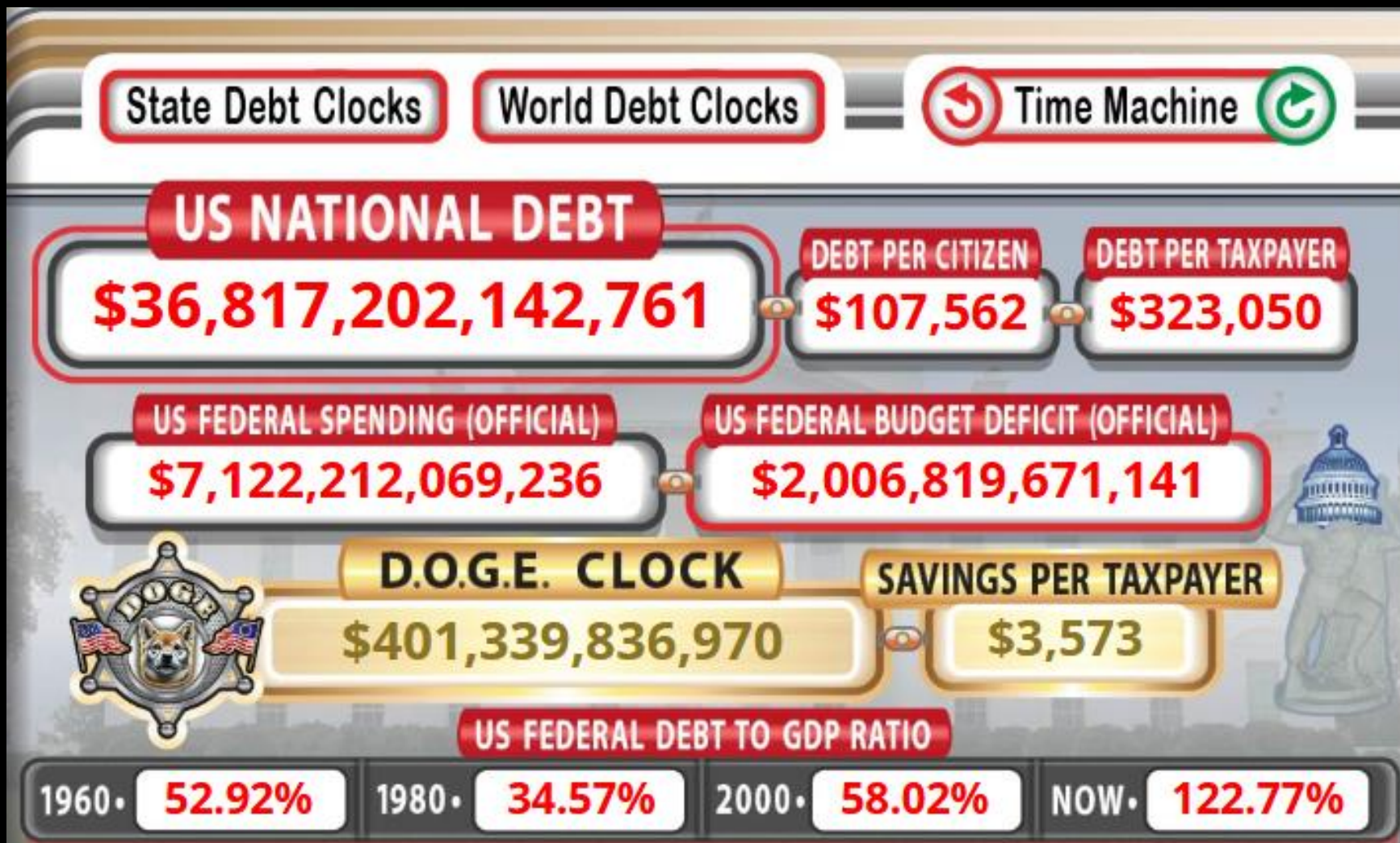
Why Trump's threat to fire Powell is scaring the stock market

Can Trump fire Powell? The stock market ended down again Monday over President Donald Trump's threat to fire the Federal Reserve chair and...

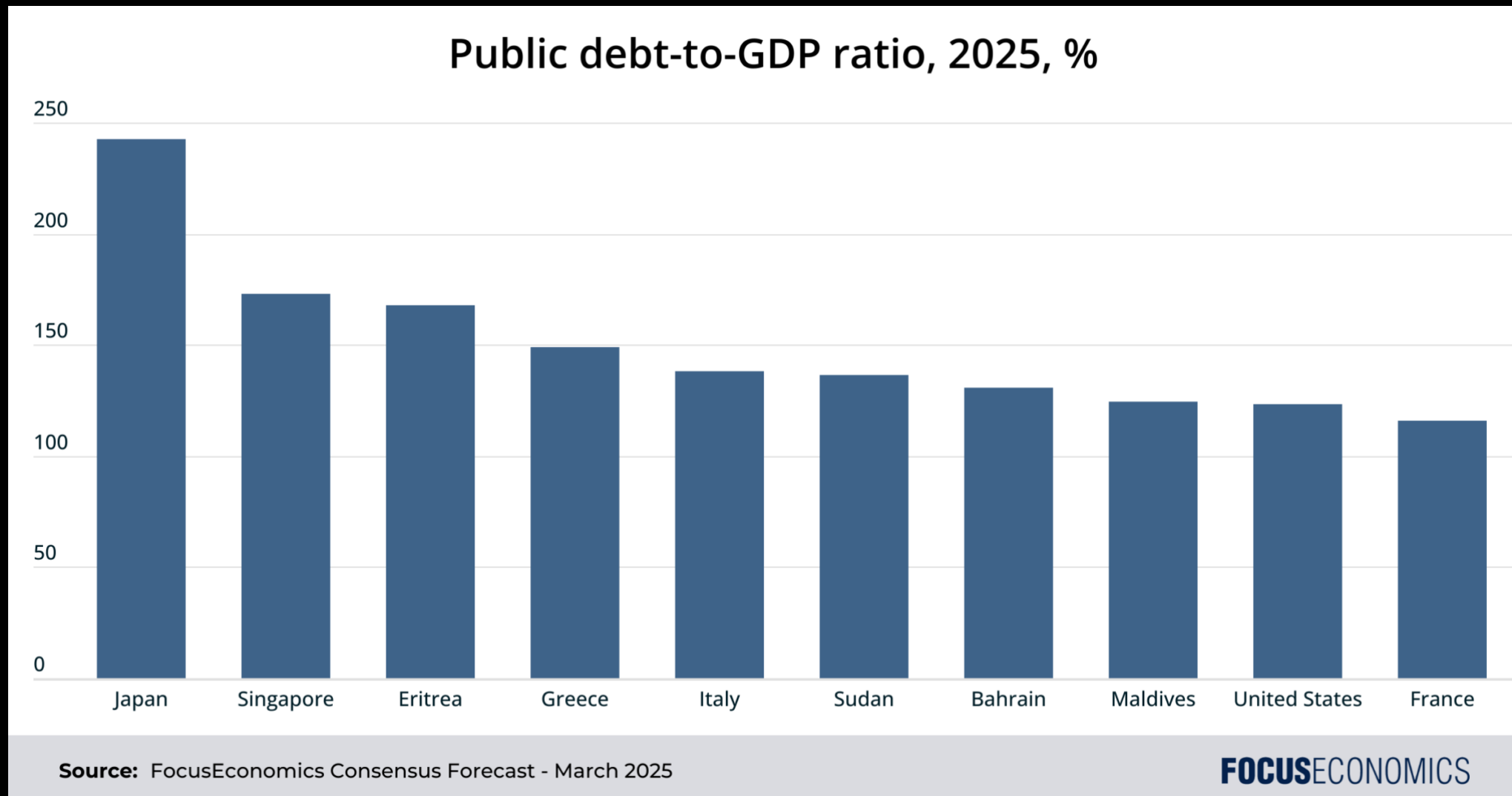
 The New Republic

Jerome Powell Is the Next
Trump Crisis

U.S. Debt Clock: Houston, We Have A Debt Problem

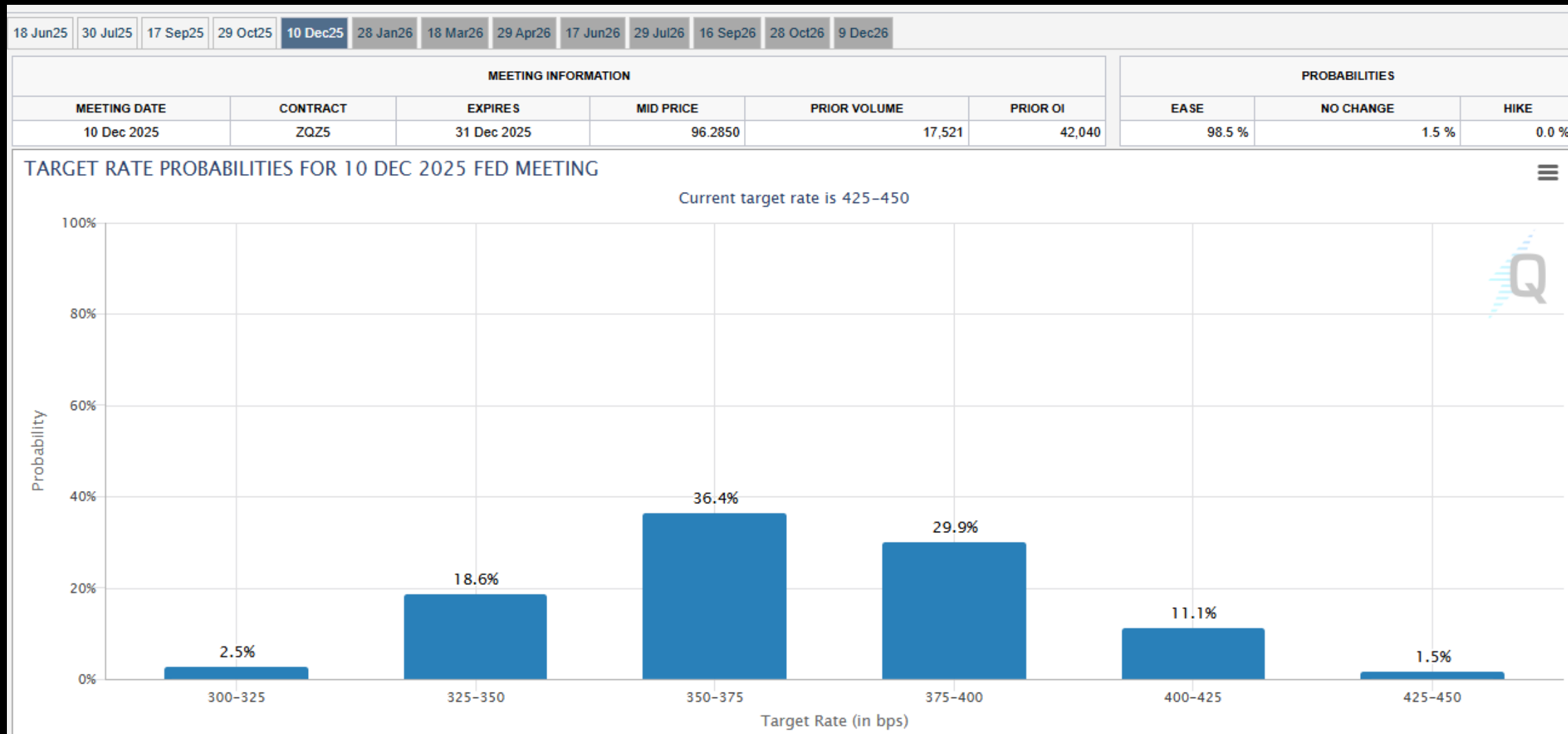


Debt to GDP By Country: U.S. is Approaching Italy and Greece

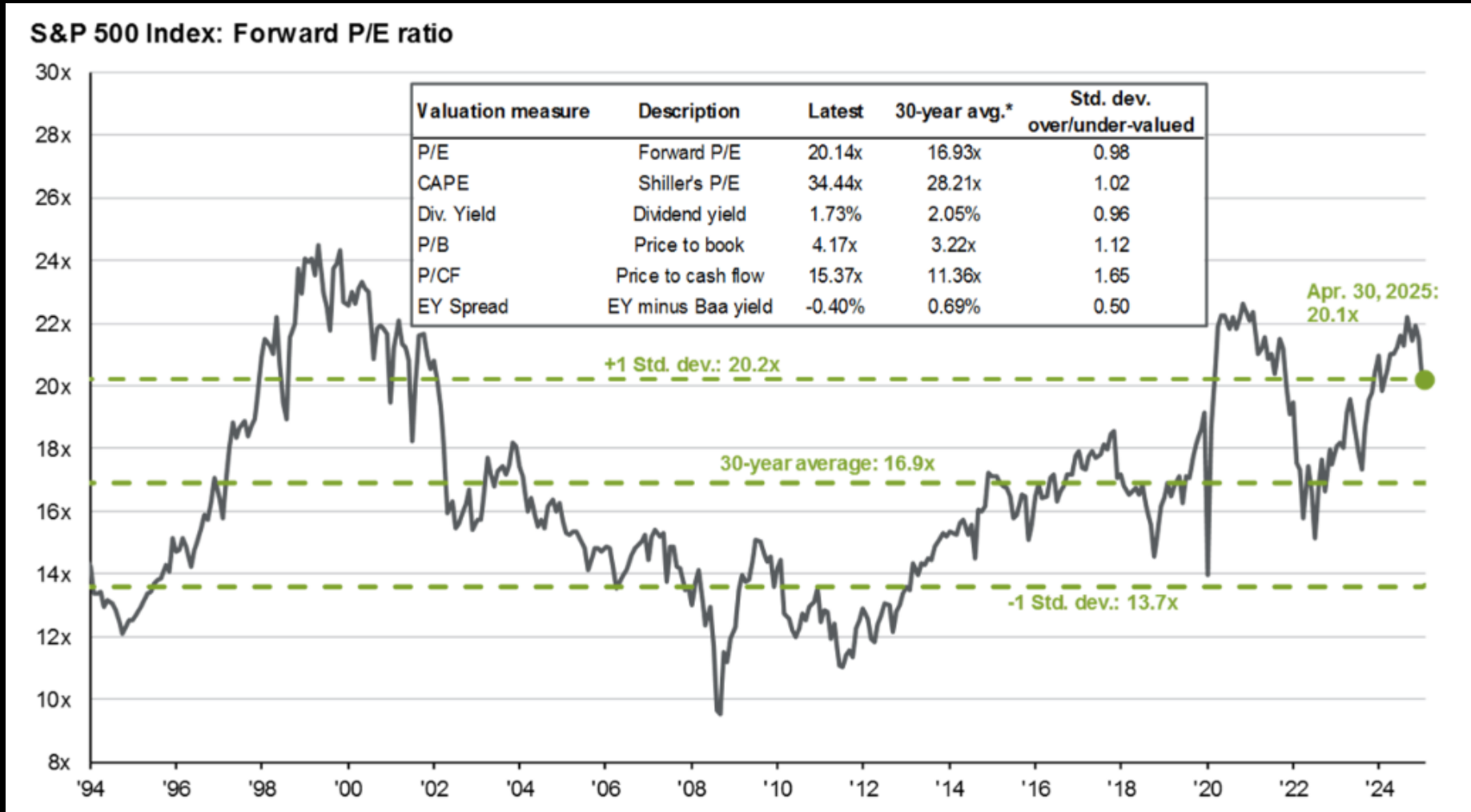




Fed Expected To Cut Rates 2 or 3 Times Of 25bps By Year End

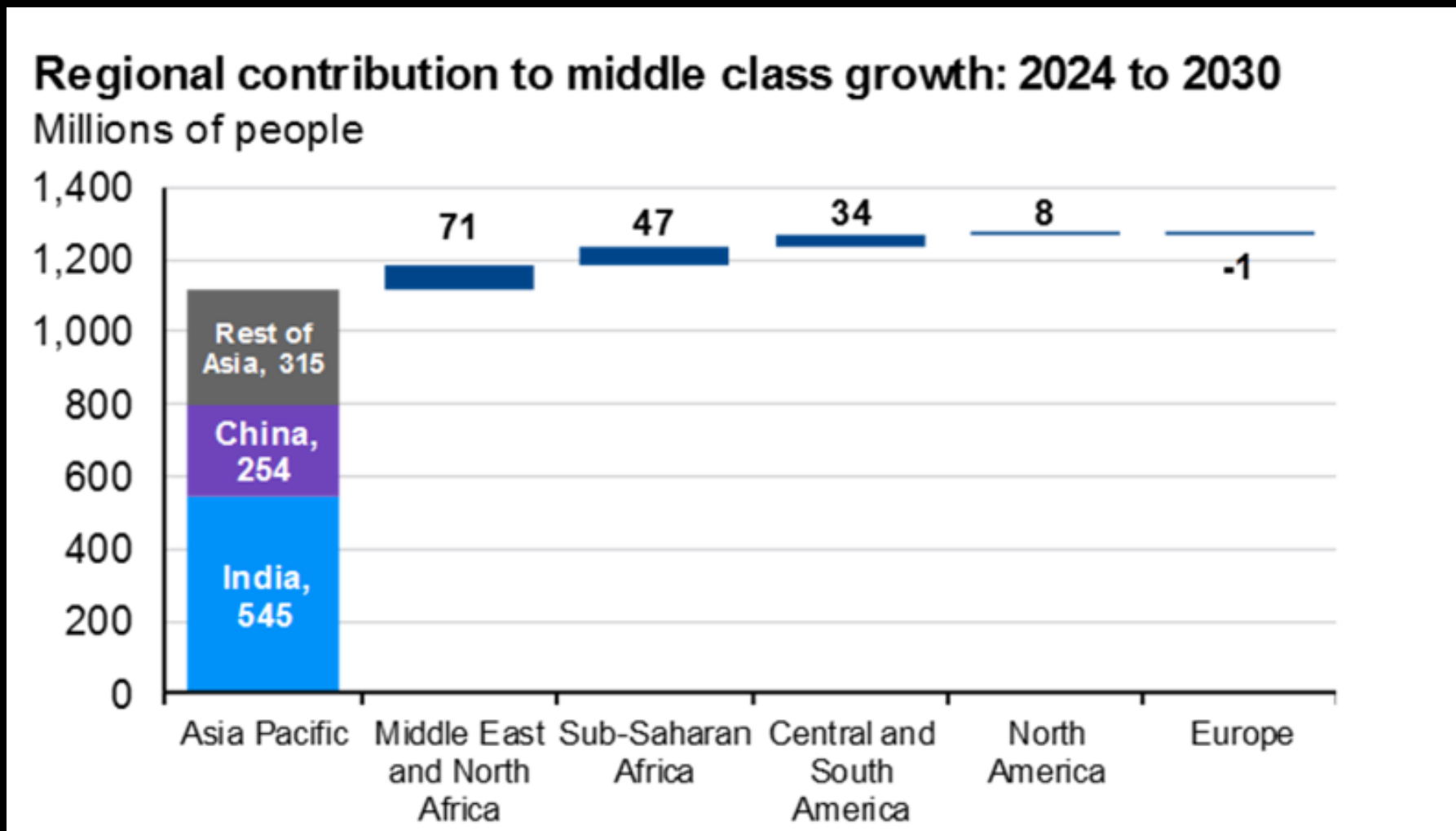


Despite the Pullback, Stocks Are Not Cheap

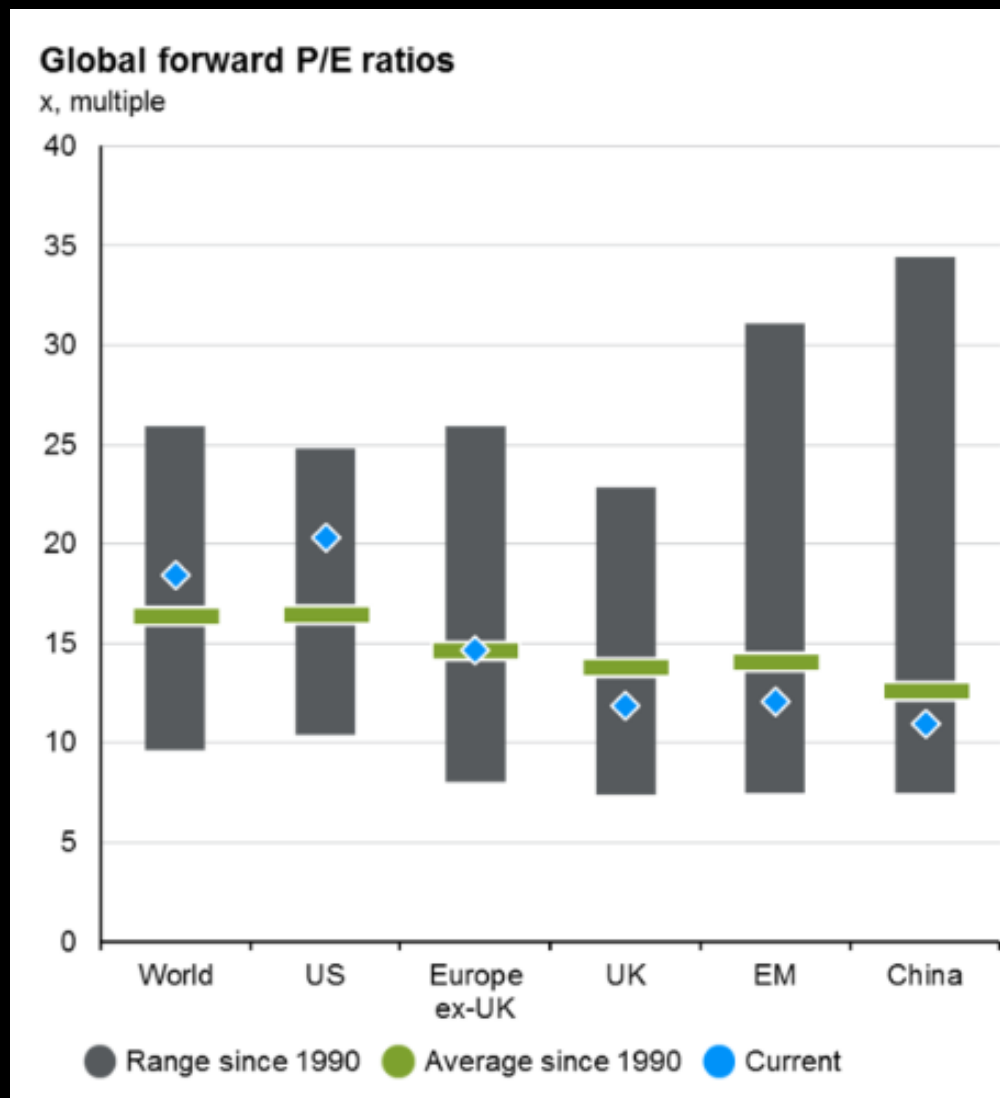


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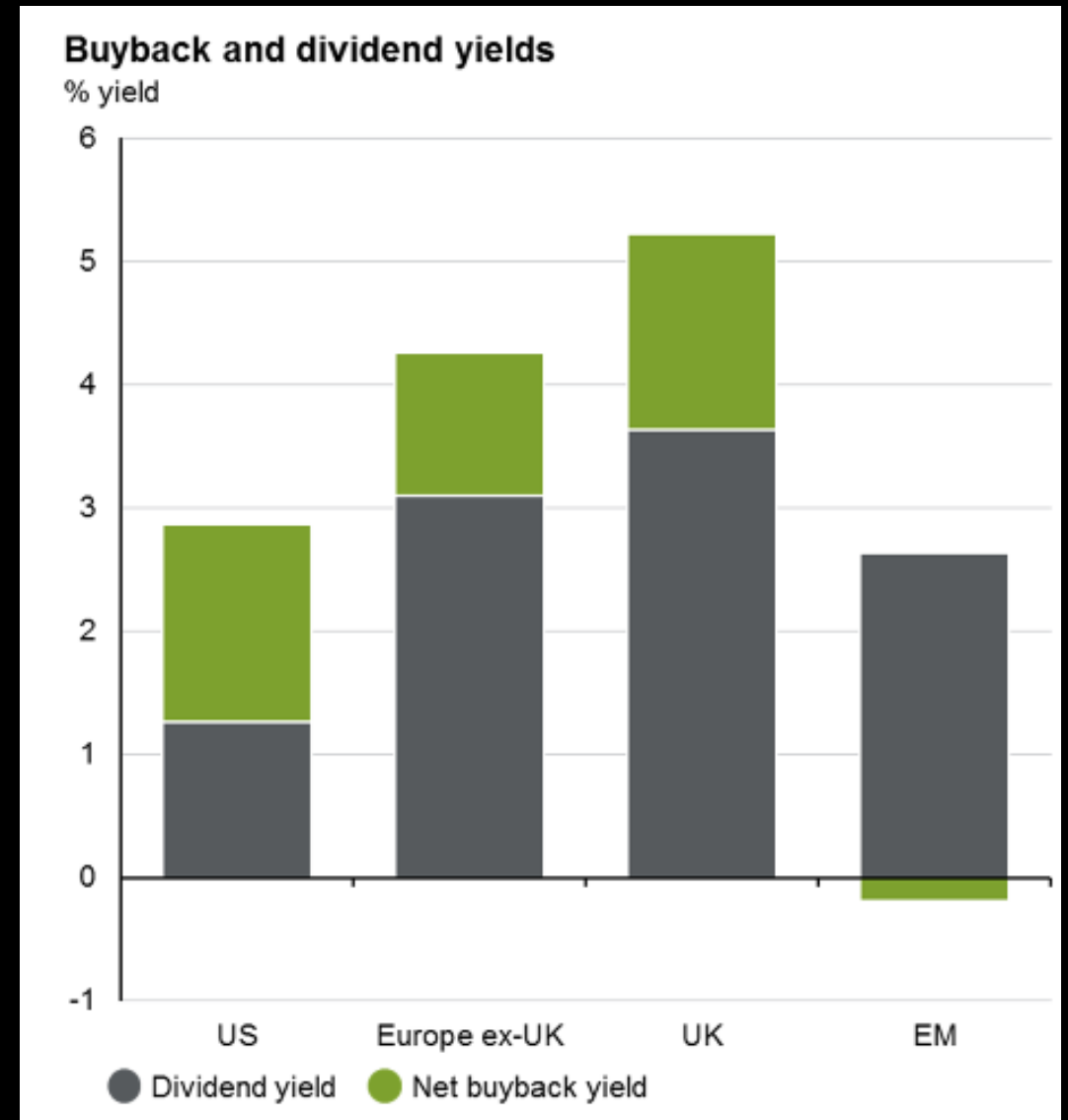
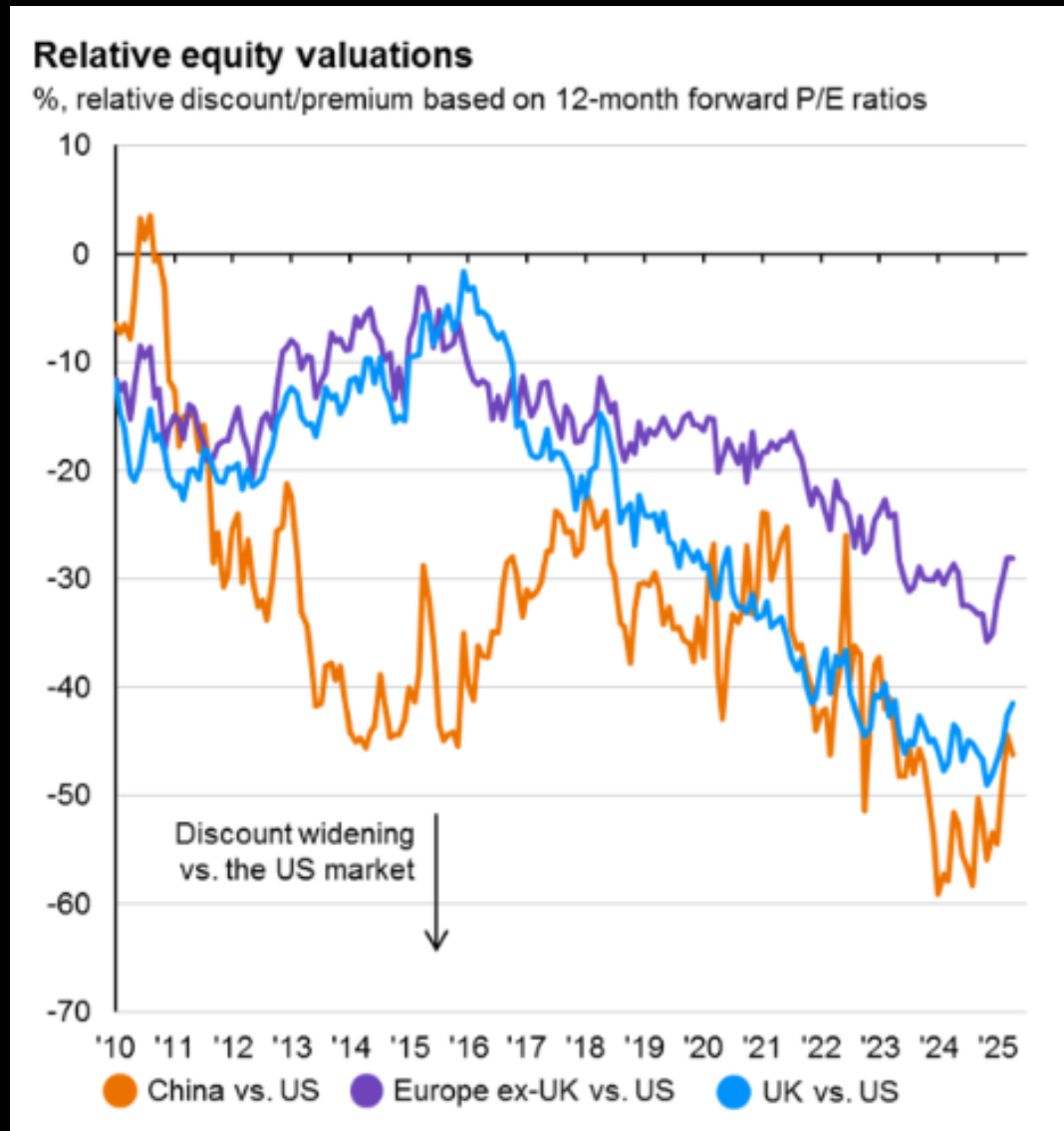
Consider Exposure to Companies that Sell to Emerging Market Consumers



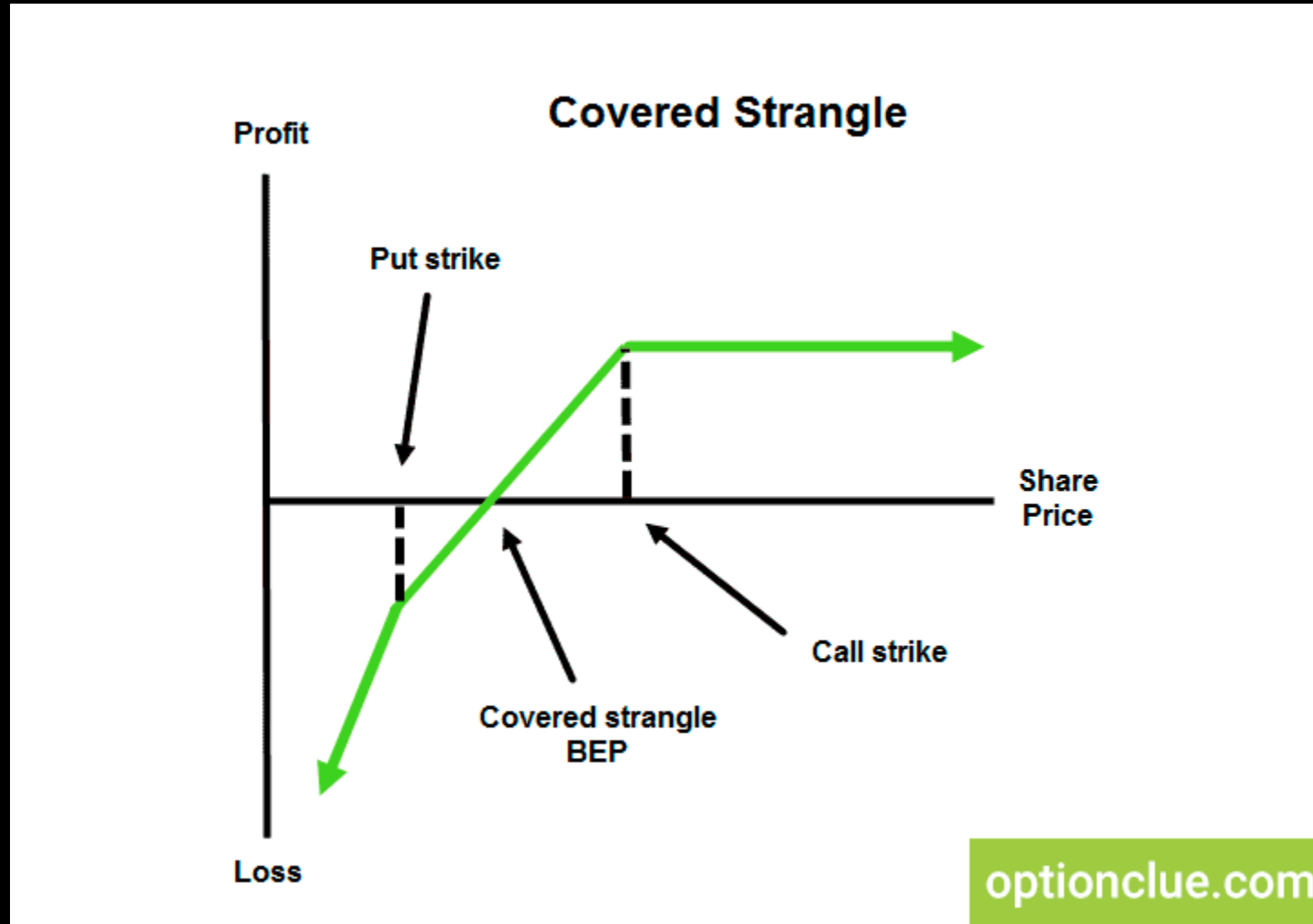
International Stocks Are Cheaper Than U.S. Stocks and Vs. Historical Valuations



U.S. vs. International Valuations: Earnings, Dividends, and Buybacks



What Type of Strategies Make Sense in A High Vol, Uncertain Environment?



Covered Strangle (Sells Vol)

- 1) Long Stock
- 2) Sell Call
- 3) Sell Put

1) + 2) = Covered Call

1) + 2) + 3) = Covered Strangle

Risk: If stock crashes, losses may be larger than with covered call or long only equity

Covered Strangle on Moderate Risk Name: United Parcel Service (UPS)

UPS (using Jan 2027 options)

Current Stock Price	\$	94.00
Sell Call, Strike Price=95	\$	12.50
Sell Put, Strike Price=95	\$	16.40
Total Option Premium	\$	28.90
Annualized Option Premium %		17.57%
Annual Div Yield		6.86%
Total Annualized Yield		24.43%

Implication: If UPS stock is flat or goes up any amount, you make 24.4% per year. If UPS goes down, your first ~21% of losses are covered over the 1.75-year period.

Covered Strangle on Speculative Name: Hims & Hers (HIMS)

HIMS (using Jan 2027 options)

Current Stock Price	\$	50.00
Sell Call, Strike Price=50	\$	23.20
Sell Put, Strike Price=50	\$	16.40
Total Option Premium	\$	39.60
Annualized Option Premium %		45.26%
Annual Div Yield		0.00%
Total Annualized Yield		45.26%

Implication: If HIMS stock is flat or goes up any amount, you make 45.3% per year. If HIMS goes down, your first ~40% of losses are covered over the 1.75-year period.

New Bridgewater / State Street All Weather ETF



Asset Class	Exposure
Global Nominal Bonds	73.50%
Global Equities	43.54%
Commodities	36.33%
Inflation Linked Bonds	32.39%

Questions?



Source: The Atlantic