2025.04.11 RPG Markets Update Letter - *The Orange Swan Event*

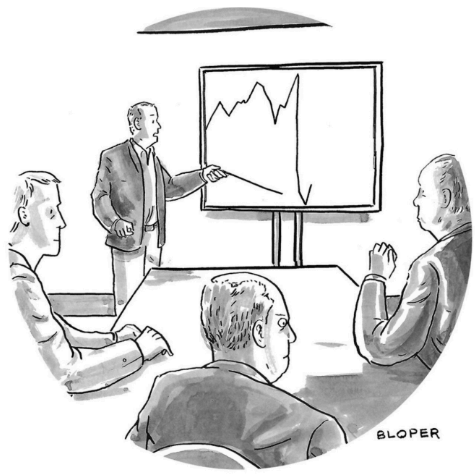
*Source:*X

"*The army of millions and millions of human beings screwing in little screws to make iPhones — that kind of thing is going to come to America.*" - Howard Lutnick, United States Secretary of Commerce

*Source:*X

ETF	Ticker	Weekly Return	2025 YTD Return
Invesco Nasdaq 100 ETF	QQQ	7.51%	-10.99%
iShares MSCI Japan ETF	EWJ	7.01%	-1.91%
SPDR S&P 500 ETF Trust	SPY	5.67%	-8.62%
iShares Core MSCI Europe ETF	IEUR	5.12%	8.48%
iShares MSCI ACWI ex US ETF	ACWX	4.47%	2.59%
iShares MSCI Emerging Markets ETF	EEM	2.88%	-0.17%
iShares MSCI All Country Asia ex Japan ETF	AAXJ	2.38%	-2.29%
iShares Russell 2000 ETF	IWM	1.75%	-16.38%
iShares MSCI China ETF	MCHI	-0.64%	6.02%
iShares Core Global Agg Bond UCITS ETF	AGGG	-0.92%	3.10%
iShares Core US Agg Bond ETF	AGG	-2.43%	1.12%

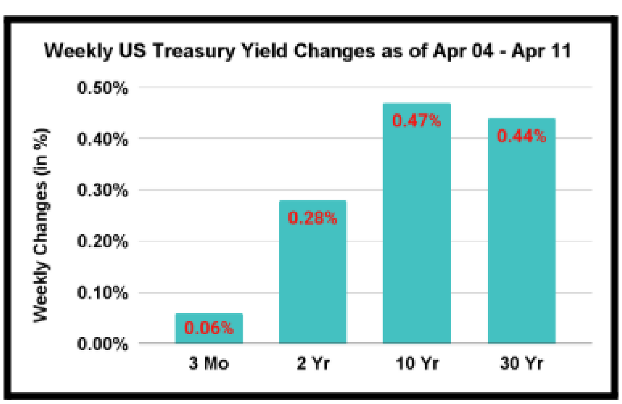
Source: Bloomberg as of April 11, 2025 close. Total return shown.



"It was at this point, gentlemen, that the President decided it was his plan all along to reverse course."

Dear RPG Readers,

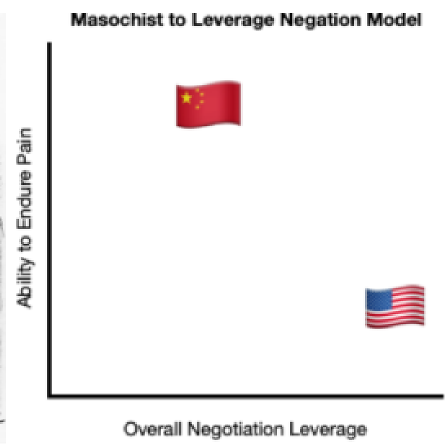
There are too many data points. The story this week is absolutely tariffs, but also, and perhaps more worryingly, the instability of the US Treasury market. First, it is not clear that US Treasuries are in free fall. The US Treasury had two Treasury auctions this week. Tuesday's auction did not go well (meaning demand was weak and thus the US had to refinance at a higher rate than anticipated). Wednesday's auction went well. While the auctions were mixed, across the board US Treasuries sold off, US interest rates increased. A tenant of the Crazy-Man-Trump hypothesis is that his erratic tariff policy will purposely cause market pain, such market pain will force money from equities to the ultimate safety asset: US Treasuries. As the entire world flocks to US Treasuries, US borrowing rates will fall dramatically and the US will be able to refinance its debt. As of today, global investors flocked FROM US Treasuries, and rates went up. Mad-Genius-plots sometimes take longer than we predict.



Source: US Dept. of Treasury, X

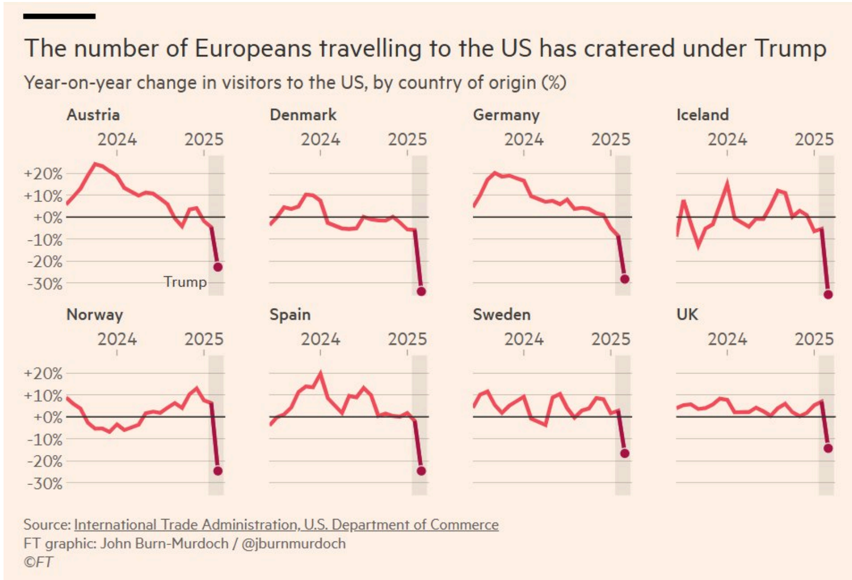
RPG wants US manufacturing. We have written about this since Covid. It is depressing that Americans still cannot make N-95 masks in the US at scale. The concern we see with instantly deciding that the US needs to repatriate manufacturing is that the infrastructure, labor, and plan are non-existent. RPG would have preferred: Step One: spend a few years to build out the labor and the infrastructure to make American manufacturing great again. Step Two: as soon as America can go it alone, enact tariffs. (In reality, RPG would be unlikely to enact a punishing tariff regime.) The United States has the capability to manufacture virtually anything—and to do it well. What we lack is scale. China's true genius lies in its ability to scale production at an unmatched level.

RPG had a call with an RPG client who in one year made 22M hardware products in China. That client told us that the effort required 30,000+ workers in five factories. The US could do this, we just don't.



Source: BCA Research, X

As the administration continues its game of Red-Light/Green-Light with tariffs, non-US participants grow tired, for our French readers, *ennui.* This ennui has prompted many to doubt their long term US relationships. *Are Americans good partners?* "Sure my American friend is a good guy, but that country is unreliable." Multiply this concern and money is moving from the US. It is moving from Treasuries, and then from USD. Tourism shows a similar trend.



In our year-end letter we noted that the US > EU trade had probably run its course. We said go long the EU, go short the American Bro Culture. That trade, which of course we did not do ("GDI"), worked.

As global investors run from the US dollar, financing everything in the US has become more expensive. As we seek to tariff all imports, building everything in the US has become more expensive. Remember manufacturing requires metals, tools, and machines. The US imports those. Next, how long would it take to build all this US manufacturing? Probably a few years. Is there a chance that Trump is not President in 2029? Maybe. And thus, can a company plan a huge capital expenditure given the whims of US policy?

In 2022, we complained that the US did not build things and that Putin was killing the Green New Deal as his invasion into Ukraine increased US inflationary pressures. We are at the same place. Big projects require big vision. The US thinks in four year increments.

We thought Trump was going to kick off a 'drill, baby, drill' and 'build, baby, build' renaissance?

We did too, but the oil patch has gone silent. The Federal Reserve Bank of Dallas publishes a quarterly survey on activity in the US oil patch. Here are some grim quotes from the most recent report (March 26, 2025):

"The company outlook index decreased 12 points to -4.9, suggesting slight pessimism among firms. Meanwhile, the outlook uncertainty index jumped 21 points to 43.1."

"Costs increased at a faster pace relative to the prior quarter. Among oilfield services firms, the input cost index advanced, from 23.9 to 30.9. Among E&P firms, the finding and development

costs index increased, from 11.5 to 17.1. Meanwhile, the lease operating expenses index rose from 25.6 to 38.7."

The front month contract on a barrel of Texas Tea (West Texas Intermediate Oil (WTI)) closed today at $61.48, down from a high of $80.04 in January. A fall in WTI prices means that new projects have less positive cash flow. Higher US interest rates mean fewer US oil projects. US Oil speculation slows. *RIP drill, baby, drill' !* To add even more, as oil prices fall, the US trade deficit increases because the US is a net exporter of oil! We have to import [metals, tools, etc] to export!

US Dollar weakness means US inflation (until we make everything with our own inputs in the United States). The sell off in US Treasury securities, means rates go up, financing is more expensive. In this scenario, prices continue to rise while economic growth stagnates. AKA stagflation.

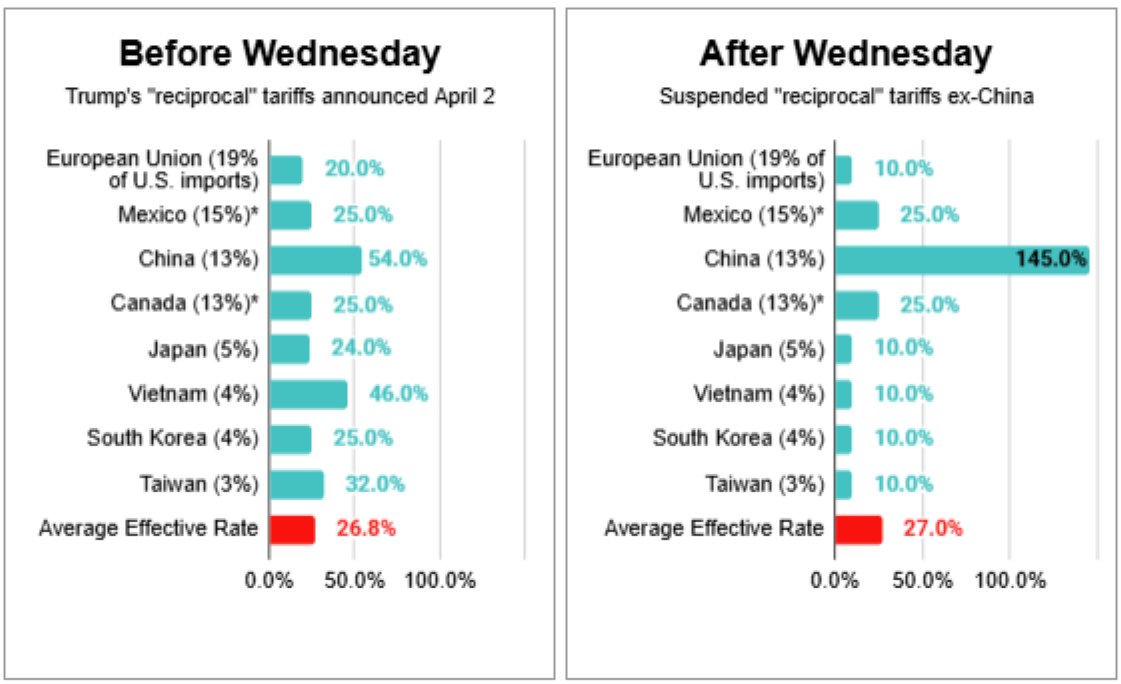
The Trump administration says it wants to make everything in the US and that it wants to build huge capital projects in the US, but its approach to the tariffs and the US capital markets have made every form of capital more expensive. Obtusely, all large capital investments come down to [cash flows]/ [cost of capital] = [yes or no decision]. As the denominator increases, the NOs win.

Source: X

And it is not just us wonks that see this! Some people keep telling us that other people are re-freaking-out about inflation. In today's release of the University of Michigan's hella famous [Survey of Consumers](#) reads: "Year-ahead inflation expectations surged from 5.0% last month to 6.7% this month, the highest reading since 1981 and marking four consecutive months of unusually large increases of 0.5 percentage points or more."

RPG does not know anything, but we use the points above to illustrate the complexity of the US economy. As readers might guess, a single sized trade policy fails to account for the nuance that is the amazing system of the Global economy.

In the past week, we did not sell equities. We bought more EUR than we could have ever imagined. We sold US Treasuries, we bought German debt, French debt. All short dated. When clients wanted to sell US equities, we told them, “if the VIX is over 50, we should probably buy.” We do not understand why equities traded up so well this week. We are glad they did. The rise in US Treasuries concerns us and the move in equities seems premature since Trump has not resolved his stance on China. Yet, perhaps his monumental blink on Wednesday (“another 90 day delay”), hints that eventual China tariffs will not remain 50%, or 104%, or 124% or 145%.

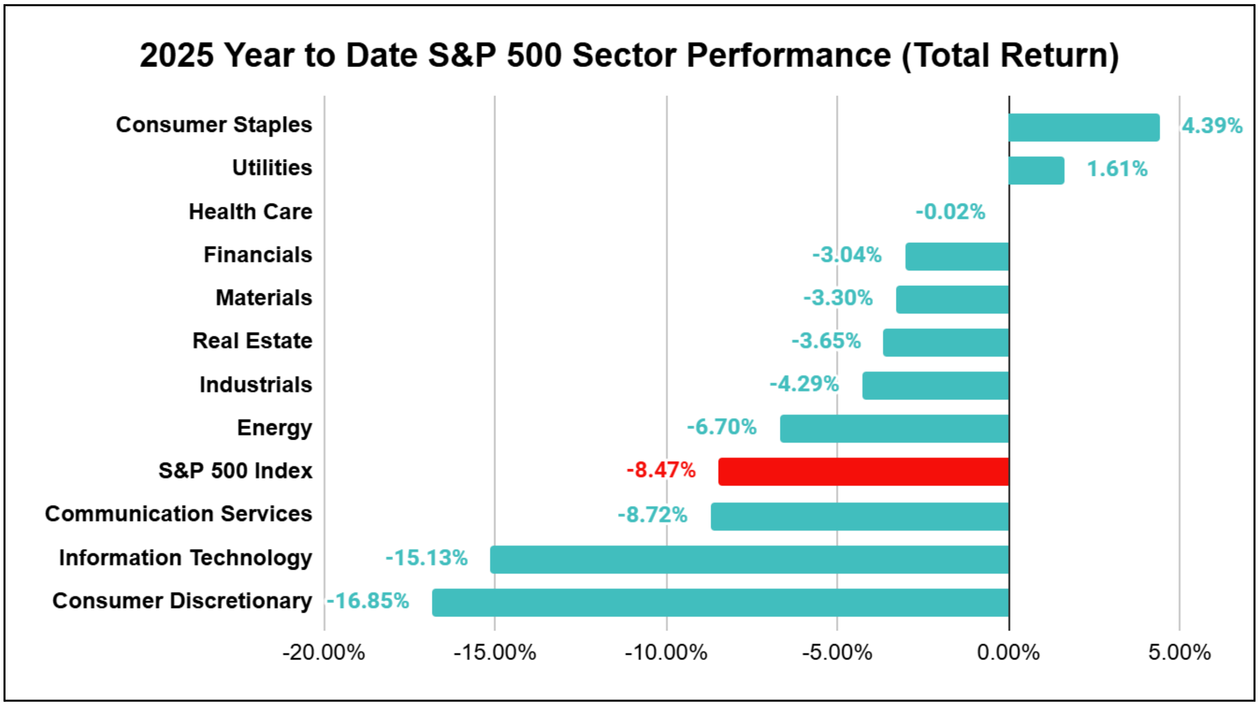


Source: RPG, Washington Post
*Rates for Mexico and Canada exclude USMCA-compliant trade. Note: Country rates exclude tariffs on specific products like steel, aluminum and autos. The average effective tariff rate accounts for these nuances.

Major U.S. Trade Deal Timelines: From Negotiation to Signature

Region	Time to Negotiate and Sign
Central America/DR	16 months
USMCA	15 months
South Korea	14 months
Australia	14 months
UK	Paused after 3 years and 7 months
EU	Scrapped after 5 years and 9 months

Source: CNN



Source: Bloomberg, as of 4/11/2025

YTD Best Performing Companies in the S&P 500		
Company	**Ticker**	**% Change**
CVS Health Corp	CVS	56.81%
Newmont Corporation	NEM	48.57%
Philip Morris International Inc.	PM	29.00%
Cencora Inc	COR	26.83%
Consolidated Edison Inc	ED	24.20%
Exelon Corp	EXC	23.35%
Republic Services Inc	RSG	21.89%
Millrose Properties Inc	MRP	21.88%
McKesson Corp	MCK	21.09%
AT&T Inc	T	20.41%

YTD Worst Performing Companies in the S&P 500		
Company	**Ticker**	**% Change**
Deckers Outdoor Corp	DECK	-46.30%
Charles River Lbrtrs ntrntl Inc	CRL	-45.96%
ON Semiconductor Corp	ON	-44.37%
Zebra Technologies Corp	ZBRA	-41.63%
Teradyne Inc	TER	-41.45%
Viatris Inc	VTRS	-38.68%
Tesla Inc	TSLA	-37.52%
Las Vegas Sands Corp.	LVS	-37.15%
Moderna Inc	MRNA	-36.99%
EPAM Systems Inc	EPAM	-36.81%

Source: Bloomberg, as of 4/11/2025

Hedge fund managers who voted Trump trying to reset expectations with their LPs

Source: HBO, X

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