

APOLLO

# What Might Trump's Liberation Day Mean to the U.S. Economy & Financial Markets?

**Apollo Global Management**

April 2025

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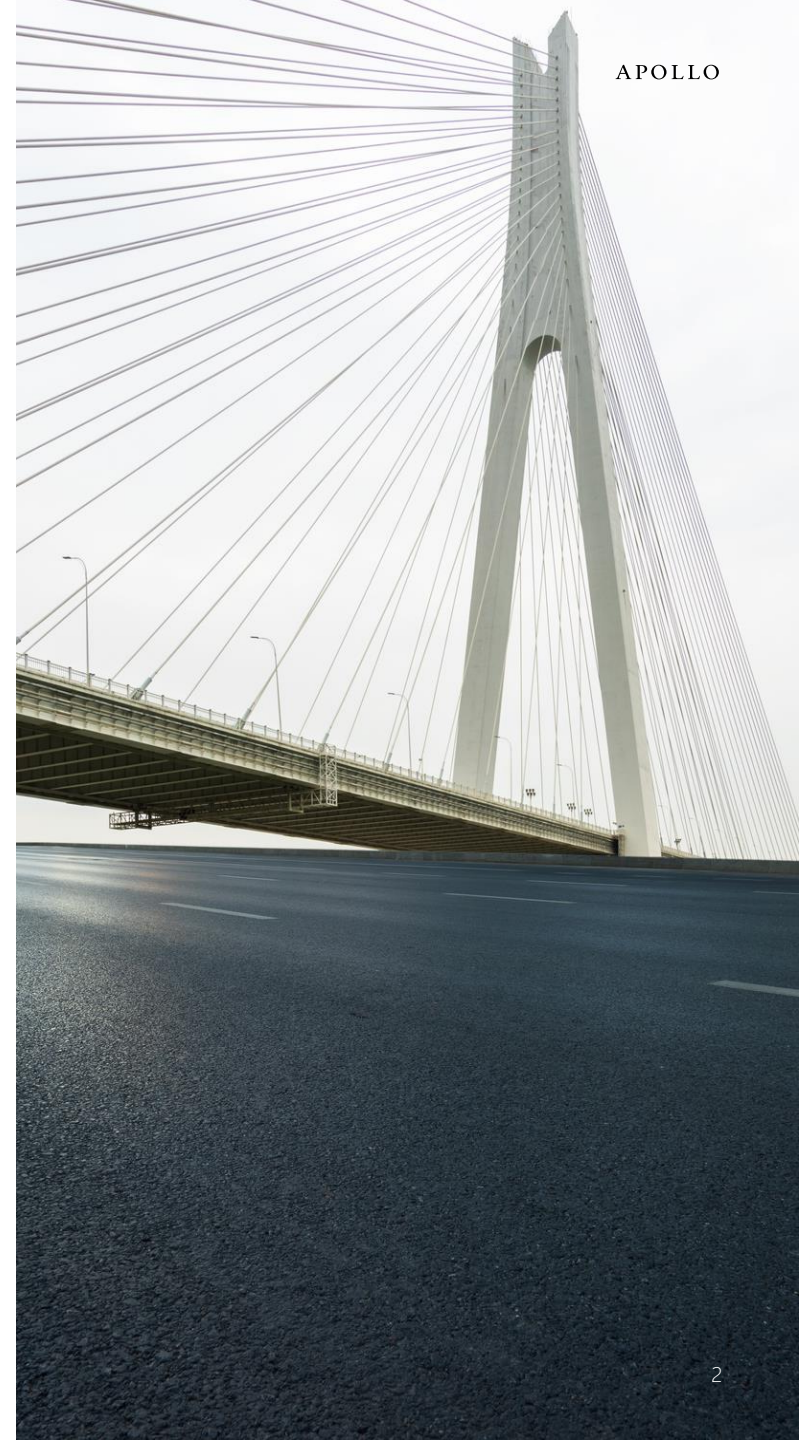
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# Today's Outline

- 1) What is Going on in DC?
- 2) What Does it Mean for the Economy?
- 3) What Does it Mean for Credit?

What is Going on in DC?

# Liberation Day – What We Know

- **Administration going big and bold on tariffs:**

- Implementing both a baseline tariff of ten percent and reciprocal tariff on certain countries subject to Presidential powers under IEEPA<sup>1</sup>
- Higher, reciprocal rates based on a rough estimation of each country's trade deficit

- **Exemptions so far:**

1. Articles subject to 50 USC 1702(b)
  2. Steel/aluminum articles and autos/auto parts already subject to Section 232 tariffs
  3. Copper, pharmaceuticals, semiconductors and lumber articles
  4. All articles that may become subject to future Section 232 tariffs
  5. Bullion
  6. Energy and other certain minerals that are not available in the United States
- For Canada and Mexico, the existing fentanyl/immigration IEEPA orders remain in effect, and are unaffected by this order. This means USMCA compliant goods will continue to see a 0% tariff, non-USMCA compliant goods will see a 25% tariff and non-USMCA compliant energy and potash will see a 10% tariff

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- **Timing:**

- Baseline tariff: April 5<sup>th</sup>
- Reciprocal tariff: April 9<sup>th</sup>
- Additional exemptions, carve-outs, or delays: TBD

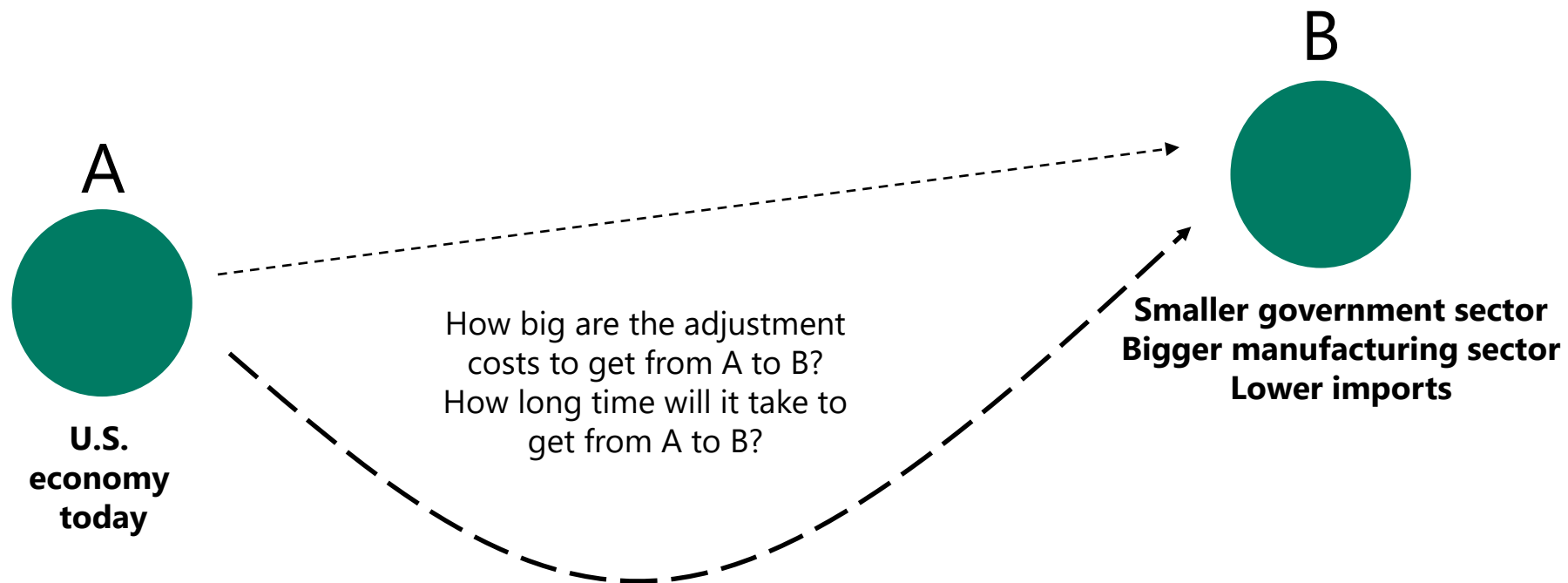
(1) The International Emergency Economic Powers Act (IEEPA) provides the President broad authority to regulate a variety of economic transactions following a declaration of national emergency.

What Does it Mean for the Economy?

## Downside risks to the economy intensifying

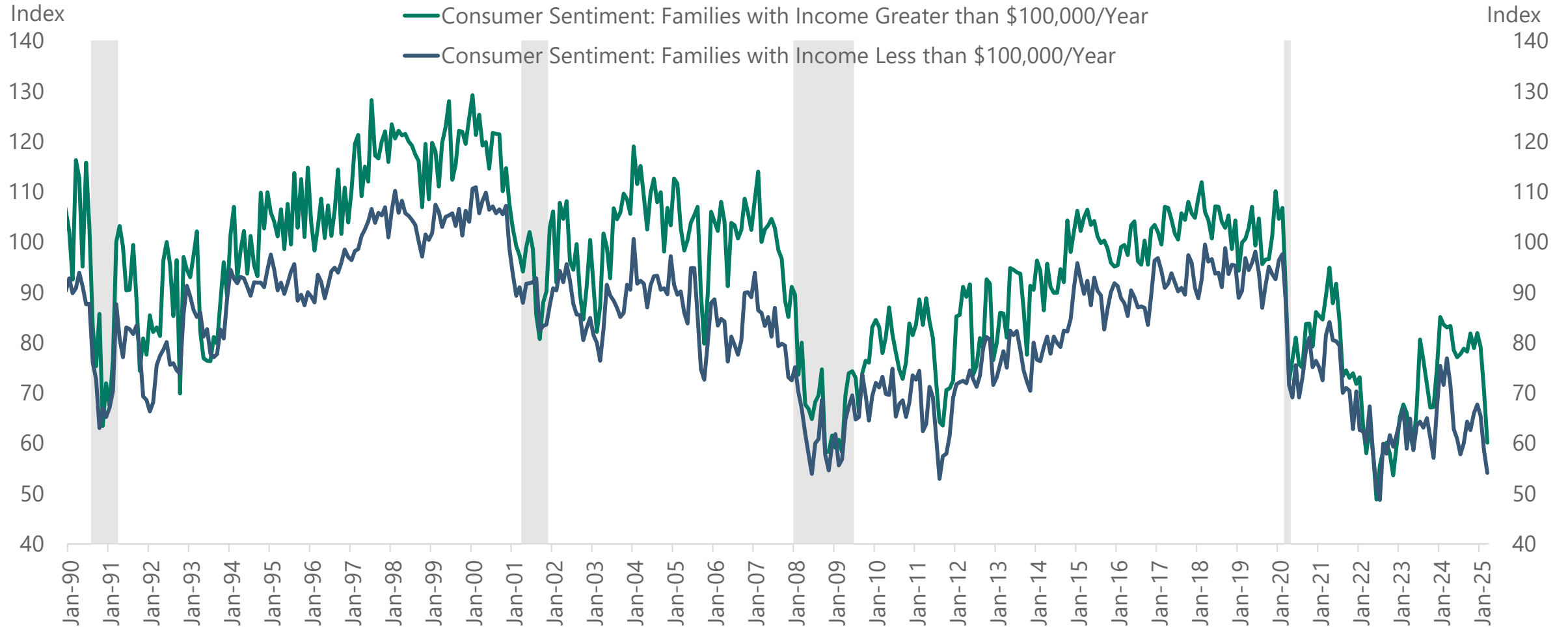
- 1) Consumer confidence deteriorating
- 2) Corporate confidence deteriorating
- 3) Negative impact of tariffs on earnings and GDP
- 4) Negative impact of retaliation (including less tourism into the US)
- 5) Negative impact of a \$6 trillion decline in the S&P 500
- 6) DOGE layoffs: True federal government employment: 10 million workers

# DOGE and tariffs: short term pain, long term gain?





# Consumer sentiment declining across income groups

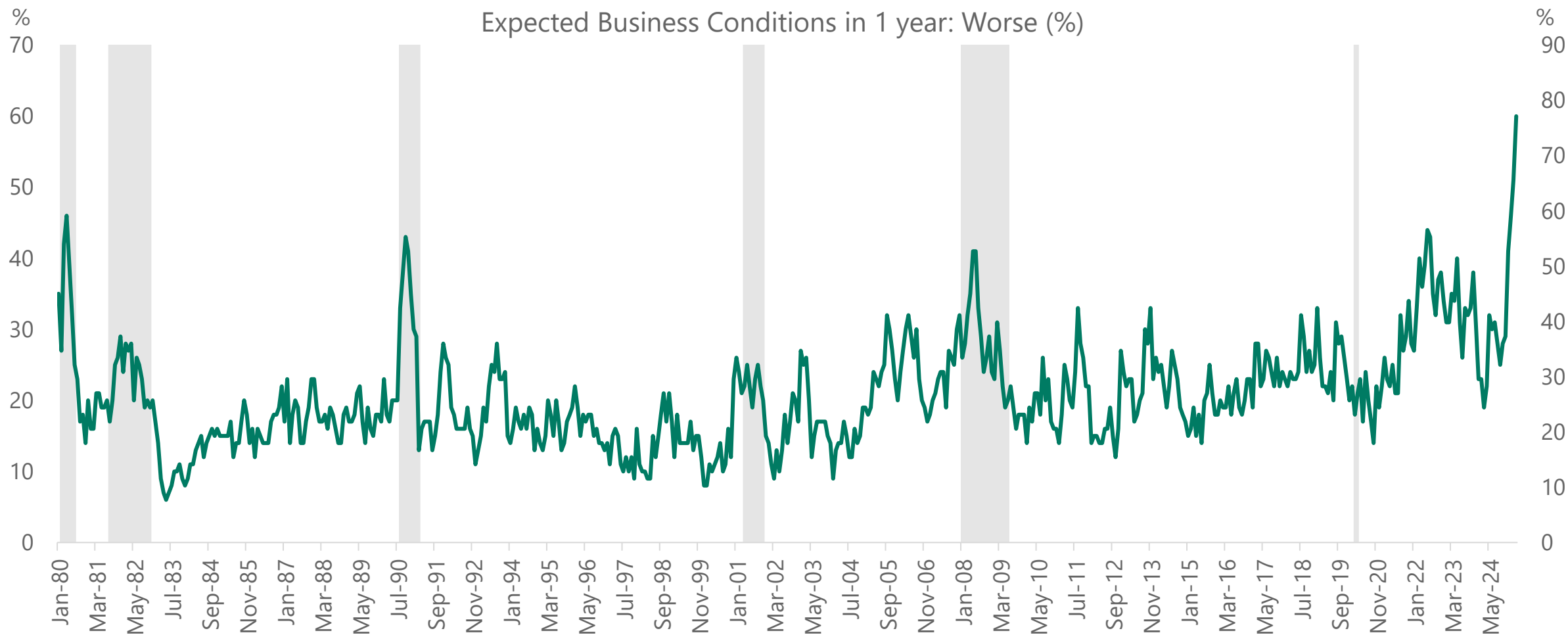


# Consumers very worried about losing their jobs



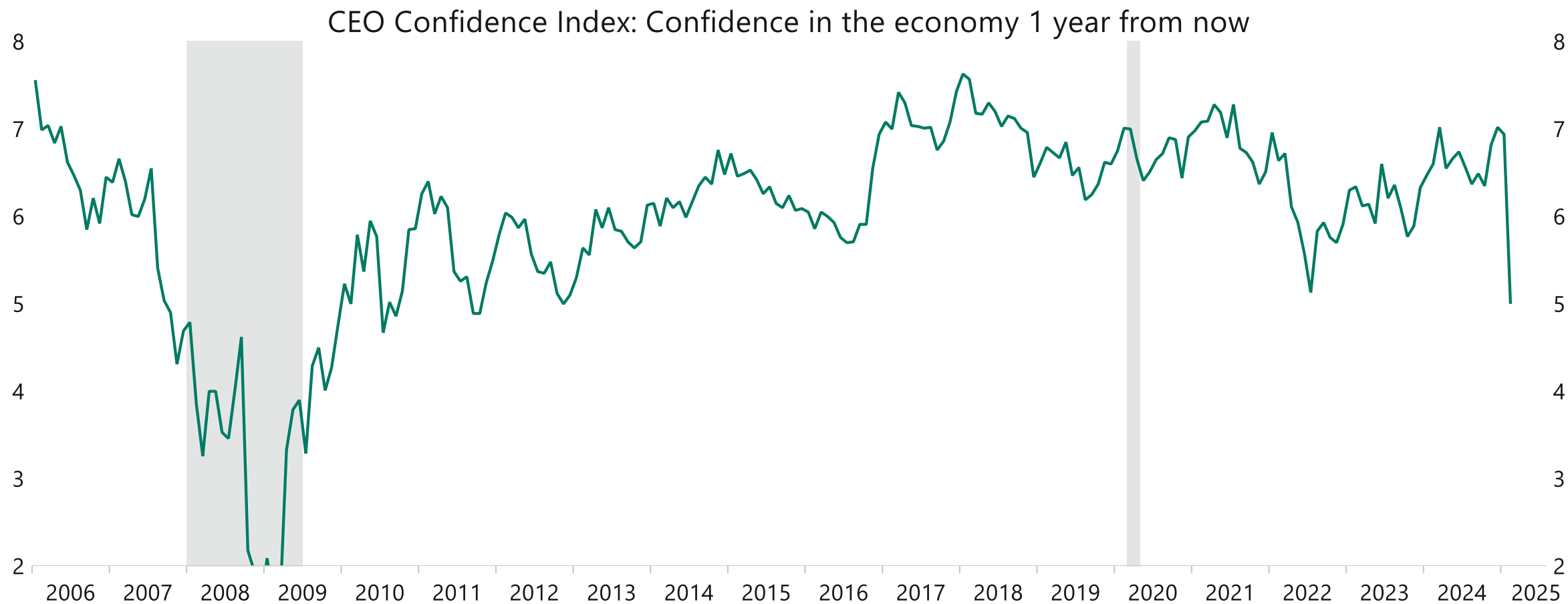
Source: University of Michigan, Haver Analytics, Apollo Chief Economist.

# Record-high share of consumers think business conditions are worsening



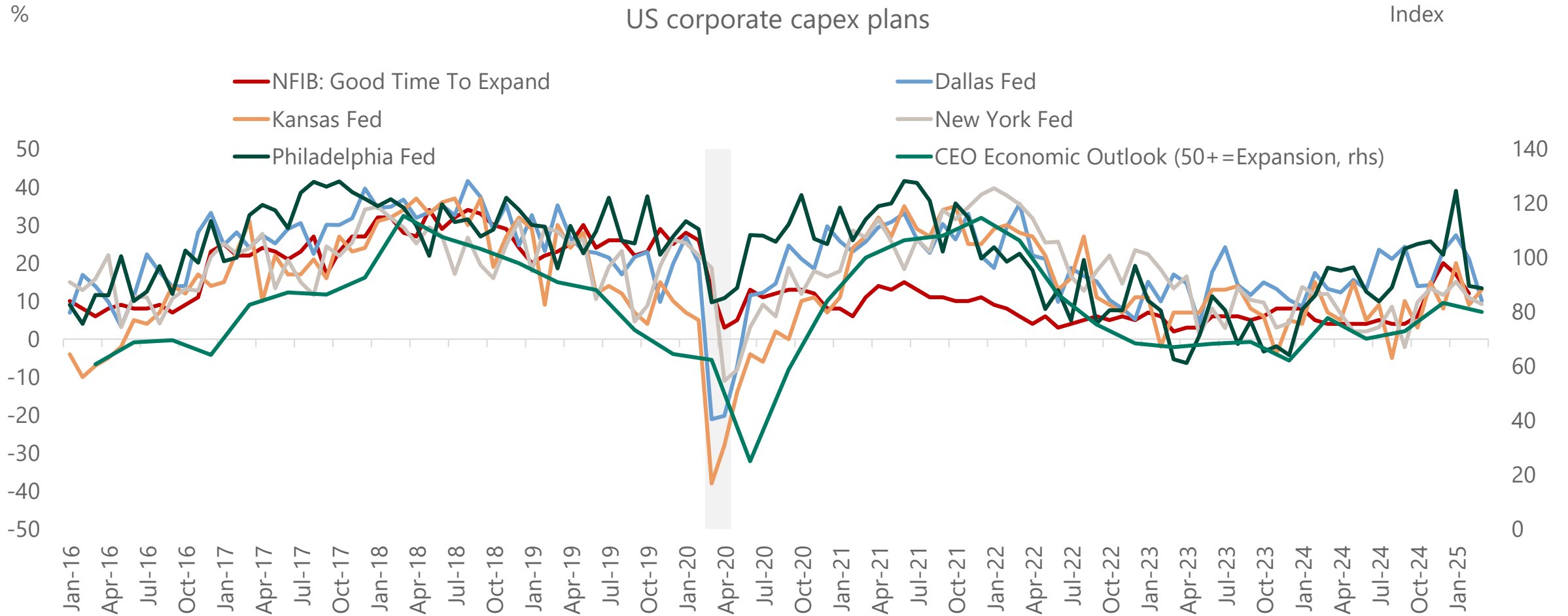
Source: University of Michigan, Haver Analytics, Apollo Chief Economist.

# CEO confidence declining



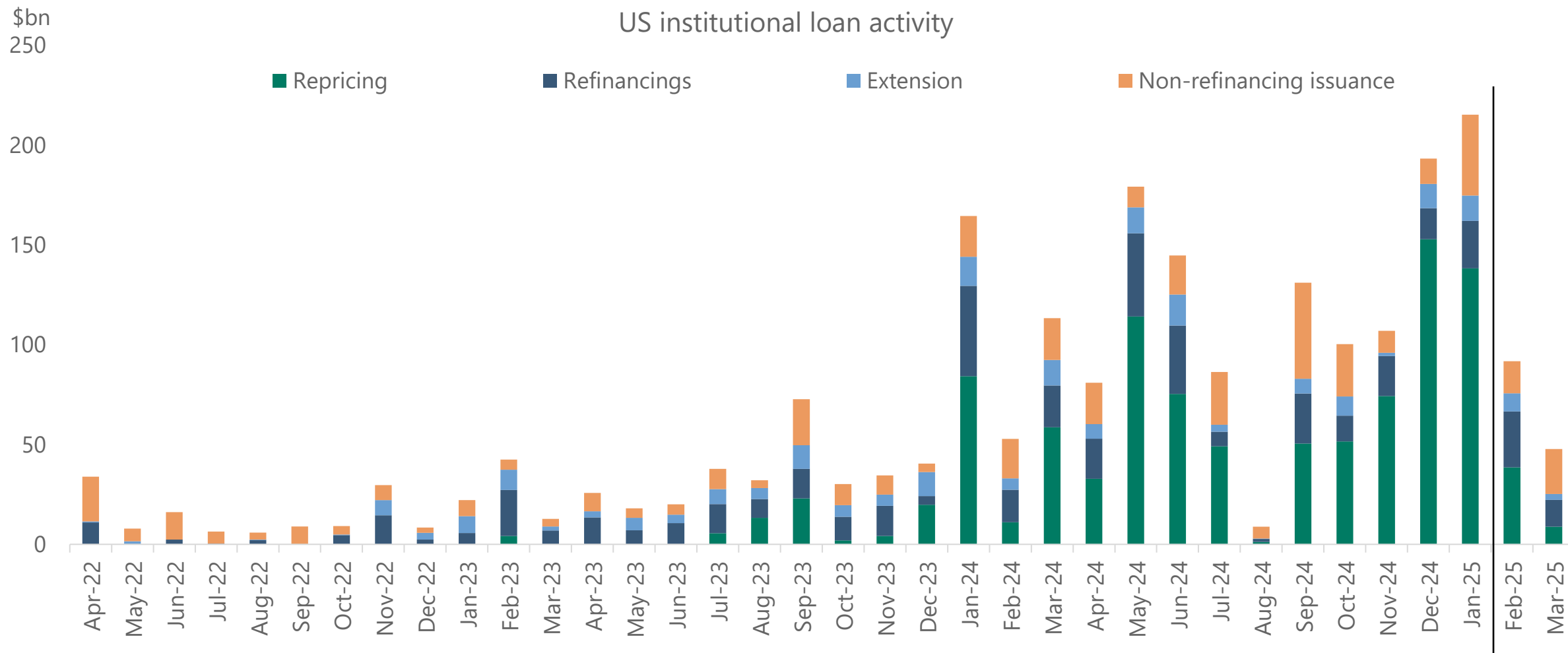
Source: Chief Executive Magazine, Bloomberg, Macrobond, Apollo Chief Economist

# Sharp reversal in corporate capex spending plans in recent weeks



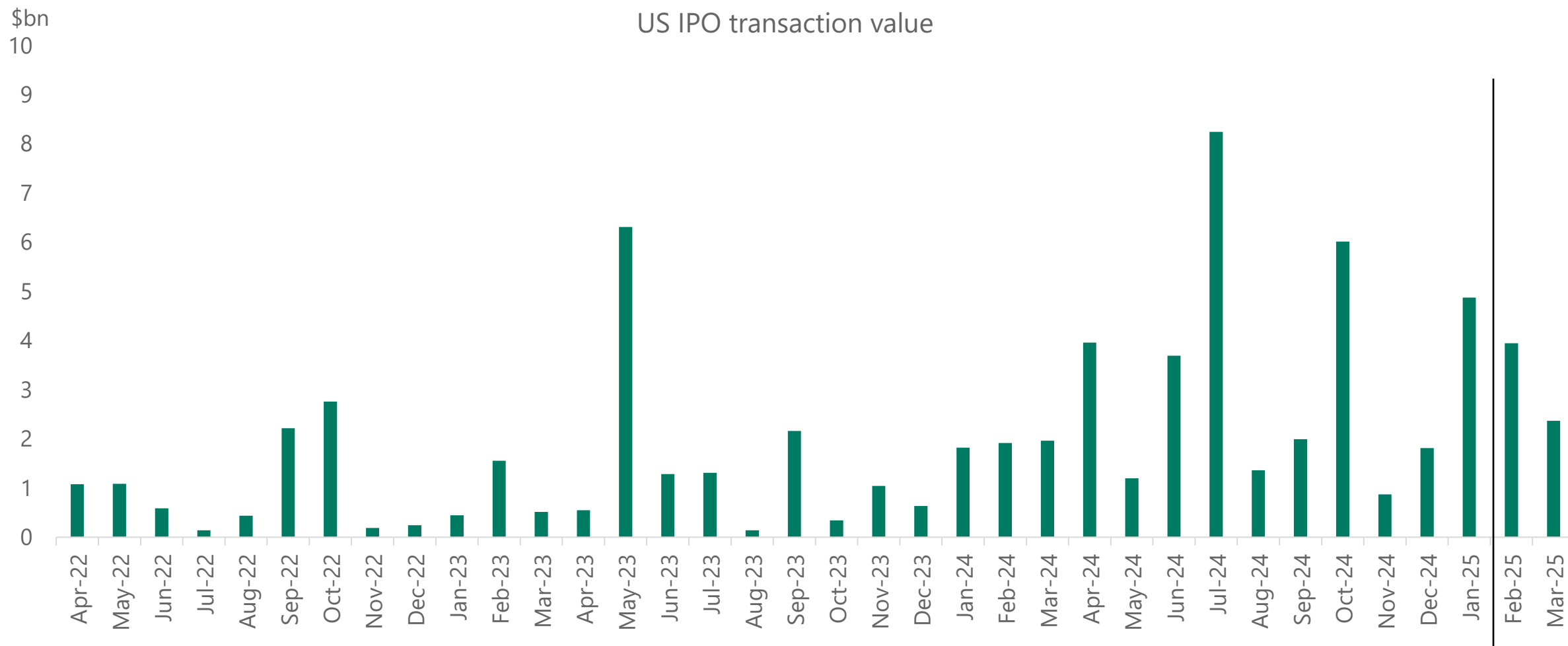
Source: Business Roundtable, NFIB, Federal Reserve Bank of Philadelphia, Dallas, New York, Kansas and Richmond. Apollo Chief Economist.

# When policy uncertainty went up, loan issuance went down



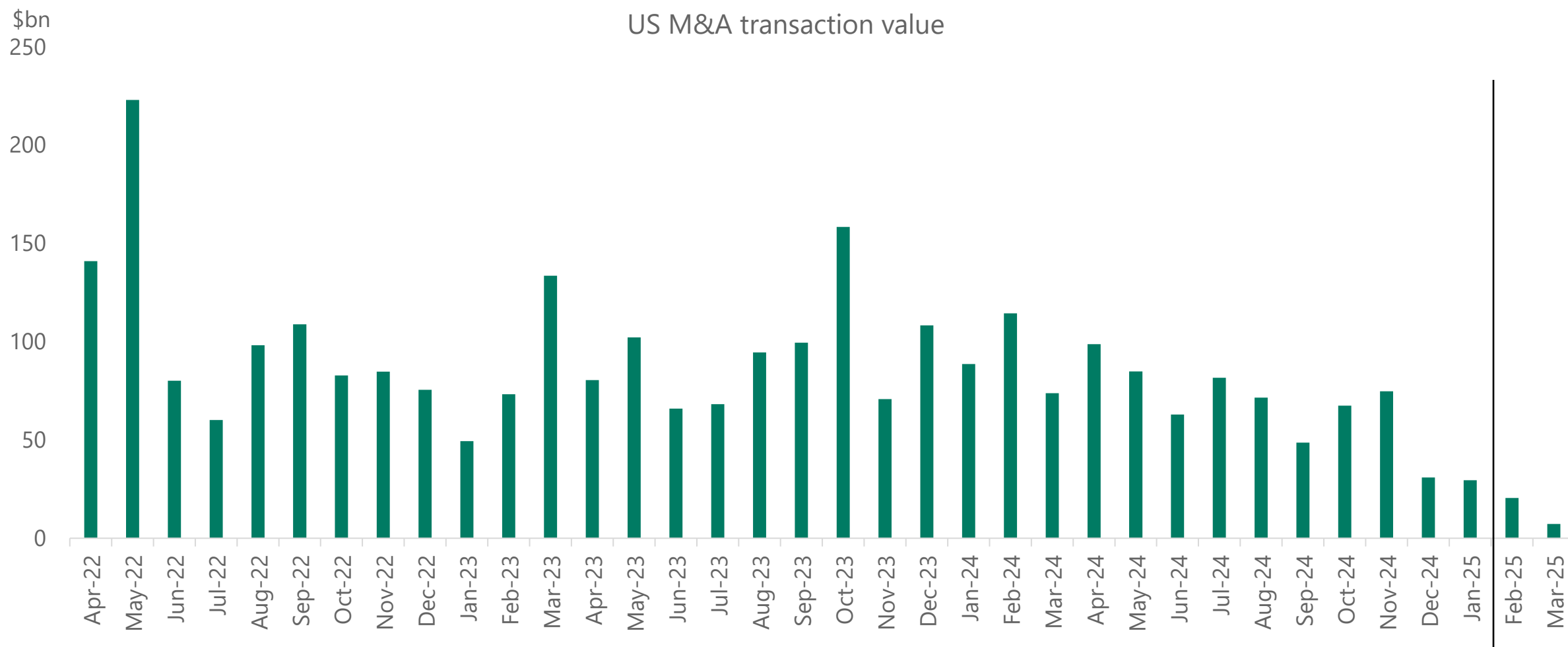
Source: Pitchbook LCD, Apollo Chief Economist. Note: Reflects repricings and extensions done via an amendment process only.

# When policy uncertainty went up, IPO activity went down



Source: S&P CapitalIQ, Apollo Chief Economist. Note: Data shows completed IPO transactions.

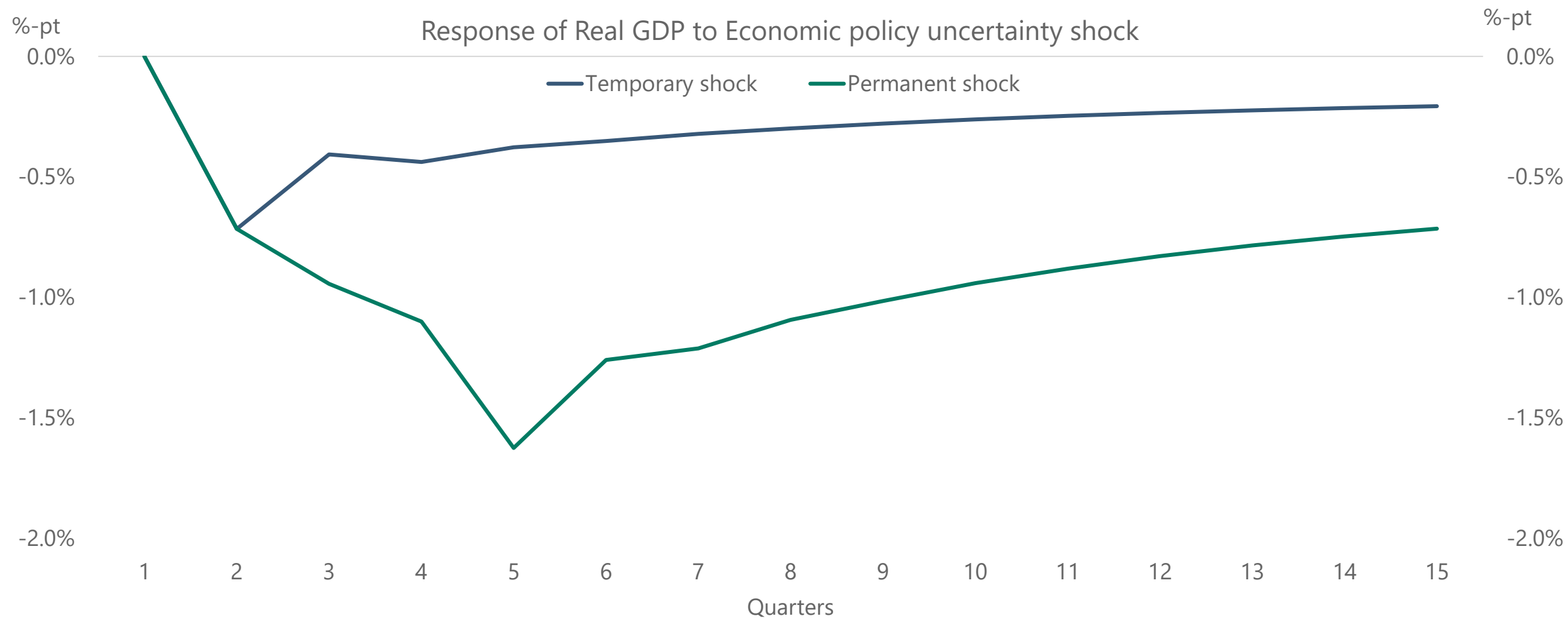
# When policy uncertainty went up, M&A activity went down



Source: S&P CapitalIQ, Apollo Chief Economist. Note: Data shows completed M&A transactions.



# The longer uncertainty stays elevated, the bigger is the downside risk to the economy

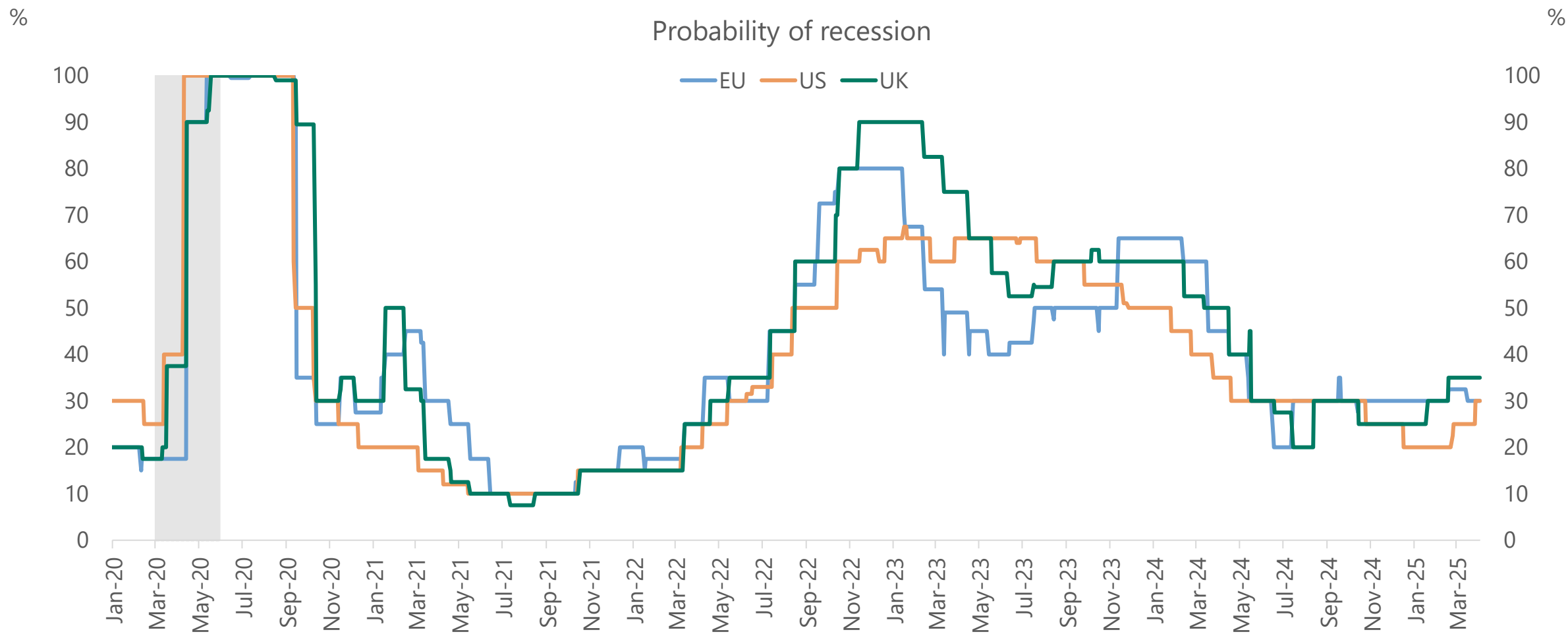


Source: Bloomberg, Apollo Chief Economist. Note: Impulse response from the VAR model with variables log(Real GDP) and log(Economic Policy uncertainty index). 1 standard deviation shock to Economic policy uncertainty leads to -0.2% pt decline in Real GDP. Temporary shock is defined as 4 standard deviation shock in Q1 and permanent shock is defined as 4 standard deviation in Q1, 3 standard deviation in Q2, 2 standard deviation in Q3 and 1 standard deviation in Q4.

# Estimated impact of tariffs and negative sentiment on U.S. GDP and inflation

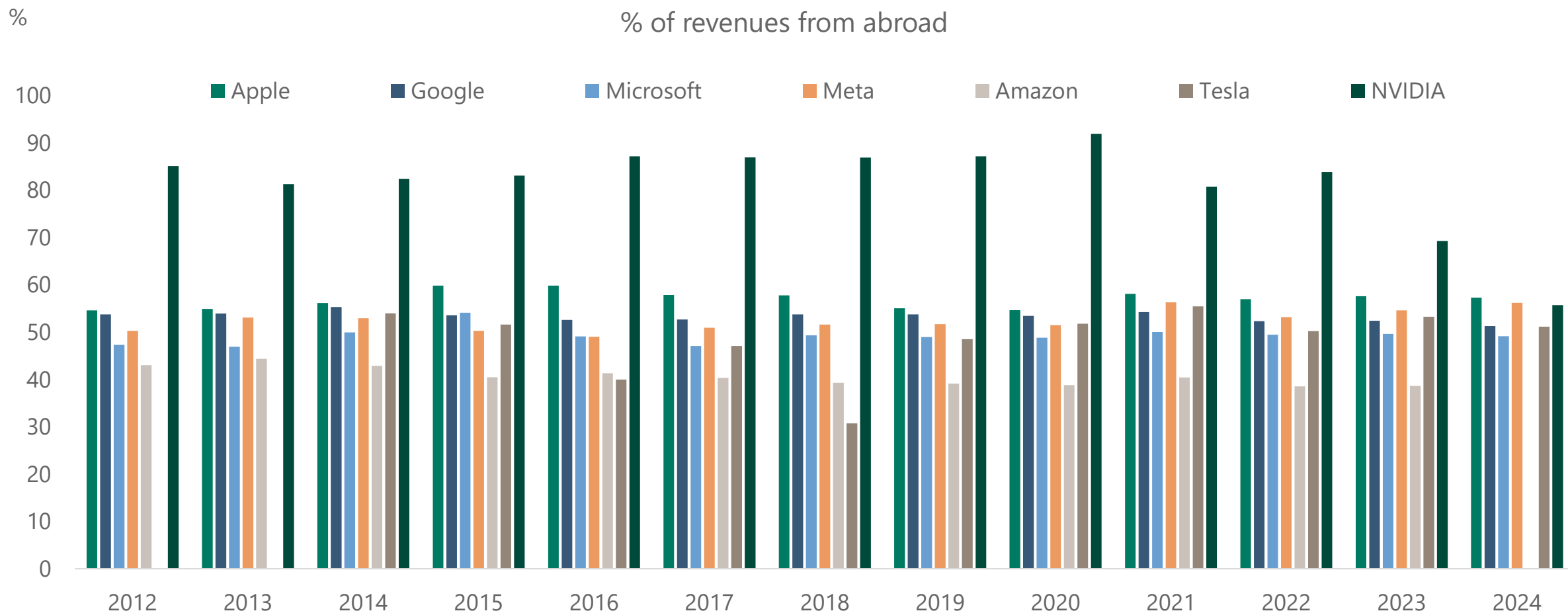
Average effective tariff rate	Impact on GDP	Impact on inflation
22%	-1.5%	+1.5%

# Consensus: Probability of a recession in the US, UK, and Europe starting to move higher

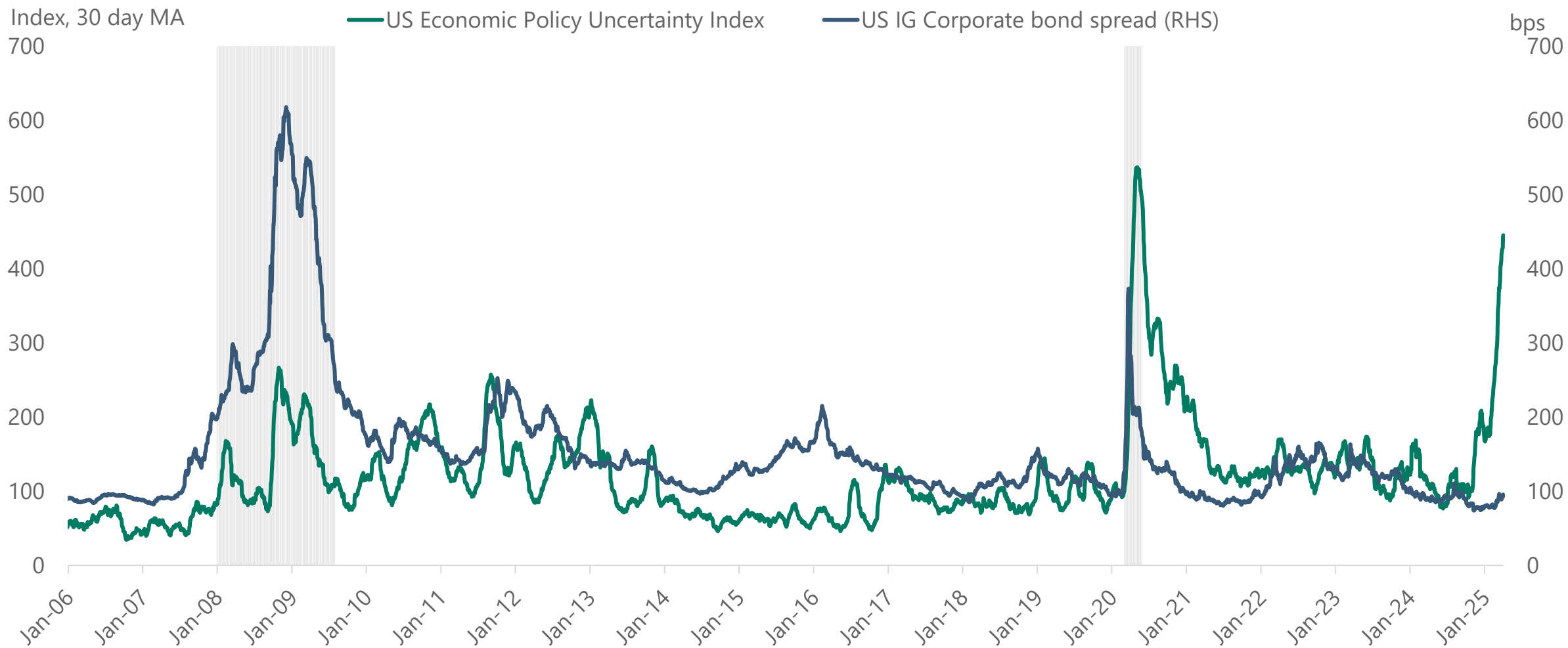


Source: Bloomberg, Apollo Chief Economist.

# Magnificent 7: Percentage of revenues from abroad



# IG spreads are disconnected from the economic policy uncertainty index



# What Does it Mean for Credit?

# Market Expectations Heading into Liberation Day

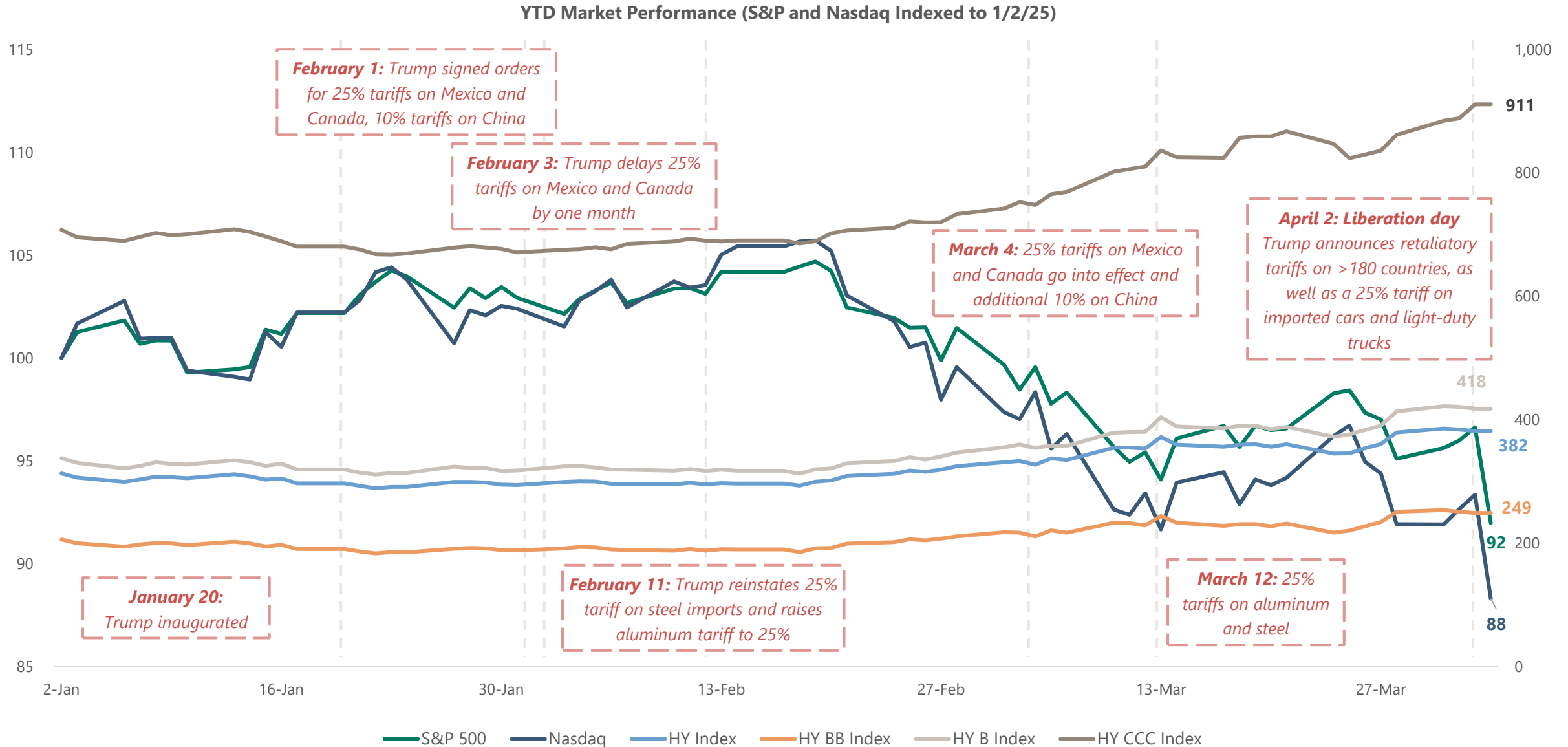
**1** President Trump's reciprocal tariff plan was well-telegraphed ahead of the April 2nd announcement, but **the market was caught off guard by their breadth, timing and magnitude**

**2** Most market participants were expecting a headline increase in the import-weighted tariff rate of **~10%** vs. the **~18%** (~13% including product exclusions) announced

**3** More problematic was the **short timeline to implementation** (starting April 5th) and the **high individualized tariff rates on Asian countries** such as Vietnam (46%) which are critical hubs of the US consumer products and retail supply chain

**4** While the market expected escalation with China, the **34% additional tariff on Chinese imports was much higher than anticipated**

# How Have Credit Markets Reacted?

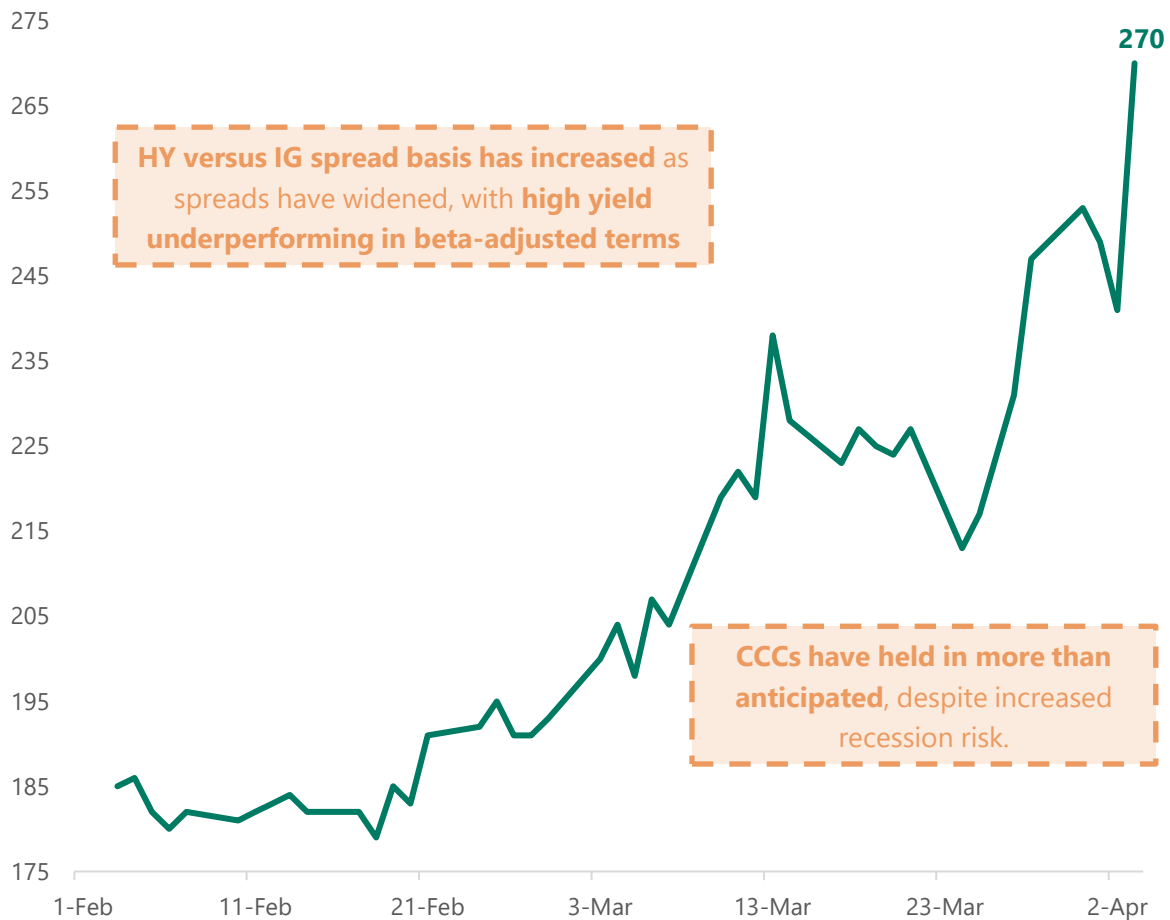


Source: Bloomberg as of 4/3/25; JPM HY indices subject to one-day lag. Subject to change at any time without notice.

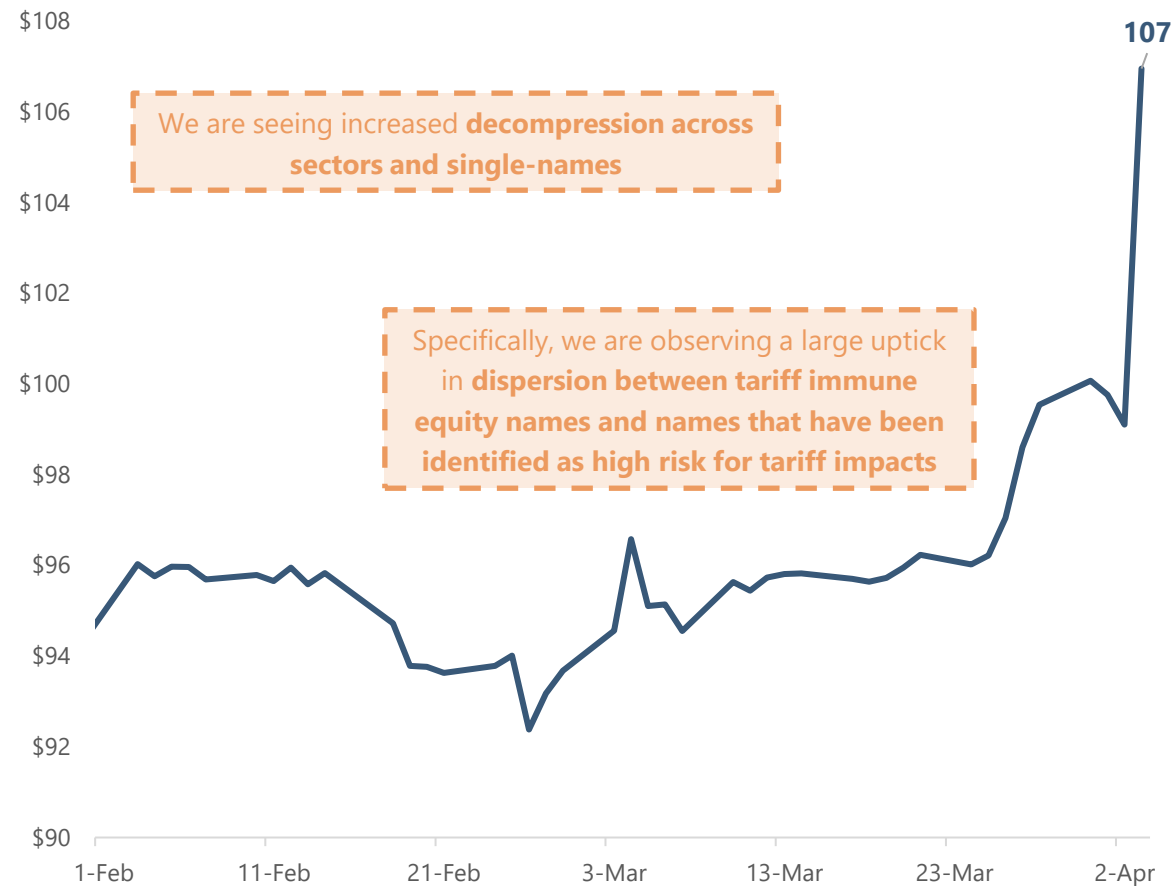


# Signs of Decompression

## Bloomberg HY vs IG Spread Differential

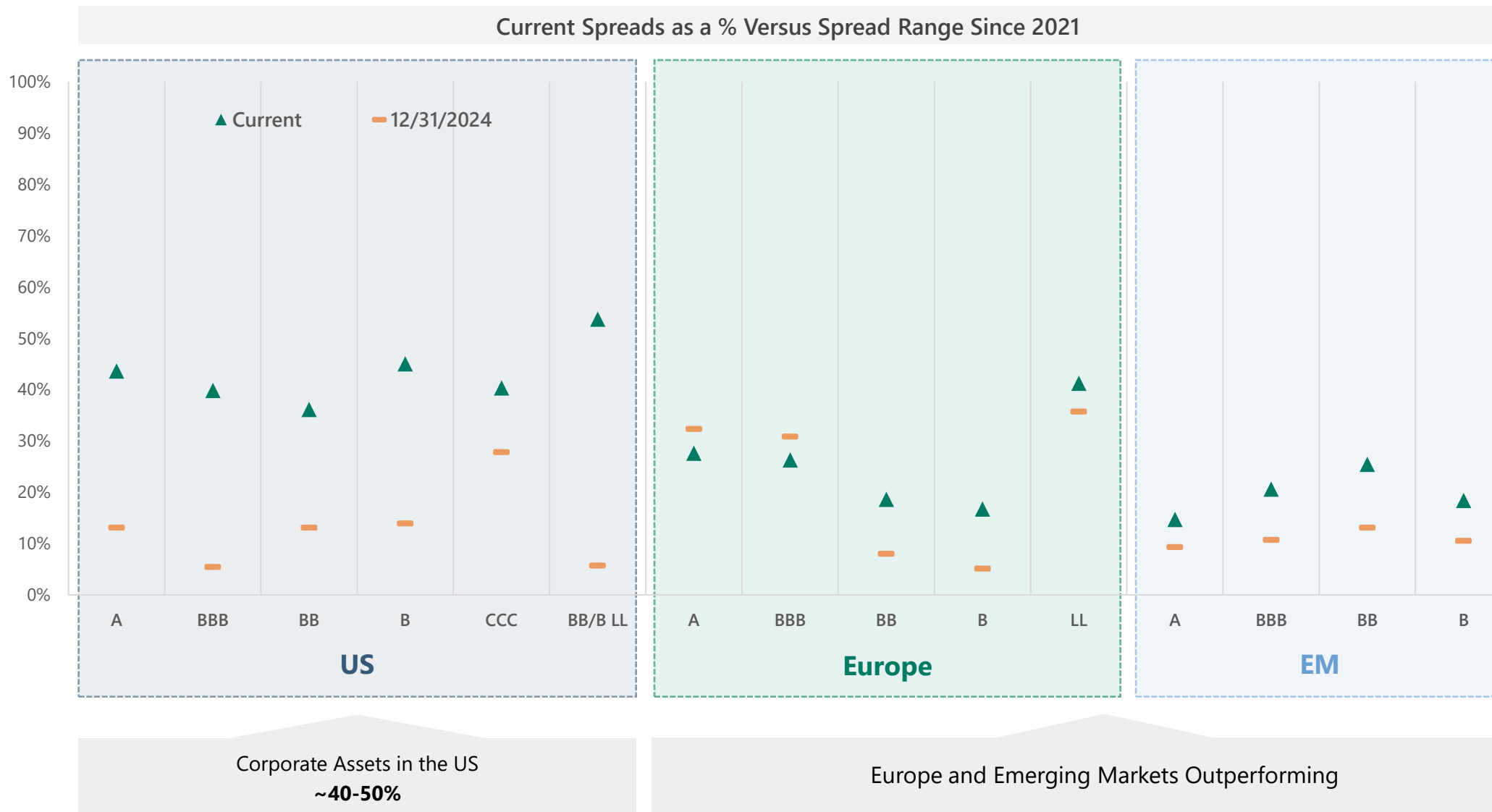


## Tariff Immune Basket vs Tariff Risk Equity Basket



Source: GS Basket, Bloomberg. Estimated as of April 3, 2025. Subject to change at any time without notice.

# Where Do Things Stand Now?



Source: Bloomberg, JP Morgan Indices. As of April 2, 2025. There can be no assurances that any of the trends described herein will continue or will not reverse. Past events and trends do not imply, predict or guarantee, and are not necessarily indicative of future events or results.

# What's Next?

## Potential Ports in the Storm

TMT



Consumer Staples

Healthcare



## What to Watch

Signs of (de)escalation or retaliation

House/Senate Reaction

Hard Data

Legal Challenges

Q&A

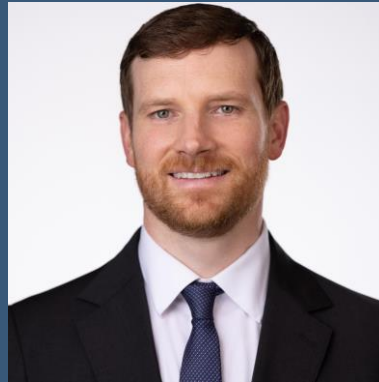
# Today's Speakers



Torsten  
Slok, Ph.D.

## Partner, Chief Economist

Torsten Slok joined Apollo in August 2020 as Chief Economist and he leads Apollo's macroeconomic and market analysis across the platform. Prior to joining, Torsten worked for 15 years as Chief Economist at Deutsche Bank where his team was top ranked in the annual Institutional Investor survey for a decade. Prior to joining Deutsche Bank, he worked at the IMF in Washington, DC and at the OECD in Paris. Torsten has a Ph.D in Economics and has studied at the University of Copenhagen and Princeton University.



Craig  
Radcliffe

## Managing Director, Public Policy

Craig Radcliffe joined Apollo in 2022 and is a Managing Director in Public Policy where he handles political and regulatory issues and advises portfolio companies on a range of public policy matters. Prior to joining Apollo, Craig held positions at the U.S. Department of the Treasury, including Deputy Chief of Staff to Secretary Janet Yellen and Principal Deputy Assistant Secretary in the Office of Legislative Affairs. Prior to joining Treasury, Craig served as Senior Counsel to U.S. Senator Mark Warner, advising the Senator on a range of economic policy issues, including financial services and tax related matters before the Senate Banking Committee and Senate Finance Committee. Craig holds a BA from Bucknell University and a JD from the University of Pittsburgh School of Law.



Rob  
Bittencourt

## Partner, Co-Head of Opportunistic Credit

Since joining Apollo in 2006, Rob has focused on Apollo's credit businesses in a variety of capacities including as Co-Head of Liquid Opportunistic Credit, Head of Research for Global Corporate Credit and currently as Co-Head of Opportunistic Credit. He has also led research coverage of a variety of sectors including consumer/retail, technology, telecom/media and chemicals. Rob currently serves as the Co-Chair of the Opportunistic Investment Committee and as a member of several investment committees across the Apollo platform. He co-founded Apollo's digital asset strategy and is a member of Apollo's Credit Management Committee. Rob graduated cum laude from Harvard College with a BA in economics.