

# CORE Comments

ON PLANNING AND INVESTING FOR THE TWENTY-FIRST CENTURY

July 26, 2025

## Marching on

Little changes in the investment world: the political realm continues to be the most significant matter. This used not to be the case. During our lifetimes, whether a Democrat or a Republican occupied the White House, whether the Democrats or Republicans held the majority in the House or the Senate, politics was a minor note. The rule of law, the respect for the Constitution and the founding principles of our country persisted. The independence of the Federal Reserve persisted. Do they now? We consider this question anew every day and with every new comment on Mr. Trump's Truth Social.

*Mr. Trump's actions and threats relating to tariffs are certain to slow the US economy and impose significant costs for families.*

*They also insert uncertainty into corporate activity and profits. We witnessed in the days after his "Liberation Day" very sharp declines in stocks, bonds and the dollar.*

*Mr. Trump's actions have undercut the safe-haven aspects of the dollar and US Treasury bonds. This is very unhelpful for America.*

*Mr. Trump's attacks on Jerome Powell and the Federal Reserve are certain to cause higher interest rates and higher inflation. History has demonstrated this time and again.*

Mr. Trump's tariff announcements on what he characterized as 'Liberation Day,' caused a startlingly negative effect on financial markets: down fell stocks, bonds and the dollar. Previously, this effect had not been seen: In earlier crises, like the downgrading of the creditworthiness of the United States in 2011, a first in history, the dollar and US Treasury bonds rallied, as scared investors moved to the world's safe haven, US bonds and the dollar. Mr. Trump has, quite remarkably, overturned the safe haven status of the dollar and Treasuries in his short term in office. Let us, indeed, Make American Great Again. The value of the dollar has fallen by fourteen percent against the Swiss franc this year (and similarly against other stalwart currencies).

**Attacks on the Fed.** More disconcerting than Mr. Trump's tariff matters is his assault on the Federal Reserve and its chairman, Jerome Powell. The Fed is the world's most important central bank and its independence from political pressure permits it to make its very consequential decisions based upon facts and judgment, rather than short-term political considerations of the incumbent president.

In the last century, there have been several instances in which political leaders of countries have fired central bankers and imposed their own toadies. All of these have ended badly with huge increases in inflation. Consider Turkey's experience in recent years. In 2021, President Erdogan replaced the head of Turkey's central bank with a lackey who cut interest rates by 5 percent, despite high inflation. The Turkish lira promptly plunged in value against the dollar by 44 percent. This is an extreme example to be sure, but Mr. Trump's attacks on Mr. Powell and the Federal Reserve will surely backfire and result in higher inflation and higher interest rates. Mr. Trump's visit to the Fed's building yesterday and his lecturing Mr. Powell was nothing but shameful and self-defeating.

By

**Jack Mayberry**

**Core's investments.** Because the administration's actions have driven investors from US Treasuries and the dollar, Core's equity investments have been focused on Europe. We have a meaningful investment in European defense stocks to align with Russia's aggression and European rearmament. To his credit, Mr. Trump,

*With Treasuries and the dollar no longer safe havens, we have taken shelter in gold, gold miners and, more recently, the Swiss franc.*

*General Motors presented an object lesson this week on the effects of tariffs. If the companies selling goods to Americans (as GM with its cars and trucks) absorb the costs, its profits fall.*

*If companies pass along the costs to their customers, prices rise. With consumers practicing frugality in these straitened times, price inflation curbs spending on essentials and on discretionary items.*

both in his first administration and in this one, has pressed Europe to increase its defense spending and to avoid relying on America to defend it. Our investment in a fund with European defense companies is doing very well; I expect that it will continue to ascend in price and that Core will maintain its investment. We have broad investments in European stocks and in their banks. Also doing quite well.

Because of the flight from the dollar and Treasuries, investors have turned to gold. As I have written previously, many countries have been buying gold in large amounts, partly because of the sanctions placed upon Russia after its invasion of Ukraine in 2022. Russia's holdings of American and European securities, amounting to some \$400 billion, were held in European banks. They were seized. Other countries have noted the lesson and decided to buy gold and hold it in their own vaults, safe from sanctions.

Core's substantial investment in gold is flourishing; since the beginning of the year gold has appreciated by 30 percent. In February, we began investing in gold mining companies; our view was that the miners were not properly reflecting the increase in gold's price. This proves to have been a correct judgment. Gold miners did not then properly reflect gold's appreciation; they have been making up for lost ground.

Will the appreciation of gold and the gold miners continue? I expect so. Mr. Trump's unpredictability, in which he seems to revel, gives rise to uncertainty that affects all markets. His back and forth, on again, off again on tariffs exemplify this. Similarly, his threats to bomb Iran's nuclear facilities showed the same characteristic. Undermining the safe-haven status of the dollar and US Treasury bonds impels investors to buy the millennia-old safe haven, gold.

**The economy, what comes next?** I have thought that the US economy was weakening and headed toward a recession this year. As a result, we have had few investments in equities, apart from the European ones discussed above, and held large sums in a money market fund yielding 4 percent. Of course, a recession does lie ahead: the business cycle has not been repealed. As I see it, the headline numbers of various reports appear to overstate economic strength. Every six weeks, the Fed publishes its so-called Beige Book that reports anecdotal discussions between Fed staff members and executives of companies big and small across America. These discussions belie the notion that the broad US economy is strong. Instead, they show that consumers—that's us, folks—are becoming increasingly frugal, to the extent, for example, of not buying the old brand-name breakfast cereals in favor of lower-priced discount brands.

As the big companies make their quarterly earnings announcements, increasing numbers are showing lower profits and many are giving up on projections of future earnings because of tariff uncertainties. Earlier this week, General Motors announced that its profits had fallen by \$1 billion from the previous year because of tariffs. It did not pass those higher costs on to the buyers of its cars, but took the hit itself. Tariffs present quite unpalatable choices: absorb the costs, as GM did, and earn less, or pass the costs on to consumers and impose higher prices.

As a whole, the US stock market is very expensive. It has been rising despite declining estimates of earnings in the next year. GM underscores the problem. Core has largely avoided US stock investments. Given high stock prices, attacks on the Fed, ever-weakening projections of future earnings, and the frugal consumer, I think that our cautious investing serves us well.

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