

Trump's Second Term: Stock Market Volatility Amid Tariffs & Tax Uncertainty

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Here are the similarities and differences between the 2025 stock market performance and Trump's initial term. Tariff implementations and tax policy shifts are influencing market trends and investor behavior.

By Brian Kuderna

The stock market is in the middle of one of its worst runs in recent memory. As of this writing, March 11, 2025, the [S&P 500](#) is down 5% year-to-date, falling from record highs just last month. The logical question for investors would be: is it the middle, the beginning or the end? Rational investors are wise to differentiate snapshots of a moment in time from long-term trends. However, whether this snapshot be brief or long-lasting, relativity is in the eye of the beholder and history can at least offer investors a frame of reference.

That perhaps is the good news. While every investment disclaimer begins with past performance can not predict future outcomes, and teachers remind students that “history doesn’t repeat itself, but it does rhyme,” comparisons require like-variables. March 2025 does have like-historical variables. Economies are not just weathering tariffs and trade wars under a Republican administration following a Democratic administration, it is the same president again!

What did Trump’s first year of his first term look like? To set the stage, at the end of 2016 the [CPI \(consumer price index\)](#), a measure of inflation, was 2.1%. The [Federal funds rate was 0.50% to 0.75%](#). The president entered the White House following a decent year in the markets as the [S&P 500](#) posted a 9.54% gain in 2016. In 2017, the president signed an immigration ban, exited the Paris Climate Agreement, started a war of words with North Korean leader Kim Jong Un and concluded the year by signing into law the Tax Cuts and Jobs Act (TCJA). The U.S. military was also still involved in the war in Afghanistan, conflicts in Iraq and conducted airstrikes in Syria’s civil war. Meanwhile, the S&P 500 was positive

every month except for March and August. The index finished 2017 up 19.42% for its best year since 2013.

Let us compare these variables to the beginning of Trump's first year of his second term. The CPI was slightly higher at 3.0% in 2024 and the Fed funds rate currently sits at 4.25%-4.50%. Trump took office following an even stronger year in the stock market with the S&P 500 returning 23.31% last year.

Regarding the non-financials, Trump has withdrawn again from the Paris Climate Accord, begun deportations, signed the "Unleash American Energy" executive order, ramped up border security, worked with Elon Musk on DOGE (Department Of Government Efficiency) and has started a war of words with Ukrainian president Volodymyr Zelenskyy. The Russia-Ukraine conflict persists, as does Israel-Palestine. Trump's Tax Cuts and Jobs Act is set to expire Dec. 31, 2025, but the administration stands firm in their goal to extend these cuts.

These headlines represent a very general summary, but it reminds me of when my editors at McGraw Hill paused at the subtitle of my last book, ["What Should I Do with My Money?: Economic Insights to Build Wealth Amid Chaos."](#) "What if there's no chaos when it goes to print?" they asked. I promised them that there is always chaos.

The two glaring differences involve:

1. **Tax Cuts.** Trump's first year of his first term concluded with the creation of tax cuts. The first year of his second term is focusing on the extension of current tax rates, as opposed to tax hikes which are otherwise scheduled.

2. **Tariffs.** The domestic and international economic agendas look flipped from Trump's first term. In 2025, tariffs immediately took center stage, whereas taxes remain on the back burner. However, 2018 does offer a glimpse of tariff-stock market relations.

In Trump's second year of his first term (2018), he let loose tariffs. In January 2018 he announced a 30% tariff on imported solar panels, which mostly came from China. In April of that year, China retaliated with a 15% tax on U.S. fruits, nuts, wine and steel pipes, and 25% on pork and recycled aluminum. Trump immediately hit back the following day with a 25% tax on Chinese advanced science goods such as aerospace and medical industries. China followed with a 25% duty on aircraft, automobiles and other imports. By the end of the year, \$250 billion of Chinese goods were tariffed and \$110 billion of U.S. goods. Failing to land a trade deal by Dec. 31, Trump increased tariff rates once more. Five of twelve months in 2018 saw the S&P 500 decline, mostly alternating throughout the year, resulting in a -6.24% loss for the year. Something worth noting is that these tariffs continued to stay in effect, with Trump going further in banning Chinese tech giant Huawei in 2019 from

buying any parts from the U.S., yet the stock market had great returns of 28.88% in 2019 and 16.26% in 2020.

There are obviously countless factors that affect global economics, trade and the stock market. It is important for investors to remember that the stock market is a leading economic indicator, representing liquidity in the economy and investors' sentiment based on all currently available data. As such, Trump's first term/first year without tariffs is not a perfect benchmark to 2025, nor is Trump's first term/second year with tariffs an exact indicator. This comparison is meant to provide another vantage point of how tariffs, and the talk of tariffs, can move the markets amid the same America First, pro-business, low-tax agenda.

The "talk of tariffs" is the caveat, which only those with a photographic memory or watching replays of the daily news in 2018 can truly compare. In the past month, Trump has announced tariffs beyond China, targeting Mexico and Canada, with threats to other countries deemed to be playing unfair. The sticking point for many investors is that tariffs to Canada and Mexico were announced, paused, reduced, reintroduced and put into effect in rapid succession. The stock market often reacts negatively to uncertainty, and uncertainty appears to be either a negotiation tactic or a result of the administration's initiatives.

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