

March 31, 2025

Tariffs and Lowry Indicators

Investors have been concerned with the effects of tariffs on the stock market. While reports of new tariffs bring out the sellers and the potential for rollbacks sparks action from buyers, the net effect on market trends is usually fleeting. In this report, we look at the core group of Lowry indicators at the time of some of the more recent tariff “battles” and demonstrate that long-term investors need not pay much attention to these policy skirmishes. A disciplined approach to applying the Lowry Analysis keeps investors on the right side of major trends. Interestingly, over the past 25 years, no major trends (either higher or lower) were reversed due to broad sweeping tariffs. Volatility and corrections, yes, but not major reversals.

We are working on a method to distill the Lowry outlook down to a single rating number for the health of the market. The more positive the rating, the more indicators reflect market health. Conversely, the more negative the rating, the fewer indicators reflect market health, if any health at all. It is important to note that this is not a trading system, but rather a way to objectively quantify our opinions, especially when the indicators disagree with each other.

We will use this preliminary system to compare conditions at, and sometimes just before and after, the dates that major tariffs were imposed, as follows:

- 2002 steel tariffs
- 2014 broad tariffs
- 2018 China trade war
- 2025 broad tariffs

Since Lowry does not specialize in economic policy and restricts itself to the analysis of Demand and Supply in the stock market, some readers may disagree with our list. However, the point is to review Lowry indicators at these dates to show that our analysis of trend health helped to ride out these storms and reduce investment anxiety.

Lowry Rating Methodology

Again, we are still fine-tuning this rating system, and when ready, it will be the subject of a future Special Report. We currently look at eight indicators and classify them as strong (+2), moderately strong (+1), neutral (0), moderately weak (-1), and weak (-2). These are:

- Buying Power and Selling Pressure trends and signals (Buying and Selling Controls)
- Net Percent Spread Between Buying Power and Selling Pressure
- Average Power Rating (APR) Index
- Percent of NYSE Stocks Above 30-week moving averages (WMAs)
- Operating Companies Only (OCO) breadth (Adv-Dec Lines supplemented by Cumulative Net Points and Volume)
- Percent of OCO Stocks at or Within 2% of 52-Week Highs
- Percent of OCO Stocks 20% or More Below 52-Week Highs
- 90% Upside and Downside Days (supplemented by 80% Days)

Summary

Tariff events alone do not always dictate market direction. Rather, the Lowry body of evidence can signal pending change, or the lack of reason for change, as tariffs are threatened, implemented, and removed.

Lowry analysts gave their opinions on the strength of each indicator, and the results were averaged among the team. For example, a -5 would reflect a moderately unhealthy condition in the body of evidence, while a +5 would be moderately healthy. Again, these are not buy and sell signals on their own. This is a work in progress, and the set of indicators may change, but for now, it should help quantify the Lowry Analysis at the time of the tariffs.

2002 Steel Tariffs

Start Date: March 5, 2002

Market Environment: The market was in the midst of the Dot Com bust bear market but had a strong rebound following the 9/11 attacks. At this time, the S&P 500 was nearing the second peak of a “double top” formation (with January 2002).

S&P 500 Performance:

- 3 Months After: **-11%**
- 6 Months After: **-19%**

Context: Steel tariffs of up to 30% hurt industrial companies and invited international retaliation, contributing to market weakness during the post-dot-com downturn.

Lowry signals: The rating was moderately positive at the onset of the tariffs but fell to neutral by late May 2002 (and negative thereafter). Typically, the score would be firmly positive (10 or higher) at the end of major bear markets and the beginning of new bull markets, rather than just moderately positive.

Indicator	3/5/2002	5/27/2002
BP/SP trends/signals	-1	-2
BP/SP Spread	-2	-2
APR	2	2
% Above 30 WMA*	(est) -1	(est) -1
NYSE Breadth**	2	2
% within 2% of highs	2	-1
% 20% below highs	2	2
90% Days	0	0
Total	6	0

* Historical data for the Percent Above 30-WMAs was not available and is estimated here

** OCO Breadth was not available; NYSE all-issues statistics were substituted

2014-2016 Global Trade Slowdown & Tariff Measures

Start Date: Mid-2014 (when protectionist measures accelerated)

Market Environment: A strong bull market was in progress. The September/October 2014 pullback just missed “correction territory” (10%).

S&P 500 Performance:

- 3 Months After (June-September 2014): **+2%**
- 6 Months After (June-December 2014): **+6%**

Context: Falling oil prices and slowing global growth (especially in China) led to tariffs and non-tariff barriers. Commodities and emerging markets were hit hardest.

Lowry signals: Evidence supported the ongoing bull market

Indicator	6/16/2014
BP/SP trends/signals	1
BP/SP Spread	-2
APR	0
% Above 30 WMA	2
OCO Breadth	2
% within 2% of highs	2
% 20% below highs	2
90% Days	0
Total	7

2018 U.S.-China Trade War

Start Date: March 22, 2018

Market Environment: A two-month consolidation between bull markets was already in progress. Tariffs were announced near the end of this consolidation.

S&P 500 Performance:

- 3 Months After: **+3%**
- 6 Months After: **+7%**

Context: Tariffs on Chinese goods escalated, causing volatility but not derailing the bull market.

Lowry signals: Evidence supported the current pause, but not a market reversal. A true bear trend began later that year (October), but for different reasons.

Indicator	2/1/2018	3/22/2018	4/20/2018
BP/SP trends/signals	2	1	2
BP/SP Spread	2	2	2
APR	-2	-1	-1
% Above 30 WMA	1	-1	-1
OCO Breadth	+2	+2	+2
% within 2% of highs	+1	0	0
% 20% below highs	+2	-2	-2
90% Days	0	-1	0
Total	8	0	2

2025 Tariff Concerns

Start Date: January 20, 2025

Market Environment: A large-cap driven bull market was still officially in progress, although small- and mid-caps peaked in November 2024

S&P 500 Performance:

- *3 Months After:* **TBD** (although the index was down **10%** in late March 2025)
- *6 Months After:* **TBD**

Context: Broad, sweeping tariffs were proposed and initiated over several weeks.

Lowry signals: The evidence supported a pullback, but not a bear market, at the time the new tariff strategy was revealed. However, now in late March, as the score dipped slightly lower, continued weakness is implied. Should the score continue to fall, then the market's health would become even more fragile.

Indicator	1/20/2025	3/28/2025
BP/SP trends/signals	1	-2
BP/SP Spread	-1	-1
APR	-1	-1
% Above 30 WMA	-2	-1
OCO Breadth	0	0
% within 2% of highs	-1	0
% 20% below highs	-1	-1
90% Days	0	0
Total	-5	-6

Summary

This report reveals that tariff events alone do not always dictate market direction. Away from the Lowry Analysis, economic conditions and monetary policy often play bigger roles. Within the Lowry Analysis, the body of evidence can signal pending change or the lack of reason for change as tariffs are threatened, implemented, and removed. Regardless, tariffs tend not to affect the primary trends in progress. The issue in 2025, however, is that new tariffs continue to be announced.

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