

## Briefing

# Global Economic & Credit Market

## Week 07 Ending – February 14, 2025

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### Economic Calendar

- Tuesday, February 18: Home Builder Confidence
- Wednesday, February 19: Housing Starts
- Friday, February 21: Consumer Sentiment

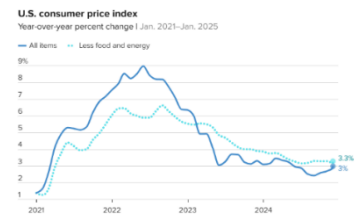
### Key Market Metrics

- S&P 500: +1.50% WoW; +3.99% YTD; +21.60% YoY; 16.1x LTM EBITDA; 15.0x NTM EBITDA
- Dow Jones: +0.55% WoW; +4.71% YTD; +14.89% YoY; 11.9x LTM EBITDA; 12.2x NTM EBITDA
- Nasdaq: +2.58% WoW; +3.71% YTD; +25.91% YoY
- Ten Year US Treasury Yield: 4.53% (9) bps YTD; +24 bps YoY
- Currency:
  - British Pound per USD: \$1.26; 1.5% WoW; 0.6% YTD; (0.1%)YoY
  - Euro per USD: \$1.05; 1.6% WoW; 1.3% YTD; (2.6%)YoY
  - USD per Yen: ¥152.27; 0.6% WoW; (3.2%)YTD; 1.6% YoY
  - Swiss franc per EUR: 1.06 CHF; (0.4%)WoW; (0.6%)YTD; 0.4% YoY

### U.S. News

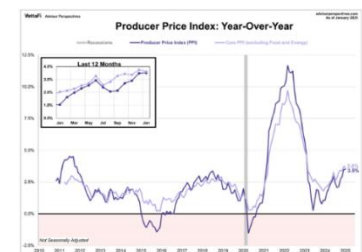
#### Consumer Price Index

- U.S. inflation increased to 3% in January, with a 0.5% monthly rise – the fastest since August 2023
- Core CPI rose 0.4% from December or 3.3% on a year-over-year basis, both higher than economists expected
- Grocery prices rose 0.5% monthly, driven by a 15.2% surge in egg prices due to avian flu. Categories like gas prices, used cars, airline fares, and insurance also saw notable jumps



#### Producer Price Index

- The producer price index (PPI) rose 0.4% in January, with a 3.5% year-over-year increase, the highest in nearly two years, signaling persistent inflationary pressures
- Core PPI rose 0.3% with a slight dip in the 12-month core rate to 3.4%
- Service costs and food prices continued to rise contributing to sustained inflation

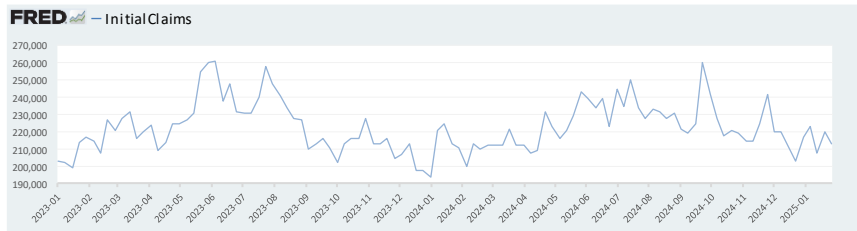


#### Retail Sales

- Retail sales fell 0.9% month-over-month in January, marking the biggest drop in nearly two years, largely due to reduced consumer spending after the holiday season and severe winter weather
- Auto dealer sales fell 2.8%, online retail fell 1.9%, while sales rose in general merchandise stores and restaurants
- Despite the January dip, 2024 saw solid retail growth which was 4.4% year-over-year with economists viewing the slowdown as a temporary break following strong consumer performance in 2024

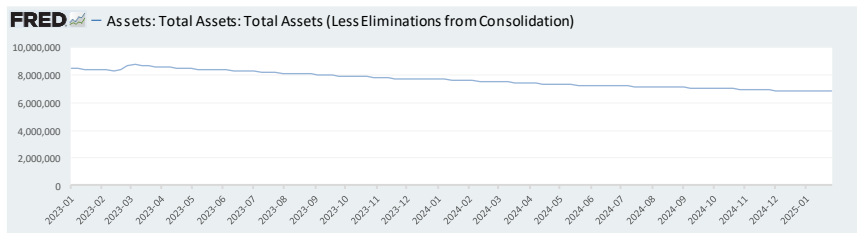
▪ **Jobless Claims**

- Initial jobless claims, a measure of how many workers were laid off across the U.S., decreased to 213,000 in the week ended February 7, down 7,000 from the prior week
- The four-week moving average was 216,000, down 1,000 from the prior week
- Continuing claims – those filed by workers unemployed for longer than a week – decreased by 36,000 to 1.850 million in the week ended January 31. This figure is reported with a one-week lag



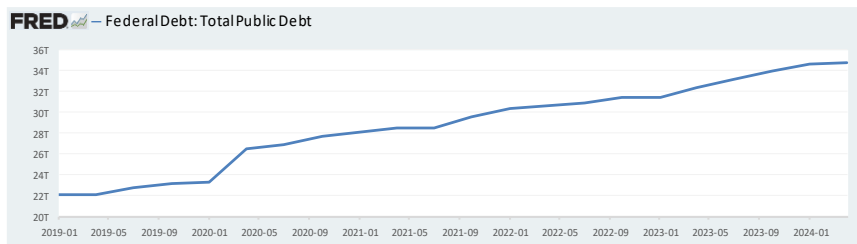
▪ **Fed's Balance Sheet**

- The Federal Reserve's assets totaled \$6.814 trillion in the week ended February 14, up \$2.6 billion from the prior week
- Treasury holdings totaled \$4.266 trillion, down \$1.2 billion from the prior week
- Holdings of mortgage-backed securities (MBS) were \$2.22 trillion in the week, down \$7.0 billion from the prior week



▪ **Total Public Debt**

- Total public debt outstanding was \$36.22 trillion as of February 14, an increase of 5.7% from the previous year
- Debt held by the public was \$28.90 trillion, and intragovernmental holdings were \$7.31 trillion

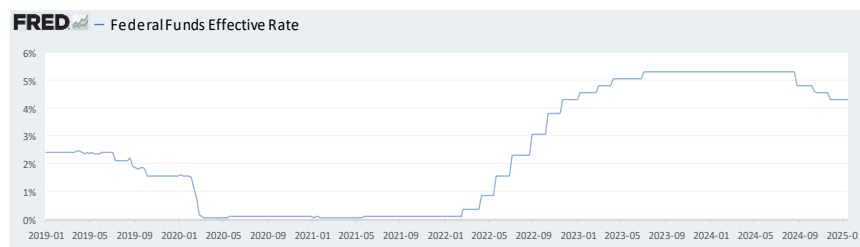


- **Inflation Factors**

- **CPI:**
  - The consumer-price index rose 3.0% in January year over year
  - On a monthly basis, the CPI increased 0.5% in January on a seasonally adjusted basis, after increasing 0.4% in December
  - The index for all items less food and energy (core CPI) rose 0.4% in January, after rising 0.2% in December
  - Core CPI increased 3.3% for the 12 months ending January
- **Food & Beverages:**
  - The food at home index increased 1.9% in January from the same month a year earlier, and increased 0.5% in January month over month
  - The food away from home index increased 3.4% in January from the same month a year earlier, and increased 0.2% in January month over month
- **Commodities:**
  - The energy commodities index increased 1.9% in January after increasing 3.9% in
  - The energy commodities index fell (0.5%) over the last 12 months
  - The energy services index 1.8% in January after increasing 0.8% in December
  - The energy services index rose 2.5% over the last 12 months
  - The gasoline index fell (0.2%) over the last 12 months
  - The fuel oil index fell (5.3%) over the last 12 months
  - The index for electricity rose 1.9% over the last 12 months
  - The index for natural gas rose 4.9% over the last 12 months
- **Supply Chain:**
  - Drewry's composite World Container Index decreased to \$3,095.11 per 40ft container
  - Drewry's composite World Container Index has decreased by (17.1%) over the last 12 months
- **Housing Market:**
  - The shelter index increased 0.4% in January after increasing 0.3% in December
  - The rent index increased 0.4% in January after increasing 0.3% in December
  - The index for lodging away from home increased 3.9% in January after decreasing (2.1%) in December

- **Federal Funds Rate**

- The effective Federal Funds Rate is at 4.33%, flat 0.00% year to date



## World News

### ▪ Middle East

- Israel and Hamas resolved a dispute over humanitarian aid, leading to the release of three hostages, though both sides later violated the cease-fire
- Mediators are working to secure the release of more hostages as Gaza faces worsening humanitarian conditions amid ongoing conflict
- Egypt is developing a reconstruction plan for Gaza that ensures Palestinians remain on their land, rejecting Trump's proposal to relocate them to other countries
- Arab leaders, including Jordan's King Abdullah, strongly oppose Trump's plan, while protests in Gaza reflect widespread Palestinian fears of displacement

### ▪ Europe

- The European Commission will propose changes to fiscal rules allowing EU member states to increase defense spending beyond the 3% of GDP deficit cap, using an "escape clause" under certain conditions
- The EU's 27 members currently spend a combined 2% of GDP on defense, but European Commission President Ursula von der Leyen stated that this must rise by hundreds of billions of euros annually, aligning with NATO's push for members to exceed 3% of GDP in defense spending
- Eurozone industrial production fell 1.1% in December, reversing gains from the previous two months and performing worse than the 0.5% decline economists had forecast
- The manufacturing sector faces further challenges in 2025, with a global trade slowdown and potential U.S. tariffs under Donald Trump, while Germany, France, and Italy saw declining output

### ▪ China

- China's cabinet is focusing on boosting domestic consumption by increasing residents' incomes and expanding property-related income channels, with upcoming policies expected to address pensions and healthcare
- The government plans to boost foreign capital by promoting reinvestment and expanding the industries open to foreign investment, after a 27.1% drop in foreign direct investment in 2024 following a 8.0% decline in 2023
- Trump's suspension of the de minimis trade exemption for China imports has disrupted platforms like Shein and Temu, which are now facing delays and price hikes. Shein is pushing suppliers to set up production in Vietnam, while Temu raised prices and is focusing on U.S. based inventory
- Without the exemption, tariffs on goods from Shein and Temu could reach 60%. U.S. consumers might face an average annual cost increase of \$136 per household, with Shein and Temu already struggling with thinner margins compared to competitors like Amazon

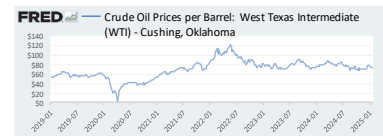
## Geopolitical Hotspots

- **Mexico**
  - Mexico's President, Claudia Sheinbaum, warned that U.S. gunmakers could face legal action for complicity in organized crime if the U.S. designates Mexican cartels as terrorist groups, citing that 74% of weapons used by criminal groups in Mexico come from the U.S.
- **Japan**
  - Japan will release 231,000 tons of emergency rice stockpiles to combat soaring prices, driven by record heat, distribution issues, and rising demand, marking the first time the government has intervened due to market disruptions
- **United Kingdom**
  - The Bank of England (BOE) cut interest rates by 0.25 percentage points to 4.5%, citing slowing economic growth and inflation concerns, while warning that U.S. tariffs could further weaken the global economy. The BOE also lowered its growth forecast for the U.K. economy and expects further rate cuts throughout 2025
- **Hong Kong**
  - Hong Kong is filing a WTO complaint against the U.S. tariffs, arguing that the 10% levies imposed on its exports violate WTO rules and undermine its status as a separate customs territory from China. The tariffs were imposed by the Trump administration, and Hong Kong is seeking dispute resolution to defend its trade rights
- **Sudan**
  - Sudan's military forces are close to retaking Khartoum from the Rapid Support Forces (RSF) after nearly two years of civil war, with recent victories in Wad Madani and key strategic areas in the capital. The conflict, which has displaced over 12 million people, is a power struggle between Lt. Gen. Abdel Fattah al-Burhan and RSF commander Lt. Gen. Mohamed Hamdan Dagalo
- **Cayman Islands**
  - A 7.6 magnitude earthquake struck the Caribbean Sea south of the Cayman Islands on February 8, 2025, prompting tsunami alerts in several regions, including Puerto Rico, the Dominican Republic, Cuba, and the U.S. Virgin Islands. While initial warnings urged coastal evacuations, most advisories were later canceled. There were no immediate reports of significant damage
- **India**
  - India's central bank (RBI) cut its key policy rate from 6.50% to 6.25%, marking its first rate cut in nearly five years, as the economy slows and inflation cools. The move aligns with India's efforts to stimulate growth, while also navigating trade tensions with the U.S. under the Trump administration
- **Canada**
  - Canada recorded a C\$708 million trade surplus in December 2024, driven by a jump in energy exports to the U.S. and a weaker Canadian dollar. The surplus comes amid uncertainty over potential U.S. tariffs, as President Trump threatened a 25% tariff on Canadian imports, prompting Ottawa to consider retaliatory measures

## Commodities

### Oil Prices

- WTI: \$70.71 per barrel
  - (0.41%) WoW; (1.41%) YTD; (7.74%) YoY
- Brent: \$74.72 per barrel
  - +0.08% WoW; +0.11% YTD; (8.43%) YoY



### US Production

- U.S. oil production amounted to 13.5 million bpd for the week ended February 7, up 0.3 million bpd from the prior week

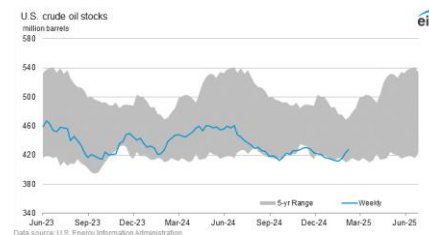
### Rig Count

- The total number of oil rigs amounted to 588, up 2 from last week

### Inventories

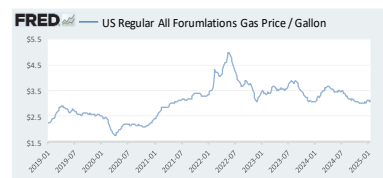
#### Crude Oil

- Total U.S. crude oil inventories now amount to 427.9 million barrels, down (2.6%) YoY
- Refiners operated at a capacity utilization rate of 85.0% for the week, up from 84.5% in the prior week
- U.S. crude oil imports now amount to 6.915 million barrels per day, down (2.5%) YoY

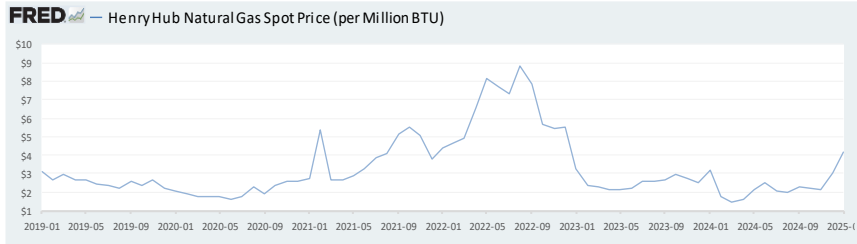


#### Gasoline

- Retail average regular gasoline prices amounted to \$3.17 per gallon in the week of February 14, down (3.6%) YoY
  - Gasoline prices on the East Coast amounted to \$3.16, down (3.0%) YoY
  - Gasoline prices in the Midwest amounted to \$3.07, down (1.7%) YoY
  - Gasoline prices on the Gulf Coast amounted to \$2.79, down (3.7%) YoY
  - Gasoline prices in the Rocky Mountain region amounted to \$3.14, up 8.1% YoY
  - Gasoline prices on the West Coast amounted to \$4.17, up 0.7% YoY
- Motor gasoline inventories were down by 3.0 million barrels from the prior week
- Motor gasoline inventories amounted to 248.1 million barrels, up 0.3% YoY
- Production of motor gasoline averaged 9.35 million bpd, up 1.9% YoY
- Demand for motor gasoline amounted to 8.576 million bpd, up 5.0% YoY



- **Distillates**
  - Distillate inventories decreased by 0.1 million in the week of February 14
  - Total distillate inventories amounted to 118.6 million barrels, down (5.6%) YoY
  - Distillate production averaged 4.543 million bpd, up 11.5% YoY
  - Demand for distillates averaged 3.685 million bpd in the week, up 4.9% YoY
  
- **Natural Gas**
  - Natural gas inventories decreased by 100 billion cubic feet last week
  - Total natural gas inventories now amount to 2,297 billion cubic feet, down (9.2%) YoY



## Credit News

High yield bond yields increased 8bps to 7.20% and spreads decreased 2bps to 284bps. Leveraged loan yields increased 16bps to 8.79% and spreads increased 4bps to 470bps. WTD high yield bond returns were negative 14bps, while Leveraged loan returns were positive 5bps. 10-year Treasury yield increased 9bps to 4.52%. Yields rose as investors absorbed weak retail sales data, a hotter than expected CPI report, a favorable PPI report, more trade tariff headlines, and solid earnings.

### High-yield:

Week ended 02/14/2025

#### Yields & Spreads<sup>1</sup>

Current Week		Prior Week		Δ (bps)	
Yield	Spread	Yield	Spread	Yield	Spread
7.20%	284	7.12%	286	8	(2)

#### Pricing & Returns<sup>1</sup>

Pricing			Returns			
Current Week	Prior Week	Δ (bps)	WTD	MTD	YTD	2024
\$96.35	\$96.61	-26	-0.14%	0.21%	1.38%	8.6%

#### Fund Flows<sup>2</sup>

Total Flows (\$)
\$19mm

#### New Issue<sup>2</sup>

Week		YTD		
# New Deals	Total (\$)	Total (\$)	Prior Year YTD	CY vs PY
6	\$4.5bn	\$36.6bn	\$48.5bn	-25%

#### Distressed Level (trading in excess of 1,000 bps)<sup>2</sup>

1/31/25	12/31/24	11/30/24
4.42%	4.49%	4.04%

#### Total HY Defaults

1/31/25	12/31/24	11/30/24
0.30%	0.36%	0.34%

<sup>1</sup> Source: Credit Suisse High Yield and Leveraged Loan Index

<sup>2</sup> Source: JP Morgan



## Leveraged loans:

Week ended 02/14/2025

▪ Yields & Spreads<sup>1</sup>

Current Week		Prior Week		Δ (bps)	
Yield	Spread	Yield	Spread	Yield	Spread
8.79%	470	8.63%	466	16	4

▪ Leveraged Loan Index<sup>1</sup>

Pricing			Returns			
Current Week	Prior Week	Δ (bps)	WTD	MTD	YTD	2024
\$96.45	\$96.55	-10	0.05%	-0.09%	0.76%	9.3%

▪ Fund Flows<sup>2</sup>

Total Flows (\$)
\$1,040mm

▪ New Issue<sup>2</sup>

Week		YTD		
# New Deals	Total (\$)	Total (\$)	Prior Year YTD	CY vs PY
38	\$32.6bn	\$236.2bn	\$176.7bn	+34%

▪ Distressed Level (loan price below \$80)<sup>1</sup>

1/31/25	12/31/24	11/30/24
5.06%	4.88%	5.28%

## ▪ Total Loan Defaults

1/31/25	12/31/24	11/30/24
1.50%	1.52%	1.54%

## Default activity:

- Most recent defaults include: City Brewing (\$886mn, 1/2/2025), The Container Store (\$163mn, 12/22/2024), Party City (\$264mn, 12/21/2024), Hearthside Food Solutions (\$2.6bn, 11/22/24), Spirit Airlines (\$1.1bn, 11/18/24), Franchise Group Inc (\$1.1bn, 11/3/24), Exactech (\$254mn, 10/29/24), American Tire Distributors (\$975mn, 10/23/24), and Accuride (\$291mn, 10/11/2024).

## CLOs:

Week ended 02/14/2025

▪ New U.S. CLO Issuance<sup>2</sup>

# Priced	Total (\$)	New Issue	Refis/Resets
17	\$7.3bn	\$2.9bn	\$4.4bn

▪ New U.S. CLO YTD Issuance<sup>2</sup>

Total U.S. CLOs	Total (\$)	New Issue	Refis/Resets	Prior Year YTD	CY vs. PY
136	\$61.4bn	\$16.8bn	\$44.6bn	\$34.0bn	+81%

**Note: High-yield and leveraged loan yields and spreads are swap-adjusted**

<sup>1</sup> Source: Credit Suisse High Yield and Leveraged Loan Index

<sup>2</sup> Source: JP Morgan

**Ratings activity:**

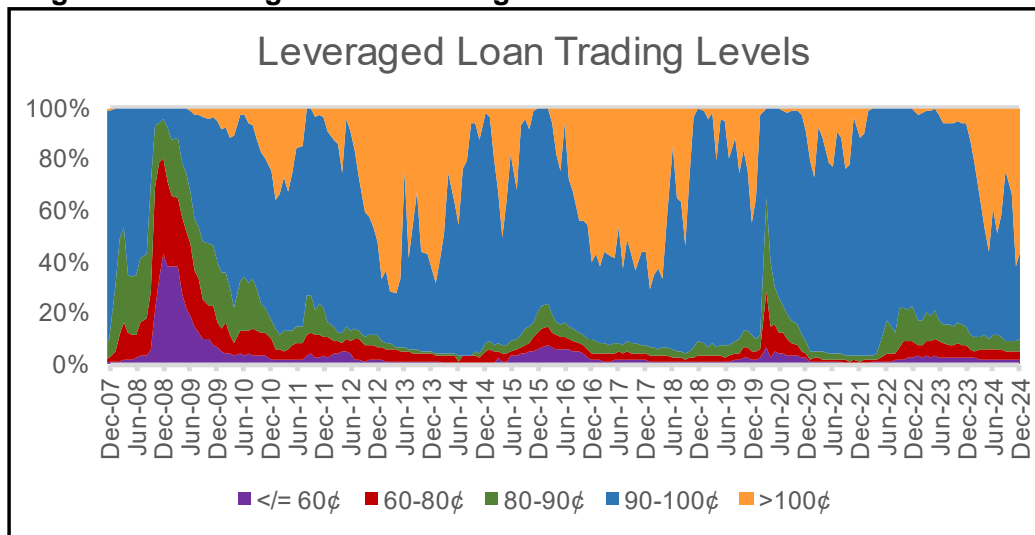
- S&P and Moody's High Yield Ratings

	S&P			Moody's		
	Downgrades	Upgrades	Ratio	Downgrades	Upgrades	Ratio
Full Year 2024	439	320	1.4x	493	371	1.3x
Week Ending 01/03/25	0	0	n/a	0	0	n/a
Week Ending 01/10/25	2	1	2.0x	4	3	1.3x
Week Ending 01/17/25	18	4	4.5x	7	11	0.6x
Week Ending 01/24/25	6	4	1.5x	9	5	1.8x
Week Ending 01/31/25	5	10	0.5x	13	8	1.6x
Week Ending 02/07/25	9	6	1.5x	8	8	1.0x
Week Ending 02/14/25	1	3	0.3x	11	6	1.8x
YTD 2025	41	28	1.5x	52	41	1.3x

Source: Bloomberg

**Appendix:**

**Diagram A: Leveraged Loan Trading Levels**



Source: Credit Suisse Leveraged Loan Index; JP Morgan

**Diagram B: High Yield and Leveraged Loan LTM Price**

High Yield and Leveraged Loan Data [1]				
	LTM Price			
	Avg. Price	High [2]	Low [3]	LTM High vs. Low Δ
High Yield	94.8	96.9	91.9	5.0
Leveraged Loans	96.0	96.6	95.1	1.5

[1] Data is from Credit Suisse High Yield Market Index and Credit Suisse Leveraged Loan Index

[2] HY high price as of 9/19/24. LL high price as of 1/8/25

[3] HY low price as of 4/18/24. LL low price as of 8/5/24

**Diagram C: Leveraged Loan and High Yield Returns**

	Leveraged Loan and High Yield Returns			
	Leveraged Loan Indices		High Yield Indices	
	Credit Suisse [1]	S&P/LSTA [2]	Credit Suisse [1]	S&P [2]
Weekly Return	0.05%	0.01%	(0.14%)	(0.24%)
MTD Return	(0.09%)	0.03%	0.21%	0.05%
YTD Return	0.76%	0.75%	1.38%	1.38%

[1] Credit Suisse Total Return information is calculated weekly. Yield data is as of 02/14/2025

[2] Yield data as of 02/14/2025

**Diagram D: Average Bid Price of High Yield Bonds & Loans**



Source: CSFB High Yield Index (formerly DLJ High Yield Index) Average Price, expressed as a % of par value. Data is reported daily.

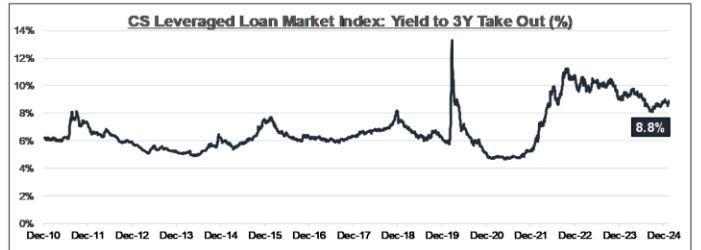


Source: CSFB Leveraged Loan Index Average Price, expressed as a % of par value. Data is reported daily.

**Diagram E: Leveraged Loans Spreads & Yields**



Source: CSFB Leveraged Loan Index Discount Margin to 3Y take-out, expressed in basis points. Data is reported daily.



Source: CSFB Leveraged Loan Index Yield to 3Y take-out, expressed as a percentage. Data is reported daily.

**Diagram F: High Yield Bonds Spreads & Yields**

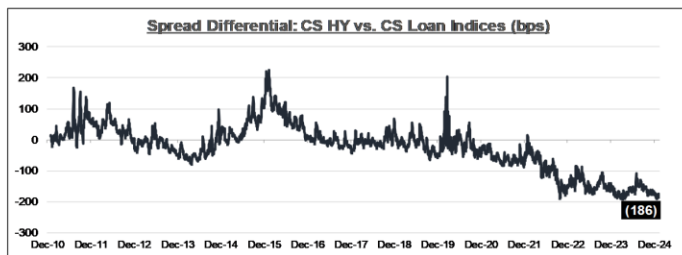


Source: CSFB High Yield Index (formerly DLJ High Yield Index) Spread-to-Worst, expressed in basis points. Data is reported daily.



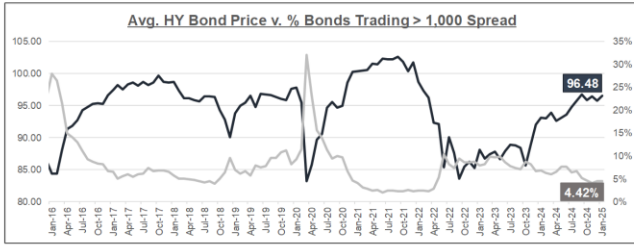
Source: CSFB High Yield Index (formerly DLJ High Yield Index) Yield-to-Worst, expressed as a percentage. Data is reported daily.

**Diagram G: Spread between High Yield Bonds and Leveraged Loans**

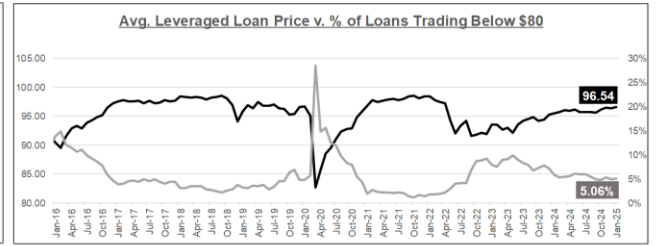


Source: CSFB HY Index and CSFB LL Index. Data is reported daily.

**Diagram H: Percentage of Leveraged Loan and High Yield Market Trading at Distressed**

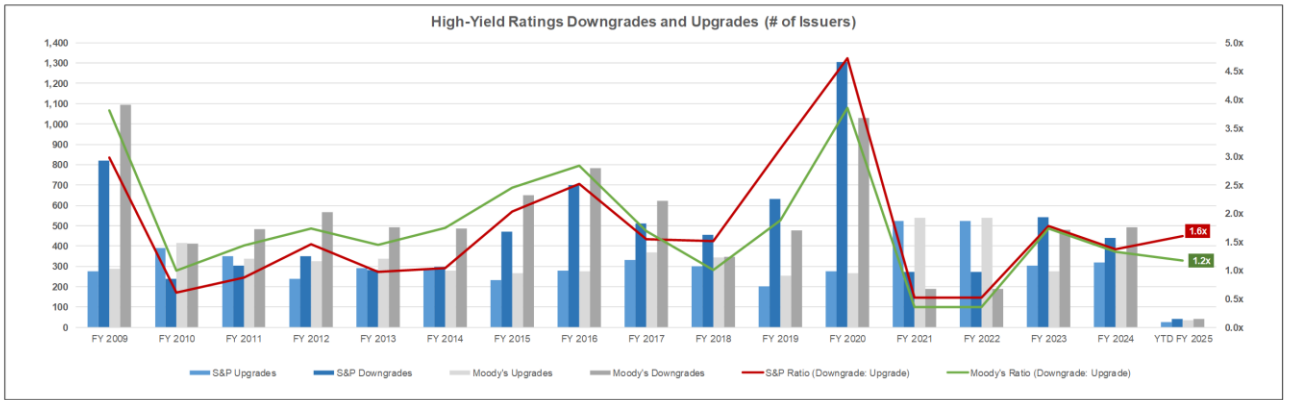


Source: CSFB. Data is reported monthly.

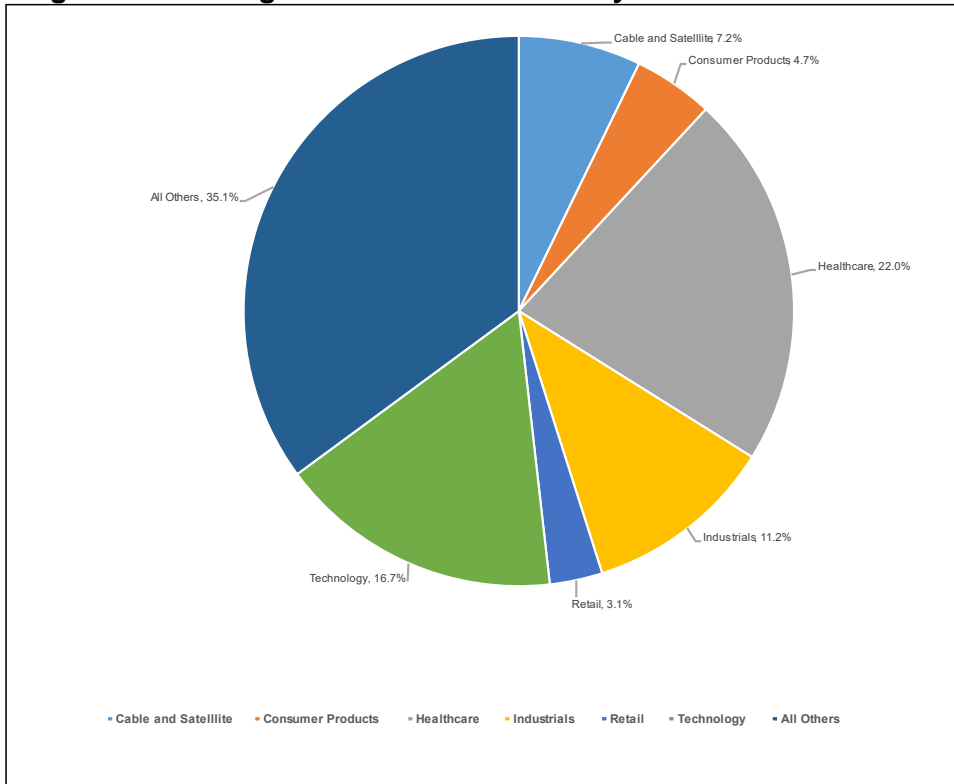


Source: JPM. Data is reported monthly.

**Diagram I: High Yield Upgrades and Downgrades**



**Diagram J: Leveraged Loan + HY Defaults by Sector – LTM**



Source: JP Morgan Default Monitor.

Diagram L: CLO Economics

CLO Economics								
AAA Coupons	AAA DMs	WAC Liabilities	DM Liabilities	Leverage	Asset WAS	All In WAS [1]	IRR est.	Cash on Cash est.
L+125-140	L+125-140	L+165-205	L+170-210	9-11x	L+300-360	L+300-360	9-12%	9-13%

\*Assumptions: 2% Default / 65% Recovery / 4 year Reinvestment Period

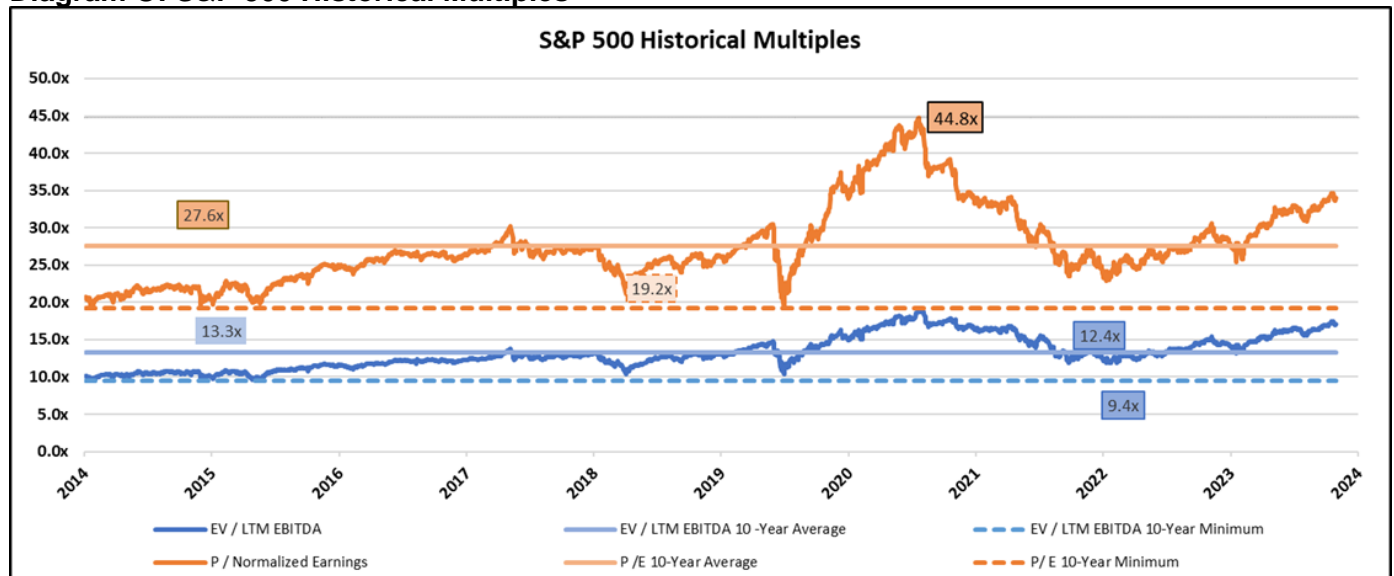
[1] Spread includes OID benefit based on 4 year repayment

Diagram N: Developed Country GovBond Yields (%)

By	1/24/25	1/31/25	2/7/25	2/14/25	Change				
					Weekly	Q4 2024	Q3 2024	Q2 2024	Q1 2024
France - 10 year	3.30%	3.21%	3.10%	3.17%	8 bps	28 bps	(38 bps)	49 bps	25 bps
Germany - 10 year	2.57%	2.46%	2.37%	2.43%	6 bps	24 bps	(38 bps)	20 bps	27 bps
Italy - 10 year	3.66%	3.55%	3.47%	3.52%	6 bps	7 bps	(62 bps)	39 bps	(2 bps)
Japan - 10 year	1.23%	1.25%	1.30%	1.36%	6 bps	25 bps	(21 bps)	27 bps	18 bps
UK - 10 year	4.63%	4.54%	4.48%	4.50%	2 bps	57 bps	(13 bps)	20 bps	44 bps
US									
US - 2 year	4.27%	4.20%	4.29%	4.24%	(5 bps)	64 bps	(115 bps)	7 bps	37 bps
US - 5 year	4.43%	4.33%	4.35%	4.31%	(4 bps)	87 bps	(92 bps)	8 bps	43 bps
US - 10 year	4.62%	4.54%	4.49%	4.45%	(4 bps)	84 bps	(73 bps)	11 bps	42 bps
US - 30 year	4.85%	4.79%	4.69%	4.67%	(2 bps)	71 bps	(55 bps)	13 bps	42 bps

Source: Bloomberg

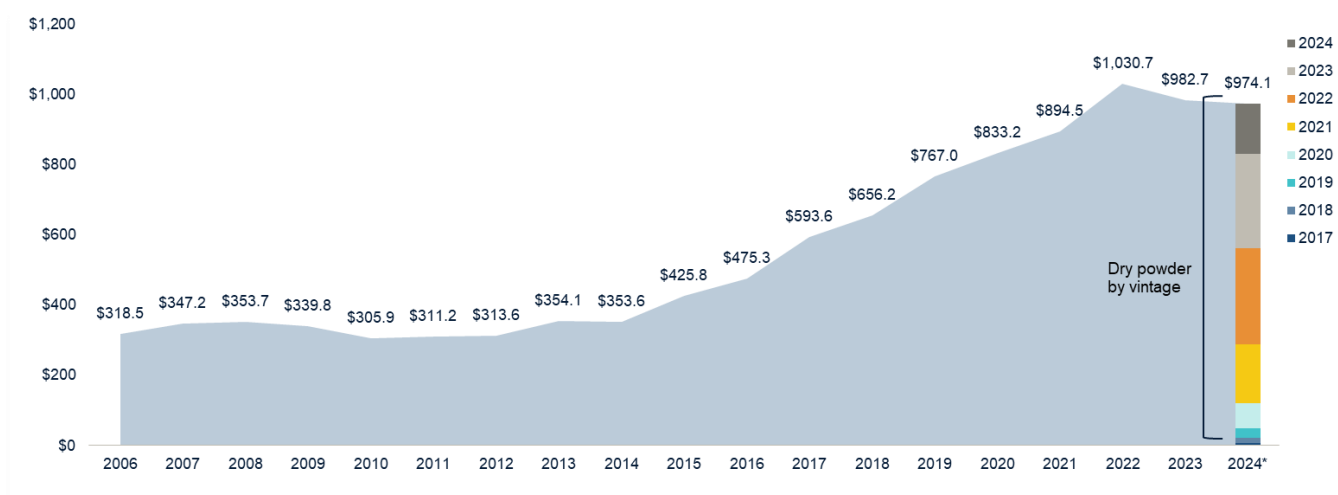
Diagram O: S&P 500 Historical Multiples



Source: S&P Capital IQ

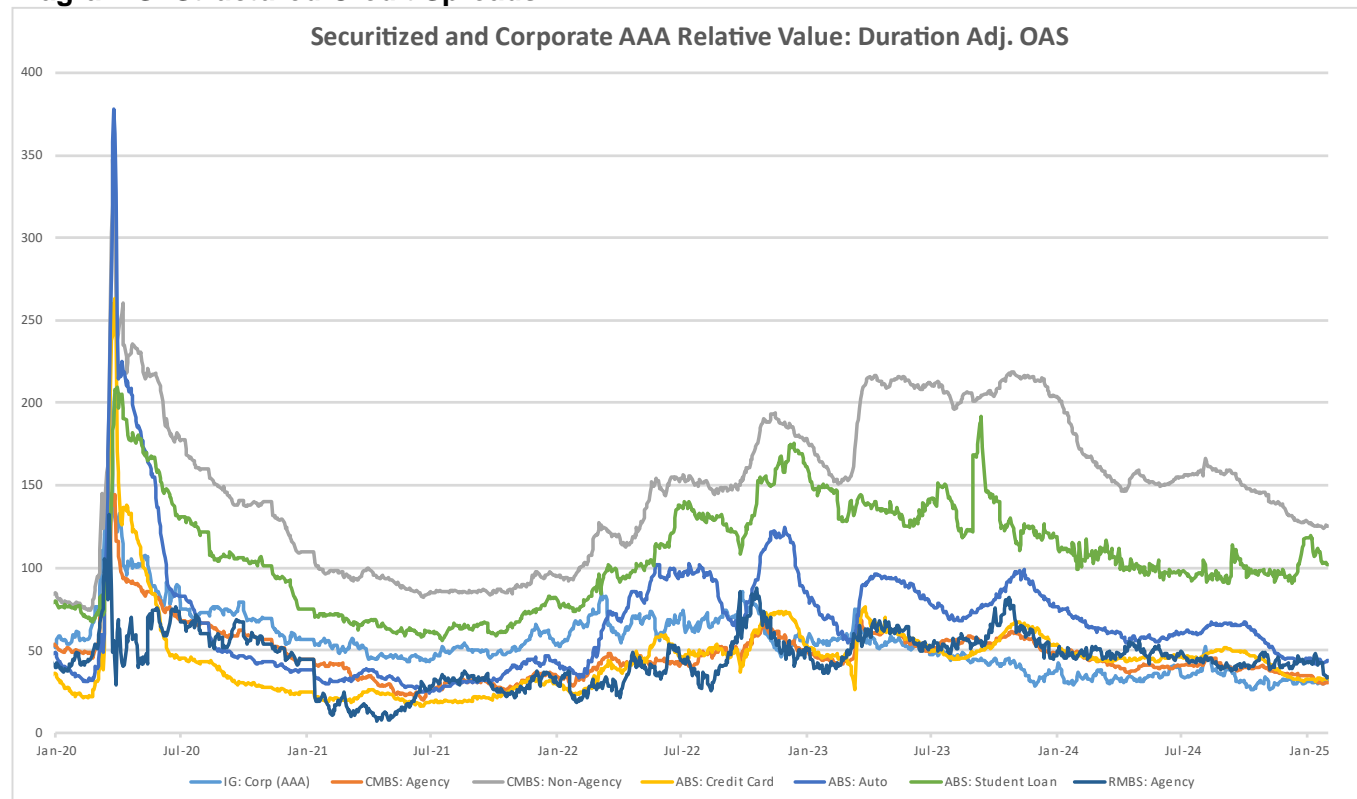


Diagram R: Dry Powder for All Private Equity Buyouts



Source: Pitchbook

Diagram S: Structured Credit Spreads



Source: Bloomberg

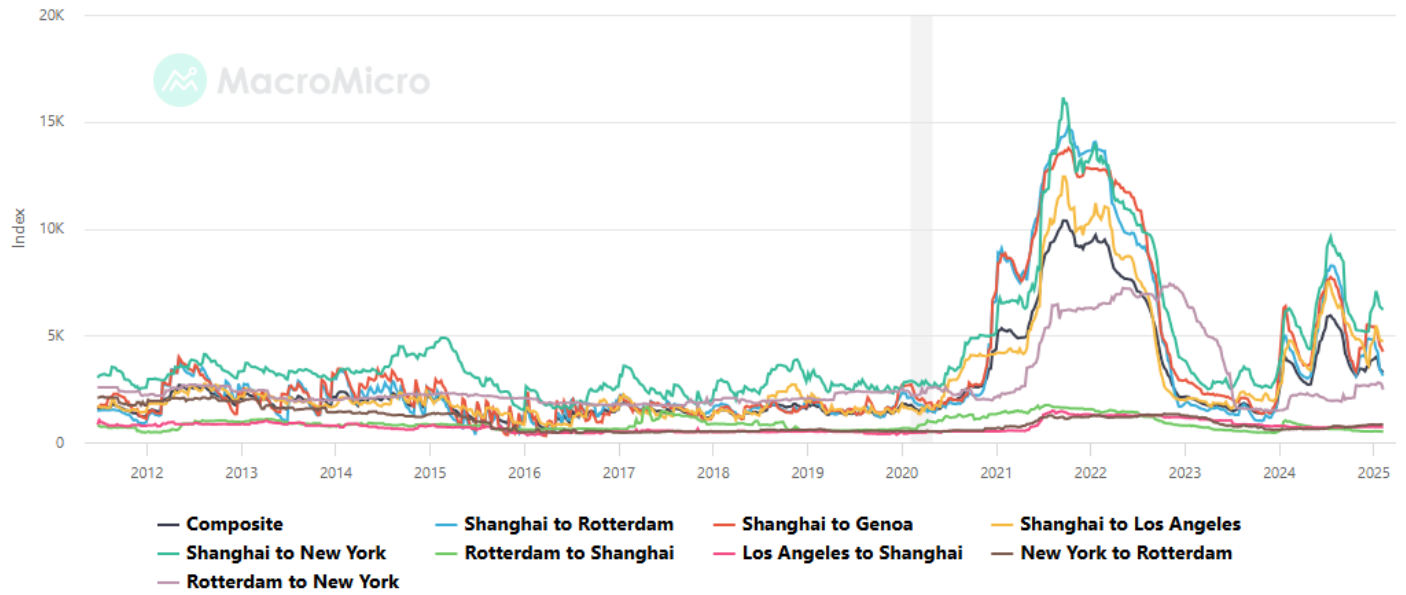




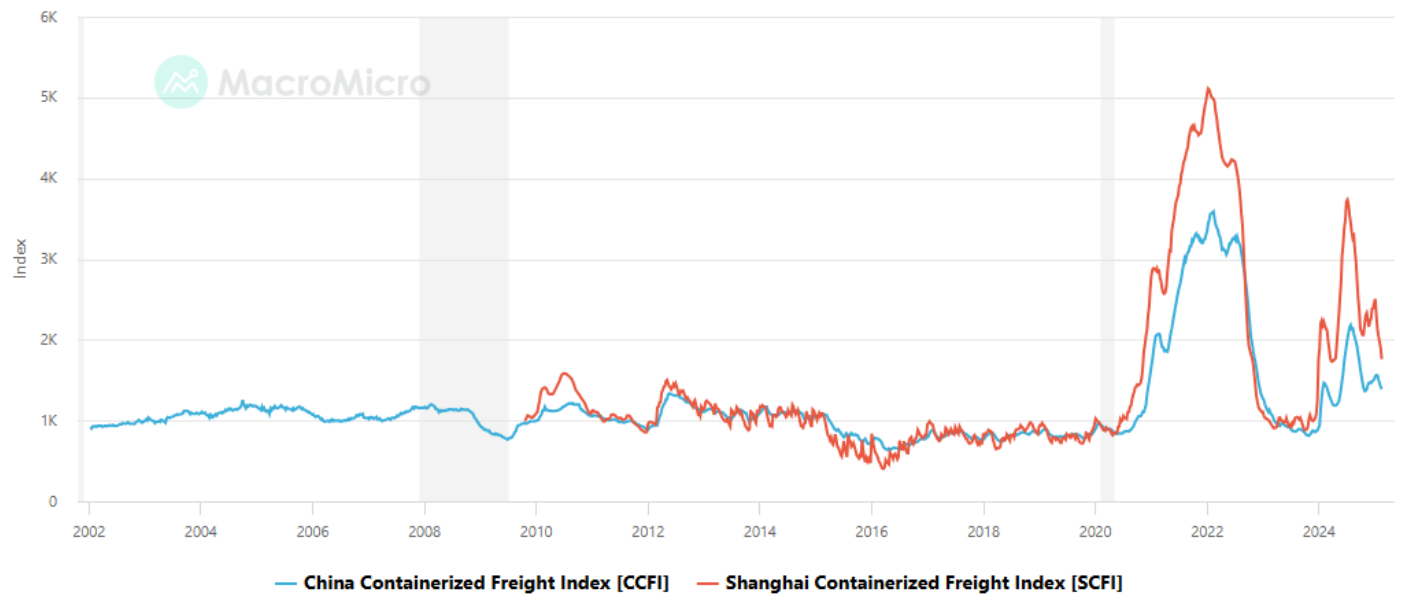


# Freight Rates

## Drewry World Container Index



## China-Global & Shanghai Export Container Freight Index



- **Import Tariffs on Steel and Aluminum to be Increased and Expanded**
  - o President Trump issued separate proclamations that broaden and increase Section 232 tariffs on imports of steel and aluminum and derivative products.
    - § The 25 percent Section 232 tariff on steel and steel derivative articles will be extended to imports from all countries.
    - § The 10 percent Section 232 tariff on aluminum and aluminum derivative articles will be increased to 25 percent and extended to imports from all countries.
  - o These tariffs will be extended to additional derivative articles, that will be announced at a future time, with exceptions for those processed in another country from steel articles melted and poured, or aluminum articles smelted and cast, in the U.S.
- **White House Pushes Reciprocal Import Tariffs**
  - o The Department of Commerce and the Office of the U.S. Trade Representative will lead an effort to investigate the harm to the U.S from any non-reciprocal trade arrangements adopted by any trading partners. That investigation will not begin until at least April 1<sup>st</sup> and no deadline for its completion was specified.
  - o One possible scenario for implementation would be the use of Section 338 of the Tariff Act of 1930, which precedes the Most Favored Nation tariff system, and would allow the executive branch to implement up to 50% tariffs for countries discriminating against US commerce. Tariffs could be implemented in as little as 30 days using this law.
  - o The U.S. trade-weighted average Most Favored Nation tariff rate is about 2.2%, according to World Trade Organization data, compared to 12% for India, 6.7% for Brazil, 5.1% for Vietnam and 2.7% for European Union countries.
  - o Many countries utilize a Value Added Tax (VAT) system that can assess as much as 20% in additional taxes on imported products. If VAT is deemed an unfair practice that limits market access to US companies, it would be expected to see reciprocal tariffs on the EU or any other country that assesses a VAT to imported product.
- **De Minimis Repeal Paused as Packages Back Up at Customs**
  - o De minimis, a legal term referring to matters of little importance, refers to the U.S. waiver of standard customs procedures and tariffs on items worth less than \$800 that are shipped to individuals from foreign countries.
  - o President Donald Trump paused his administration's repeal of duty-free treatment of low-cost packages from China, giving the Commerce Department time to make the order workable, after the rapid change created disruptions for customs inspectors, postal and delivery services and online retailers.
  - o The eventual cancellation of de minimis means the more than 1 billion small-value e-commerce packages arriving annually in the United States with goods coming directly from China must switch to an entry process that requires additional information and duties, adding time and cost.



US Tariff Actions - Week of February 10<sup>th</sup>, 2025

- **Feb 2nd, 2024 – Trump Threatens Tariffs on European Union**
  - o President Trump told the BBC late Sunday that tariffs “will definitely happen with the European Union” and could happen “pretty soon.”
  - o He went on to tell journalists, “They don't take our cars, they don't take our farm products, they take almost nothing, and we take everything from them. Millions of cars, tremendous amounts of food and farm products.”
- **Feb 5th, 2025 – Tariffs on Imports from Canada and Mexico Paused until March 4<sup>th</sup>**
  - o President Trump issued Feb. 3 executive orders suspending until March 4 the imposition of 25 percent tariffs on imports from Canada and Mexico and a 10 percent tariff on imports of energy products from Canada, all of which had been slated to take effect Feb. 4.
  - o The tariffs were delayed due to the “immediate steps” the two countries have agreed to take “to alleviate the illegal migration and illicit drug crises” and that the month-long pause will give the U.S. time to assess whether these measures are sufficient. In a social media post President Trump referred to efforts to negotiate “a final economic deal” with Canada during this period, though no further details were given.
  - o Although the tariffs are suspended for now, the possibility that they will be imposed remains. If that happens, both Canada and Mexico are expected to retaliate with tariffs on U.S. goods.
- **Feb 5th, 2025 – China Announces Retaliatory Measures in Response to New Tariffs**
  - o Effective Feb. 10 China plans to impose the following tariffs on certain goods imported from the U.S. that will be in addition to normal tariff rates.
    - § 15 percent on coal and liquefied natural gas
    - § 10 percent on crude oil, agricultural machinery, automobiles (>2,500cc), and pickup trucks
  - o More tariffs may be imposed if the U.S. increases its ten percent tariff to a higher rate. De minimis, a legal term referring to matters of little importance, refers to the U.S. waiver of standard customs procedures and tariffs on items worth less than \$800 that are shipped to individuals from foreign countries.

## US Tariff Actions - Week of February 3rd, 2025

- **President Trump issued executive orders imposing additional tariffs on imports from China, Canada and Mexico**
  - o The ten percent tariff on China, and the 25 percent tariff on Canada and Mexico, will apply to all articles that are products of those countries, as defined in a forthcoming Federal Register notice.
  - o The tariffs will be effective with respect to goods entered or withdrawn from warehouse for consumption on or after Feb. 4. They will remain in effect until the president determines that the relevant country has taken sufficient action to alleviate the crisis.
  - o Duty-free de minimis treatment under 19 USC 1321 will no longer be available for products of China, Canada, or Mexico.
  - o Reciprocal Actions – Canada has announced 25% additional duty across multiple commodities. China and Mexico have stated actions will be taken.
- **During a speech on Monday, President Trump stated he plans to impose tariffs on imported chips, pharmaceuticals and steel, specifically calling out Taiwan’s semiconductor business.**
- **Other Legislation Introduced this week**
  - o The United States Reciprocal Trade Act (H.R. 735, introduced Jan. 24 by Rep. Moore, R-W.V.) would authorize the president to negotiate with foreign nations to lower tariff rates on U.S. exports and, when necessary, impose reciprocal tariffs on foreign-made goods entering the U.S.
  - o The Restoring Trade Fairness Act (S. 206, introduced Jan. 23 by Sen. Cotton, R-Ark., and H.R. 694, introduced Jan. 23 by Rep. Moolenaar, R-Mich.) would (1) suspend normal trade relations with China, (2) phase in tariffs on Chinese products over five years, including 100 percent tariffs for goods determined to be important to national security, (3) empower the president to create supplementary quotas and tariffs to phase out Chinese imports and to institute overriding bans on specific Chinese goods, (4) end de minimis treatment for covered nations, including China, and (5) require customs brokers for other de minimis shipments.

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