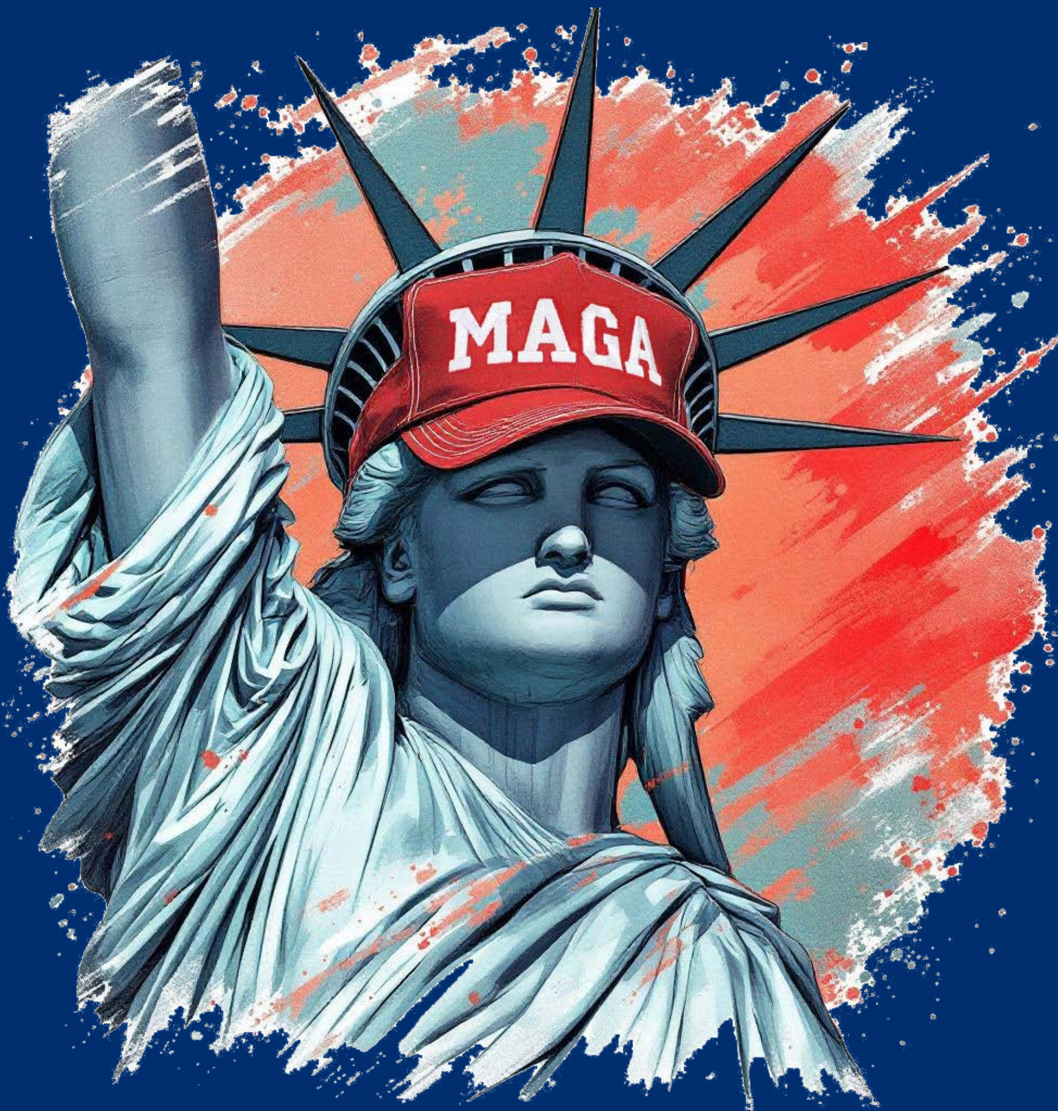

MASTERING MAGANOMICS

Tariffs, Taxes, and Turnarounds in the New Trump Economy

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TARIFFS, TAXES, AND TURNAROUNDS IN THE NEW TRUMP ECONOMY

We know, historically, that the performance of the stock market typically has little to do with who's in the White House.

Even when a president manages to produce effective policies, they're usually well out of office by the time they're making an impact, be it positive or negative.

However, it's very clear there's nothing "typical" about Donald Trump, now serving his second term. He proved that as the 45th president, and he's well on his way to proving it again.

Trump has already devoted a good amount of attention to cleaning up the mess left by the previous administration. Now, he can focus squarely on "Making America Great Again," and we can refocus on growing our wealth.

Critics, of course, may beg to differ, but numbers don't lie.

Trump managed to move the market's needle in his first term as the Dow Jones Industrial Average (DJIA) rose 56% between 2017 and 2021. Information technology led all sectors with a 114% gain during the period. Consumer discretionary, healthcare, utilities, industrials, and financials followed with collective average gains above 50%.

Investors who didn't pivot as Trump's policies took hold back then lost out, just as those who now aren't anticipating his positive changes stand to lose out on the great investment opportunities afforded by Trump 2.0 today.

Although the president's ambitious agenda, which he calls "Maganomics," spooked markets in the first few months of his term, I believe we're moving to a less-volatile climate.

The pace of transformation is rapid and deep policy-wise, more so than many Americans have ever experienced with another president. As a result, proponents have labeled Trump's second term "The Golden Age" and "The Trump Boom." And he's pushing many of the same policies today that provided tailwinds for most of the sectors mentioned previously with Trump 1.0.

Trump illustrated his commitment toward meeting these goals on Day 1 when he signed 200 executive orders, reversing Democrat policies on immigration, energy, taxation, regulation, and national defense.

Trump has a clear vision of and tight handle on what is ailing the U.S., and he's moving at lightning speed to lower the cost of living for every American, reshape the economy, and restore U.S. leadership in the world by reclaiming our energy independence, dominating the global AI war, implementing tougher tariffs, decreasing corporate taxes, and lowering interest rates.

That's a long list. So, naturally, many Americans spent the first half of 2025 worrying about the "what ifs."

What if tariffs cause a spike in inflation? Well, again, history shows that Trump invoked tariffs against China and other countries in his first term. They created jobs, sparked investment, and resulted in no inflation.

What if lowering corporate taxes widens the gap between classes, presenting even more challenges for the middle class?

Look no further than 2017 for answers that can ease nerves. That's when Trump cut the corporate tax rate by 14%, from 35% to 21%. Corporate tax revenue as a share of the GDP increased by 40% (from 1.5% to 2.1% in 2023). Revenue per capita also nearly doubled from $870 to $1,700.

We're about to find out the impact of tariffs and lower corporate taxes this time around because they're just two issues addressed in Trump's 1,000-page "Big Beautiful Bill" (officially, the One Big Beautiful Bill Act).

As of this writing, the bill is moving through the legislative process, and once passed will provide a road map for the next four years (and beyond) and give us a glimpse of those sectors most likely to benefit from tailwinds created by Trump's policies.

It's important to stay vigilant as the new economic era takes shape so we can sort out the biggest potential winners of a Trump presidency. And if it seems a little chaotic at times, remember that chaos often breeds opportunity . . . which brings me to the first Trump goal I'll talk about, policies that support it, and investments that should perform well as a result.

Aim #1: Regain America's Energy Independence

"Drill, baby, drill." These three words perfectly sum up Trump's energy policy.

Over the next few years, he's aiming to loosen the restrictions holding back oil and gas production in the U.S. This will allow the nation to reassert its energy dominance. More importantly, it will ensure its independence.

Despite all the misallocated resources by the Biden administration toward propping up "renewable energy" sources, the driving force of U.S. energy remains fossil fuels. However, we're seeing other clean sources of energy — such as nuclear — gain in popularity too, as I'll address shortly.

Bill Spetrino is a professional investor who has earned millions for himself and his investors solely through strategic investing. A trained accountant, he graduated from John Carroll University in Ohio and spent a decade teaching. A lifelong entrepreneur as well, Spetrino set out to understand and codify a simple dividend investing strategy for life, an idea that eventually led to the creation of **The Dividend Machine**. He wrote about his path in his book, *The Great American Dividend Machine,* covering how to pick the kinds of stocks Warren Buffett or the late Sir John Templeton would recommend, long-term cash generators with handsome appreciation as well. His dividend picks now generate all of his family's living expenses and more, and they keep on growing. He consults with a worldwide base of clients on investing and tax planning from his home in Ohio.

Trump believes that fostering the fossil fuel side of the energy coin is key to the country's independence and financial strength — which is why he declared a national energy emergency on Day 1 of his presidency. He did so to accelerate fossil fuel drilling and production and bring down sky-high consumer energy costs.

Trump's Treasury Secretary Scott Bessent has a "3-3-3" plan for economic growth. The pillars? Shaving the budget deficit to 3% of GDP by 2028, increasing GDP growth to 3% via deregulatory efforts and business-forward policymaking, and ramping up U.S. energy production at a level equivalent to 3 million barrels of oil per day.

Trump and his team's triumphs in American oil fields would pump up economic expansion — lowering energy prices by increasing supply and thus putting more spending money in consumers' pockets.

Honestly, that won't really be great for domestic producers, who will in turn be collecting less profit per barrel of oil. That's why, if you really want energy exposure in your own personal portfolio, I think the best strategy is to stick to tried-and-true producers with proven histories of dividend dedication.

That includes the likes of **Exxon Mobil** (**XOM**) — considered a "Dividend Aristocrat," having raised its annual payout for 42 consecutive years and counting, or **Chevron** (**CVX**), with a 37-year streak of its own and a 4%-plus yield.

For those who want a bigger energy component in their portfolio, I'd suggest as a general principle layering into a play such as XOM or CVX any time prices are closer to the stocks' 52-week lows and steering clear when they're near 52-week highs.

Or, consider a broader-based ETF such as the **Energy Select Sector SPDR Fund** (**XLE**), which yields over 3% at prices below $91. The fund includes stakes in Exxon, Chevron, **ConocoPhillips** (**COP**), **Kinder Morgan** (**KMI**), and **ONEOK Inc.** (**OKE**), among others.

Aim #2: Establish U.S. Global Dominance in AI

Trump has always been a supporter of AI and

Going Nuclear

Trump supports reviving nuclear energy as another way for the U.S. to meet steadily rising electricity demand. I'm not talking about demand by consumers, though. According to a study by Grid Strategies, the biggest drivers are data centers — specifically, those running complex AI models.

Big tech companies need lots of energy. And bringing old nuclear plants onto the grid — or keeping aging ones open — seems to be a popular strategy.

In June 2025, U.S. utility **Talen Energy (TLN)** announced an expanded nuclear energy partnership with **Amazon.com (AMZN)** to supply up to 1,920 megawatts of electricity from its Susquehanna nuclear plant in Pennsylvania to Amazon Web Services (AWS) data centers. The deal, lasting until 2042, ensures Talen a steady, long-term revenue stream while supporting Amazon's growing demand for carbon-free energy to power its AI and cloud operations.

Also in 2025, **Meta (META)** agreed to purchase more than 1,100 MW of nuclear power from **Constellation Energy's (CEG)** Clinton nuclear site (in operation today) over the next 20 years. And in 2024, **Microsoft (MSFT)** agreed with CEG to buy nuclear power from Three Mile Island in Pennsylvania. The plant, the site of the worst nuclear accident in the U.S., will need a $1.6 billion revamp before that can happen.

There are currently 413 nuclear reactors in operation worldwide, with an average age of around 32 years, according to the International Atomic Energy Agency.

Winners from the nuclear revival include utilities and energy companies like **NextEra (NEE)** and Constellation, the largest owners of nuclear plants in the U.S. that are not rate-regulated. Constellation accounts for about 7% of the **Utilities Select Sector SPDR Fund (XLU)** and other utilities index funds. The company also represents about 9% of the **Range Nuclear Renaissance ETF (NUKZ)**.

You might not have had nuclear power on your investment wish list for 2025. But it's no longer a relic left to the past. Rather, if Big Tech is right, it could lead the way to the AI-powered future being promised right now.

guidelines around its use. In February 2019, he issued Executive Order 13859 and launched the American AI Initiative. Essentially, it prioritized fostering research and development of AI technology inside and outside the government.

It was born of the recognition that, to bolster the economy and strategically stay a step ahead of China and other nations pursuing the technology, the U.S. absolutely must be first in this arena to continue its longstanding financial and military dominance.

In other words, he was proactive in his first term on AI. And this time around, I expect Trump to go even further, especially with China's AI lab DeepSeek making waves. The lab released a free, open-source large language model in January 2025 that reportedly took only $6 million and a couple of months to build. (The actual costs were likely much higher, but still relatively cheap overall compared to similar models developed in the U.S.)

That development threw into question the huge spend projections on AI in the U.S., while also prompting worries about whether China had closed the AI technology gap in the race between the two countries.

On Trump's first day in office, he repealed former President Joe Biden's 2023 AI executive order, which was doing more harm than good through overregulation of private sector advancements and with its embedded "bias and discrimination" parameters.

And on his second day in office, Trump announced the Stargate project, which called for a $100 billion initial investment to build AI infrastructure and up to $500 billion over the next four years. SoftBank, OpenAI, Oracle, and MGX are the initial equity funders. **Arm Holdings** (**ARM**), **Microsoft** (**MSFT**), and **Nvidia** (**NVDA**) are technology partners.

But it's not just Big Tech, aka the "Magnificent Seven," that stand to benefit. AI infrastructure encompasses a boatload of technologies required to build AI-ready data centers, including real estate, software, hardware, cooling solutions, chips, design, data storage, and much more. Many companies will be in the running for a piece of the $5 billion-plus market for AI data centers in North America.

Technology and the ongoing development of AI tools are becoming bigger priorities than ever for the efficiency of businesses and the future of our national defense. The additional push in AI also bodes well for those involved in satellites, chip manufacturers, and a wide range of other companies.

If you're looking for broad exposure to AI outside of our usual Dividend Machine scope, there are a couple ETFs to consider. They offer an entry point for those looking to jump (albeit late) on the bandwagon. With $175 billion reportedly awaiting deployment into AI projects, the U.S. should attract significant global capital.

Global X Robotics & Artificial Intelligence (**BOTZ**), known for its focus on automation and robotics companies, holds stocks of companies like Nvidia. The ETF can benefit from increased demand for hardware supporting AI infrastructure.

Roundhill Generative AI & Technology (**CHAT**) invests particularly in companies developing infrastructure and software that target generative AI.

Also, if you want a more focused investment, albeit one that comes with more risk as well, **Vertiv** (**VRT**) is interesting. The $42.7 billion company has already carved out a lucrative niche in data centers with the likes of **AT&T** (**T**), **Verizon** (**VZ**), Ericsson, Siemens, and countless other clients relying on its innovative cooling solutions.

Cooling is a huge component of data centers. It takes a tremendous amount of power to run servers that manage data-intensive, complex AI models. The machines get very hot while processing AI. So, to keep them up and running, the data center must keep them cool and at specific temperatures.

The liquid cooling product line offered by Vertiv is roughly four times more efficient than air-cooled solutions. One-third of Vertiv's sales in 2024 originated with hyperscale data center customers. Competitors Eaton and Schneider Electric are relatively small players in this space. Analysts at Polaris Market Research noted that the market was worth $1.8 billion in 2021 and is expected to reach $6.8 billion by 2026.

Aim #3: Use Tariffs to Boost U.S. Companies

One of the most controversial aspects of Trump's plans for his second term has been tariffs — but they shouldn't have come as a surprise to anyone. They were a cornerstone of his first term, and he made it very clear in the lead-up to the election that he would implement them again.

In a Truth Social post early in 2025, Trump reiterated his reasoning for pursuing a tariff policy, writing, "Through soft and pathetically weak Trade agreements, the American Economy has delivered growth and prosperity to the World, while taxing ourselves. It is time for that to change . . . We will begin charging those who make money off of us with Trade, and they will start paying, FINALLY, their fair share."

I understand Trump's reasoning behind tariffs in leveling the playing field for American producers and manufacturers — but also caution that he'll need to thread a needle in making sure they don't backfire and prompt an inflation spike in the U.S.

The economic consequences of Trump's tariffs are complex and far-reaching. On one hand, the Congressional Budget Office (CBO) estimates that the tariffs could reduce the federal deficit by $2.8 trillion over a decade by increasing government revenue. However, the CBO also projects that tariffs will shrink the economy, reduce real GDP growth, raise inflation in 2025 and 2026, and temper consumer purchasing power.

I do believe some of the concerns raised regarding tariffs may be worth a discussion at the very least, but most are overblown. Why? Trump's other economic efforts should help lower prices and thus blunt negative tariff effects.

You don't have to take my word for it, either: Studies have repeatedly shown that contrary to public rhetoric, tariffs can be an effective tool for achieving economic and strategic goals.

- A 2024 study on the effects of Trump's tariffs in his first administration found that they

"strengthened the U.S. economy" and "led to significant reshoring" in industries like manufacturing and steel production.
- A 2023 report by the U.S. International Trade Commission that analyzed the effects of tariffs on more than $300 billion of U.S. imports found that the tariffs reduced imports from China, effectively stimulating more U.S. production of the tariffed goods with very minor effects on prices.
- According to the Economic Policy Institute, the tariffs implemented by Trump during his first administration "clearly show(ed) no correlation with inflation" and only had a temporary effect on overall price levels.
- An analysis from the Atlantic Council found that "tariffs would create new incentives for U.S. consumers to buy U.S.-made products."
- A 2024 economic analysis found that a global tariff of 10% would grow the economy by $728 billion, create 2.8 million jobs, and increase real household incomes by 5.7%.

We also need to remember that in reality, the tariffs aren't necessarily the endgame, but a valuable and effective negotiation prompt to pressure foreign governments to come to the table to strike fair trade deals, just as Trump himself explained in that post I quoted previously.

Citizens don't have any control over how tariffs will ultimately play out. What we can do from the sidelines, however, is recognize that after decades of globalist economic policies that allowed foreign companies to run roughshod over American business, Trump and his Cabinet now have their back. That should stir up a tailwind for what has already been a long-term laser focus for us as investors: that is, U.S.-based companies.

The country's consumer base for goods and services, a multitalented workforce, and strong financial underpinnings, in contrast with most of the rest of the world, are powerful checkmarks in the U.S.' favor.

Below are several ETFs focused on domestic manufacturing, agriculture, and energy:

- **Industrial Select Sector SPDR (XLI):** Focuses on U.S. manufacturing and industrial stocks.
- **VanEck Steel (SLX):** Provides targeted exposure to steel producers that could benefit from import restrictions.
- **Energy Select Sector SPDR (XLE):** Offers broad exposure to U.S.-based energy companies.
- **iShares U.S. Aerospace & Defense (ITA):** Tracks U.S. defense and aerospace stocks.

It's easy to imagine how much more can be gained when you sweep away Biden's anti-business regulatory framework and make it easier for businesses to open up shop here.

Aim #4: Make Borrowing Cheaper by Lowering Interest Rates

Trump's been on a crusade to convince U.S. Federal Reserve Chair Jerome Powell to lower interest rates, which would provide a big catalyst to the economy.

However, Trump has a complicated relationship with Powell. First appointed by President Barack Obama in 2012, Powell was promoted by Trump to the role of chair in 2018, who then publicly turned the screws on him in the summer of 2019 to bring rates down.

One of Trump's Twitter posts at the time told the tale: "Doing great with China and other Trade Deals. The only problem we have is Jay Powell and the Fed. He's like a golfer who can't putt, has no touch."

Ultimately, I think Trump will continue to use public statements and behind-the-scenes influence to ultimately get what he wants. He started to apply that pressure in the very first week of his presidency, when he said during a Jan. 23 address to the World Economic Forum that he would "demand that interest rates drop immediately."

Whether the end goal is rates in the 3% range, or even eventually 2% or less, that will create a compelling environment for several sectors, from financials to technology to housing — and really, any business looking to borrow to increase capital expenditures and research and development initiatives.

Among current Dividend Machine holdings, lower rates would bode well for **American Express** (**AXP**), **Applied Materials** (**AMAT**), **Lam**

Research (**LRCX**), and even the biotechnology startups represented in the **SPDR S&P Biotech ETF** (**XBI**).

Remember, lower interest rates not only benefit consumers, they also make borrowing costs lower for tech companies with heavy R&D expenses and reduce the government's debt payments.

For consumers, lower rates would be a boon for home ownership. For those who would want to bet on a broad housing turnaround without wading into individual names, the two most widely held broad-based ETF options are the **Vanguard Real Estate Index Fund ETF** (**VNQ**) and the **SPDR S&P Homebuilders ETF** (**XHB**).

Aim #5: Lower Corporate Tax Rates to Spur Economic Growth

The Tax Cuts and Jobs Act of 2017 lowered the corporate tax rate from 35% to 21% and reduced trillions in taxes for individuals and estates. It did so through avenues such as increasing the standard deduction, decreasing marginal tax rates, and boosting the child tax credit, among others.

Many of those changes were slated to sunset in 2025, but now we can anticipate not only their renewal, but also an expansion by Trump to juice economic growth.

The idea behind cutting corporate taxes is simple and brilliant: It provides an instant boost to the financial bottom line for U.S.-based companies. It attracts new investment to the country while also bringing in more jobs.

And yes, corporations won't solely use their tax savings for growing their businesses — some of it will be plowed into stock buybacks and dividend payouts. Liberal opponents of corporate tax cuts may not like that, but shareholders should love it.

In arguing the positives for Trump's proposal, the Cato Institute pointed out a common fallacy in the arguments of those against lowering corporate taxes: That is, it reduces revenue needed to fund the U.S. government. They cited the example of Ireland, which has aggressively reduced its tax rate from 40% in 1994 to 12.5% by 2003.

"In 2023," wrote Adam Michel and Joshua Loucks at Cato.org in a piece dated Jan. 8, 2025, "Ireland raised about $5,000 per person in corporate tax revenue, more than double the OECD average . . . the U.S. only raised $1,700 per person despite a much higher tax rate of 25.6% (federal plus state taxes)."

While admitting that the comparison isn't completely fair because of differences in the way business taxes are collected in the two countries, the authors said the point remained that Ireland squeezed more tax benefit out of a smaller rate, and attracted fresh capital to their nation in the process.

Frankly, I have nothing against Ireland — but I sure as heck don't want it and other countries wooing corporate investment that should instead be aimed our way.

A report from Wolfe Research said the GOP's clean sweep of the presidency and both houses of Congress would usher in lower corporate tax rates, in turn improving the earnings of the S&P 500. Wolfe's chief investment strategist, Chris Senyek, pointed to consumer staples, technology, materials, industrials, and healthcare equipment sectors as those likely to see the biggest benefits.

That said, you might consider adding shares of **iShares Select Dividend ETF** (**DVY**) to your portfolio. It holds a broad range of sectors and U.S. companies that deliver dividends.

As for stocks, looking back at the effects of the 2017 corporate rate cut, I see **Apple** (**AAPL**) as a potential beneficiary of a 15% rate, along with **General Motors** (**GM**), **Lockheed Martin** (**LMT**), and **Caterpillar** (**CAT**).

Other stocks to consider include:

- **Eli Lilly** (**LLY**) has been selling its prescription medications around the world through booms and busts. So, it comes as no surprise that the company has been paying dividends for more than a century.
- **Procter & Gamble** (**PG**) is one of the largest multinational consumer goods corporations in the U.S. And the fact that it produces everything from food to shampoo has allowed the company to reward shareholders with growing dividend payments for 67 years.
- **Altria** (**MO**) enjoys steady demand for its

major products, with smokers reaching for cigarettes day in and day out no matter what the economy at large is doing. It has raised dividends for 55 consecutive years.

Closing Thoughts

I think our most prudent approach as individual investors is "cautious optimism." All in all, though, I'm extremely excited about the bright prospects ahead. I think there is money to be made for investors who bet on America — which is what we've always done in Dividend Machine, and what Trump, as a businessman and now as leader of the free world, has done as well.

As the president stated in his inaugural speech, "The golden age of America begins right now. From this day forward, our country will flourish and be respected again all over the world. We will be the envy of every nation. And we will not allow ourselves to be taken advantage of any longer. During every single day of the Trump administration, I will, very simply, put America first."

That's a sentiment we can all believe in.

Sincerely,

Bill Spetrino

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