December 12, 2025 (***Door 10***)

Grandma Got Run Over by a ~~Reindeer~~ Tariff

By Ethan Currie

As the holiday season approaches, we carry on (with glee!) through *NBC's 2025 Economic Advent Calendar.* Let's see what's behind Door #10… (*See **page 2** for full schedule of past and upcoming releases in this series).*

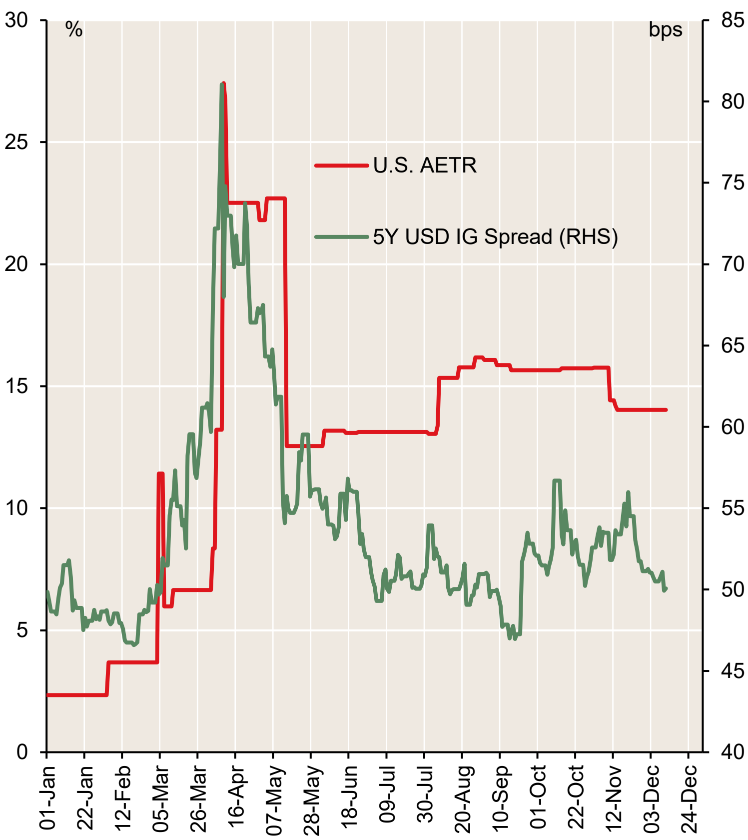
It's been a volatile year characterized by whipsawing tariff developments. A slew of new measures have been followed closely by retaliation, escalation, deferrals, agreements, and the like. Combined with shifting White House focus and tariff targets (geographically and by sector) throughout the year, it's been particularly challenging for economists and markets to sift through the noise. It's also muddied the picture of where the U.S. average effective tariff rate (AETR) resides at any given time—a crucial input to estimate inflationary, growth, and trade impacts on an aggregate and by-trading partner basis.

It's perhaps no surprise that peak tariff uncertainty (leading to and including on 'Liberation Day') was matched with peak volatility. Equity and credit markets were also quite sensitive to these developments, but that relationship has cooled down as White House policy has found relative stability in the second half of 2025. That's allowed companies to resume operations with relatively less 'unknowns'—tariff rates remain high, but the announcement swings have significantly moderated, volatility along with it.

Despite all the noise, and seeming de-escalating since 'Liberation Day', U.S. tariffs reside at multi-decade highs. Impacts of such a shock are yet to be fully felt—and cause for inflationary caution by many central bankers. Looking ahead to 2026, trade will continue to be topical, especially in North America, where an upcoming review of the USMCA will determine whether inter-continental trade will remain exempt from levies at large.

Tariff and market volatility coincided at 'Liberation'

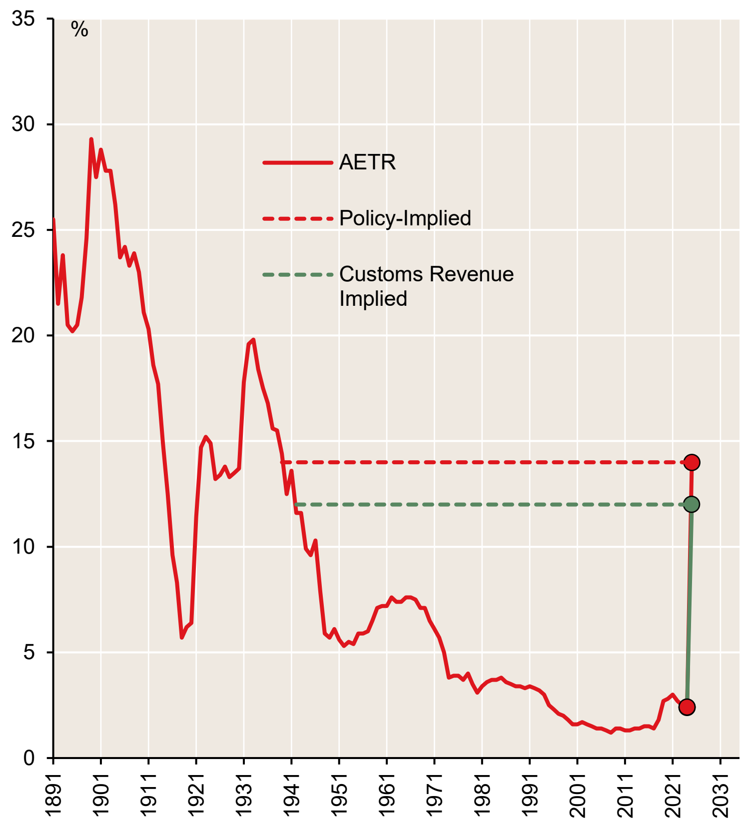
Evolution of the U.S. AETR and 5Y IG credit spreads, year-to-date



Source: NBC, Bloomberg | Note: Policy-implied AETR estimate via Bloomberg HS10 decomposition

Despite de-escalation, AETR at multi-decade high

U.S. AETR history & current policy- and customs-implied rate for 2025



Source: NBC, Bloomberg | Note: Customs revenue-implied is NBC estimate using realized collections data and f'cast October import base

NBC's 2025 Economic Advent Calendar

- Door 1: Let it ~~snow~~ cash flow (**link** - *released December 1st*)
- Door 2: Last ~~Christmas~~ Trump Term (**link** - *released December 2nd*)
- Door 3: The anatomy of a ho-ho-hold (**link** - *released December 3rd*)
- Door 4: The (Productivity) Nightmare Before Revisions (**link** - *released December 4th*)
- Door 5: All I want for Christmas is… consistent jobs data (**link** - *released December 5th*)
- Door 6: (Everybody's waitin' for) the man with the ~~bag~~ Bill (**link** – *released December 8th*)
- Door 7: It's beginning to look a lot like… rate hikes? (link - *released December 9th*)
- Door 8: JOLTing around the Christmas tree (**link** - *released December 10th*)
- Door 9: ~~Santa~~ Powell, Baby (**link** – *released December 11th*)
- Door 10: Grandma Got Run Over by a ~~Reindeer~~ Tariff (*released December 12th*)
- Door 11: ??? (*coming December 15th*)
- Door 12: ??? (*coming December 16th*)
- Door 13: ??? (*coming December 17th*)
- Door 14: ??? (*coming December 18th*)
- Door 15: ??? (*coming December 19th*)

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