

A Global Financial Reset Is Now Underway

Over the past few years, there has been a tremendous amount of buzz about an imminent “reset” of the global economy.

Well, what we are currently witnessing may not look like what they were anticipating, but a “reset” of the global economy is definitely here. Trillions of dollars were invested to set up the global supply chains that we have today.

I have always argued that we should have never allowed ourselves to become so dependent on goods that are made elsewhere, and making more things in this country is a goal that every administration should pursue.

Unfortunately, you can't just reverse decades of investment and construct entirely new supply chains overnight. For example, it costs approximately 10 billion dollars to build a manufacturing facility that makes computer chips, and construction time can run between three and five years. So anyone who thinks that we can just hit a “reset button” and magically make things better is simply being unrealistic.

We just witnessed the largest tariff increase in our history. Many companies that invested enormous amounts of money into global supply chains that were carefully calculated to give them a competitive advantage have just had their businesses ruined.

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At the end of last week, I wrote that the global economy “has already been moving in the wrong direction for quite some time, and now a massive amount of fuel is being poured on to that fire”. I do not believe that the global economy is going

to be able to handle a shock of this magnitude.

Wall Street was certainly not ready to have someone press the “reset” button. At this point, investors are “selling first and asking questions later.”

The tariffs have sent shockwaves through global financial markets, raising fears of a worldwide economic downturn and sharp price hikes across sectors in the world's biggest consumer market.

‘The Trump administration may be playing a game of chicken with trading partners, but market participants aren't willing to wait around for the results,’ Michael Arone, investment expert at State Street Global Advisors said.

‘Investors are selling first and asking questions later.’

Hopefully you were able to get out of the stock market before the carnage started.

Many are hoping that President Trump will reverse course after witnessing what has happened on Wall Street, but we are being told that there will be no turning back.

Trump administration officials messaged that the tariffs are to be implemented, and are not up for negotiation, across the Sunday political shows.

“The tariffs are coming. He announced it and he wasn't kidding. The tariffs are coming, of course they are,” Commerce Secretary Howard Lutnick said on CBS's “Face the Nation.”

So get ready to see some shocking price increases.

For example, an iPhone could soon cost several hundred dollars more.

Shoppers may find their favourite electronics, including iPhones, will soon become much pricier due to the tariffs if companies pass the price onto consumers.

Despite moves to expand its supply chain, Apple still makes the vast majority of its iPhones in China, where hardware exports will be hit with a tariff totaling 54% from Apr. 9.

The cheapest iPhone 16 model was launched in the U.S. with a sticker price of \$799, but could cost as much as \$1,142, per calculations based on projections from analysts at Rosenblatt Securities, who say the cost could rise by 43%.

This is going to be a devastating blow to our standard of living.

Sadly, instead of seeking to negotiate with President Trump, the Chinese have decided to retaliate by hiking tariffs on U.S. goods.

China announced Friday it will impose 34% tariffs on the U.S., just days after President Donald Trump unveiled the same amount against Beijing under his reciprocal tariff plan.

The new China tariffs against the U.S. will go into effect on Apr. 10, according to The Wall Street Journal.

"China played it wrong, they panicked – the one thing they cannot afford to do," Trump wrote Friday on Truth Social.

So now a full-fledged trade war is raging between the largest economic power on the planet and the second largest economic power on the planet.

What do you think that is going to do to the global economy? It doesn't take a degree in economics to figure that one out.

The European Union has also decided to dig in for a fight.

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The European Union will likely approve a first set of targeted countermeasures on up to \$28 billion of U.S. imports in the coming days, Reuters reported Sunday.

The European Commission, which coordinates EU trade policy, will propose to members late on Monday a list of U.S. products to hit with extra duties in response to Trump's steel and aluminum tariffs rather than the broader reciprocal levies.

It is set to include U.S. meat, cereals, wine, wood and clothing as well as chewing gum, dental floss, vacuum cleaners and toilet paper.

Here we go. This is it folks. The days ahead will be filled with pain. At this stage, analysts at JPMorgan are telling us that there is a 60% chance of a recession.

Jamie Dimon finally has his hurricane. JPMorgan's economics team has just raised their recession probability to 60% following the aggressive tariff stance announced by U.S. President Donald Trump.

In a note entitled, "there will be blood," chief economist Bruce Kasman and his team said this year's 22% tariff increase amounts to the largest tax hike since 1968.

Personally, I think that the analysts at JPMorgan are being wildly optimistic.

There is no way that we are getting out of this unscathed.

Earlier today, I read an excellent article about how these tariffs are going to affect the big shoe companies. They have spent billions of dollars setting up their global supply chains, and they can't just suddenly decide to start making

shoes somewhere else.

The crux of the problem is that, since the 1990s, apparel and footwear has moved abroad. As Swartz explains, performance companies in particular invested billions of dollars into the roads, ports, factories, and rail lines that make up the complex supply chain feeding Vietnamese infrastructure.

It's in everyone's interest to keep these factories working. Vietnam relies on the business for their economy. Corporations rely on Vietnam to produce goods. Nike, for instance, doesn't own a single one of its factories globally.

"You can't just call a factory in India and say can you make 20 million of shoes for me, they don't have the capacity," says Swartz. Idle factories don't exist globally. An unused factory is shut down, and its staff is fired. Furthermore, specialized production methods behind modern footwear don't exist everywhere. Sewing is simple. But injection molded foam composites, polymer production, and complex fabric weaving are other topics. A modern sneaker may have as many as 100 parts produced in different factories, and if any one component doesn't arrive in time, everything is slowed down. Building an infrastructure of factories with interdependent specialized production methods—and with workers skilled enough to operate them—can take years.

These tariffs are going to produce winners and they are going to produce losers.

Many once thriving businesses will suddenly start going under, and we are being warned that "the next wave of corporate defaults" is right around the corner.

Donald Trump's global trade war is already priming financial markets for the next wave of corporate defaults. A Bloomberg News measure of distressed debt worldwide swelled the most in at least 15 months this week, sending more than \$43 billion

of bonds and loans to levels that make it challenging to refinance.

The president had telegraphed well in advance his intention to raise tariffs ahead of the official Apr. 2, announcement. But few had expected Washington to go after so many of its key trading partners with such high duties, especially considering the risk of upending global supply chains that entire U.S. industries rely on.

Some Trump supporters are speculating that President Trump is disrupting the global economy and causing the financial markets to crash on purpose.

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In fact, a video that discussed this theory was shared by Trump himself on Truth Social on Friday. But now we are being told that crashing the financial markets is “not part of an intentional strategy.”

A crashing stock market is not part of an intentional strategy by President Donald Trump, White House National Economic Council director Kevin Hassett told ABC's “This Week” on Sunday. This came after Trump shared a link to a video on his social media platform, Truth Social, which claimed the president was causing the markets to plummet on purpose as part of his broader economic plans.

The video, which initially appeared on TikTok in March, was shared by Trump on Apr. 4, two days after his tariffs announcement.

“Trump is crashing the stock market by 20% this month, but he's doing it on purpose. ... And it could make you rich” the video said. It continued by adding that such a move by Trump

would help “push cash into treasuries, which forces the Fed to slash interest rates in May. ... It also weakens the dollar and drops mortgage rates. Now it’s a wild chess move, but it’s working.”

It is going to be fascinating to see how everything plays out.

By dramatically hiking tariffs, the U.S., China and the European Union are essentially taxing the living daylights out of their citizens.

They will bring in more money, our standard of living will drop quite a bit and economic activity will slow down significantly.

If we do not reverse course, this is a story that is not going to end well.

Michael Snyder’s *new book entitled “Why” is available in paperback and for the Kindle on , and you can subscribe to his Substack newsletter at .*

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