

## The Disciplined Investor Podcast – Guest Interview Summary

Guest: David Gaffen

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### **TDi Podcast - David Gaffen Guest**

#### **Quick recap**

David and Andrew discussed various topics including breaking news coverage, the impact of tariffs on businesses and the stock market, and current investment trends. They explored challenges faced by companies in navigating trade restrictions and customs regulations, as well as the effects of these factors on market valuations and investor behavior. Despite concerns about overvaluation and economic uncertainties, they noted the market's long-term resilience and the continued influx of retail investors, while also considering the potential influence of government sovereign wealth funds on stock valuations.

#### **Summary**

##### **Trump-Musk Social Media Conflict**

David and Andrew discussed the recent conflict between Trump and Elon Musk, noting its unusual nature of playing out on social media platforms owned by the two men. They analyzed the impact on Tesla's stock and Musk's role in the government, questioning whether the relationship was orchestrated to allow Musk to focus on his companies. They also discussed the challenges of covering breaking news in a world where everything seems urgent, highlighting the importance of filtering and prioritizing stories.

##### **Global Tariffs and Economic Strategies**

David discussed the challenges of managing company shares and news coverage, highlighting the importance of monitoring significant companies like tech giants, banks, and retailers. He noted that while most boycotts have little impact, some, like those against Bud Light and Target, can be effective. Andrew and David then discussed the topic of global tariffs and economic nationalism, with Andrew introducing the term "selective isolationism" to describe the targeted approach to trade restrictions.

## **Business Challenges in Tariff Navigations**

David discussed how businesses are dealing with various challenges, including navigating tariffs and customs regulations. He noted that some companies, like Apple and Nvidia, have made public statements supporting U.S. investment, while others are hiring customs brokers and trade groups to help manage the complexities of tariffs. David expects that these changes will increase friction in international trade and payments.

## **Tariffs Impact and Market Resilience**

Andrew and David discussed the impact of tariffs on companies and consumers. Andrew explained the "1st sale rule," a loophole in US customs law that allows importers to use the first sale price to calculate duties, and noted how companies often find ways to adapt during adversity. David mentioned that some retailers have reported margin compression and weakened sales due to tariffs, particularly on products from China, while the overall market remains resilient despite rising jobless claims. Andrew concluded that the market's initial concern over tariffs was likely a mistake, as it had been used as a negotiation tactic without any real intention of following through.

## **Tariffs and Market Valuation Insights**

Andrew and David discussed the impact of tariffs on the market, noting that while there was concern about trade deals and tariffs, the market seemed to be discounting these issues. They observed that inflation data had been steady and not showing significant acceleration, leading to a sense of limbo in the market. Andrew mentioned that the forward PE ratio of the S&P 500 had declined slightly to 21.7, which was below the 10-year average of 19, suggesting that valuations might be more reasonable.

## **Stock Market Valuation and Investor Sentiment**

David and Andrew discussed concerns about valuation levels in the stock market, noting a decline in expected global and U.S. GDP growth, immigration restrictions, and uncertainty around tariffs. David expressed worry about a potential permanent shift in how investors view U.S. assets, which could affect bond yields and increase the cost of capital. Andrew highlighted that despite periods of overvaluation, the market has historically recovered, with investors often buying dips rather than selling peaks. Both agreed on the market's long-term optimism and the tendency for investors to hold onto stocks, even during downturns.

## **Stock Market Trends and Opportunities**

Andrew and David discussed the current state of the stock market and investment trends. They noted that with low unemployment and constant money flowing into markets through 401K plans, retail investor participation has increased significantly. Andrew expressed concerns about potential price discovery issues with government sovereign wealth funds influencing stock valuations, but overall remained optimistic about the market's long-term trajectory. They agreed that while indexing has become a popular investment strategy, there are still opportunities for active management, particularly in specific sectors or companies with unique value propositions.