



Market Update

Global Asset Allocation Viewpoints

3 April 2025

Shock and Awe

Investors are reeling from the worse-than-expected level of tariffs announced on Wednesday, further exacerbating already high levels of uncertainty. Either triggering negotiations or retaliations, a quick fix seems unlikely. While near-term global growth expectations worsen, the longer-term impacts on global order could be even more worrisome.

What we know

- The tariff rates announced on “Liberation Day” were shockingly higher-than-expected. They included “baseline + reciprocal” levels by country. The tariff rates being implemented appear to be based entirely on the size of each country’s trade deficit with the U.S.

What we think

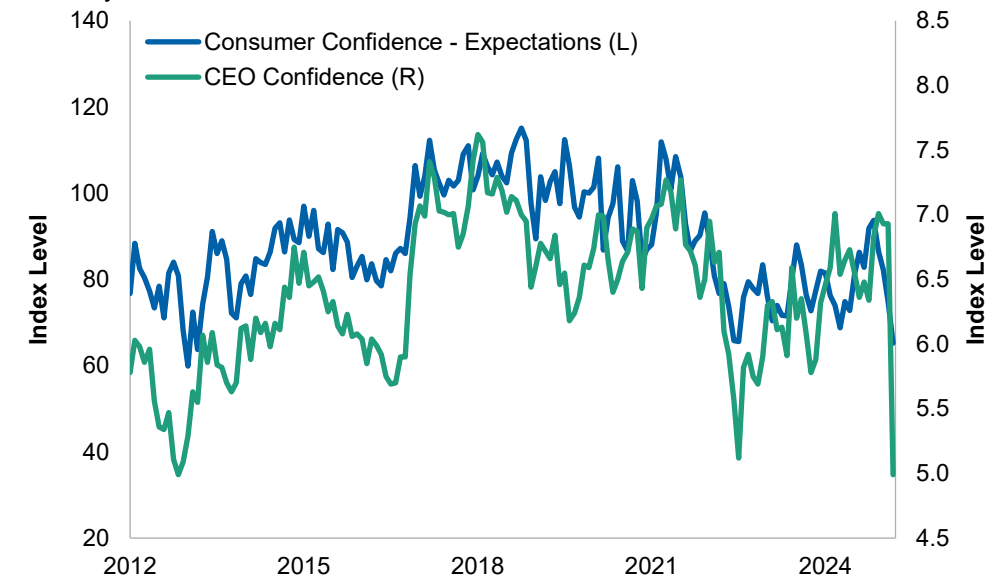
- Should these tariff levels persist for an extended period, it is increasingly likely to lead the U.S. economy into recession with upside risk to inflation, leaving the U.S. Fed in a precarious position.
- Already elevated negative consumer and business sentiment to intensify, further restraining spending and likely bleeding through to labor markets.
- While looking to appease the political base by aligning to a U.S. manufacturing renaissance, we believe the tariff rates were chosen with the goal of maximizing negotiating leverage.
- While downplaying near-term risk to the economy in favor of long-term gains, political pressure is likely to intensify and could influence speed of some sort of resolution.

Investment Implications

- We remain cautious as near-term volatility is likely to remain elevated. We have been aiming to decrease risk through moderating equity exposures, given the unprecedented level of trade policy uncertainty.
- We continue to rotate away from U.S. equities into markets outside the U.S. Should the unilateral trade war persist, the U.S. economy faces significantly more risk than the rest of the world.
- As markets try to reprice this heightened level of uncertainty, we are monitoring for potential opportunities amid the dislocation.

Uncharted Tariffity

January 2012 to March 2025



Sources: Chief Executive Group, Conference Board / Macrobond.

ADDITIONAL DISCLOSURES

Views expressed are as of 3 April 2025 unless otherwise noted.

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