Market Flash Update 03 Apr 2025

Donald J. Trump
@realDonaldTrump

IT'S LIBERATION DAY IN AMERICA!

8.89k ReTruths **33.7k** Likes Apr 02, 2025, 7:06 PM

April 2, 2025 was Liberation Day in the US, according to US President Donald Trump. Markets have been increasingly anxious ahead of the widely anticipated day when Trump has threatened sweeping tariffs. This is with Trump's goal to 'level the playing field' between the US and their trade partners.

This has already contributed to the volatile market environment over the past few weeks. We've finally got some details on what this means:

First Take on Tariff Announcements

The details on the anticipated Tariff announcements were seemingly worse off than markets expected, with the futures market reacting negatively; the S&P 500 was down 4% at one point and remained volatile as markets digest the latest announcements.

In short, President Trump just announced:

1. 10% tariff on all countries (taking effect April 5)
2. Additional higher tariffs based on each country's trade barriers (taking effect April 9)

Market Flash Update 03 Apr 2025

The following is a snapshot of the 'numbers' posted on the official White House account on X, the social media platform:

Reciprocal Tariffs

Country	Tariffs Charged to the U.S.A. Including Currency Manipulation and Trade Barriers	U.S.A. Discounted Reciprocal Tariffs
China	67%	34%
European Union	39%	20%
Vietnam	90%	46%
Taiwan	64%	32%
Japan	46%	24%
India	52%	26%
South Korea	50%	25%
Thailand	72%	36%
Switzerland	61%	31%
Indonesia	64%	32%
Malaysia	47%	24%
Cambodia	97%	49%
United Kingdom	10%	10%
South Africa	60%	30%
Brazil	10%	10%
Bangladesh	74%	37%
Singapore	10%	10%
Israel	33%	17%
Philippines	34%	17%
Chile	10%	10%
Australia	10%	10%
Pakistan	58%	29%
Turkey	10%	10%
Sri Lanka	88%	44%
Colombia	10%	10%

Reciprocal Tariffs

Country	Tariffs Charged to the U.S.A. Including Currency Manipulation and Trade Barriers	U.S.A. Discounted Reciprocal Tariffs
Peru	10%	10%
Nicaragua	36%	18%
Norway	30%	15%
Costa Rica	17%	10%
Jordan	40%	20%
Dominican Republic	10%	10%
United Arab Emirates	10%	10%
New Zealand	20%	10%
Argentina	10%	10%
Ecuador	12%	10%
Guatemala	10%	10%
Honduras	10%	10%
Madagascar	93%	47%
Myanmar (Burma)	88%	44%
Tunisia	55%	28%
Kazakhstan	54%	27%
Serbia	74%	37%
Egypt	10%	10%
Saudi Arabia	10%	10%
El Salvador	10%	10%
Côte d`Ivoire	41%	21%
Laos	95%	48%
Botswana	74%	37%
Trinidad and Tobago	12%	10%
Morocco	10%	10%

Note: Above snapshot is a partial list. Mexico and Canada are exempt for now, though earlier tariffs relating to drug trafficking and border security remain intact.

Essentially, the table above shows the Trump administration's assessment of each country's tariff* on US imports (left column in blue), alongside new 'discounted' reciprocal tariffs that the U.S. will imposed on each country (right column in yellow) - a generous 50% discount according to the U.S.! Though other countries will not see it this way.

The aggressive tariffs surprised markets, who were perhaps expecting more leeway or at least some concessions.

Notably, the 34% reciprocal tariff on China highlighted above is on top of existing tariffs (bringing the cumulative tariff to 64%!). Close U.S. allies were also not spared: the European Union is facing 20% tariffs, Japan 24%, and Vietnam 46% despite their recent efforts to reduce import tariffs from the U.S.

Market Flash Update 03 Apr 2025

What's Next?

Now that the *big* numbers above are unveiled, we are entering a period of high-stakes negotiation - a familiar Trump playbook. In an interview, **US Treasury Secretary Scott Bessent said that the new tariffs 'is the high end of the number', suggesting that it was designed to be negotiated down**. If so, there is potential for tariffs to be eventually lower than what was just proposed.

Of course, this will also not be easy. While countries like Japan, or Vietnam, may be more willing to go to the negotiating table, others like China could be forced to take a harder stance. In response to the latest threats, China's commerce ministry has said that they 'will take countermeasures to safeguard its own rights and interests'.

At the end of the day, while there is room for negotiations to arrive at a more positive outcome, this will take time and there is always a risk that negotiations will go south.

Implications

The new tariff plan, in its current form, will be highly damaging to the global economy. The head of US economic research at Fitch Ratings has said that *'this is a game changer, not only for the U.S. economy, but for the global economy. Many countries will likely end up in recession.'* Sentiment was already deteriorating before the latest announcements, and the latest tariffs are likely to exacerbate the situation.

Policymakers are aware of this negative outcome, and will want to avoid this negative outcome if they can help it.

There is hope that countries can negotiate and make some progress before the full tariff is imposed on April 9. This outcome could be supportive for markets, though there is also not much time to do so. How countries will respond will determine the market direction in the coming weeks. **Until then, markets will remain volatile and investors should assess if their portfolios are resilient amid such uncertainties.**

Market Flash Update 03 Apr 2025

Positioning

With the latest escalation of trade tensions and the risk of a sharper economic slowdown grows, **our focus is on improving the overall quality of our portfolios - a direction we have been pursuing since the start of 2025.**

Equity

- Maintaining a reduced allocation to more economically sensitive Emerging Markets e.g. Vietnam that would be more fragile in the event of further growth deterioration (and in the crosshairs of Trump's tariffs).

- Leaning into markets with supportive corporate earnings while reducing concentration within the richly-valued US names i.e. Magnificent 7 which has led declines in recent weeks.

Fixed Income

- Focus on higher quality bonds which will provide good income to the portfolio amid choppy market in the near-term.

- Avoiding lower-quality credits that would be fragile if the economic environment deteriorates.

- **Within our FGO+ 'multi-asset' and FGI 'income' solutions:** we've been tactically utilizing protective put-spread options when they are attractively priced. We added to our protective options on March 25, which has helped cushion subsequent declines.

Investors should avoid making emotional investment decisions over this volatile period. While the near-term risks have increased, the recent declines could end up being a good buying opportunity for those with a long-term investment horizon; especially if negotiations progress and economic data remain resilient. The key is to ensure a resilient portfolio that can tide through the volatility and adjust according to developments in the coming weeks and months.

**If you're interested: the U.S. assessed tariff levels for each country uses a more simplified way of calculating that uses the value of trade deficits, and may not accurately reflect the true tariff rates that each country is imposing on the US.*