



While CIO does not expect tariffs on Canada and Mexico to be sustained, the risk of prolonged trade tensions has increased. (UBS)

# Trump's tariffs: More will-they-won't-they?

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**In his address to Congress on Tuesday night, US President Trump reinforced his trade agenda, emphasizing the latest round of tariffs that took effect this week and framing them as necessary to curb border and drug issues.**

As of Tuesday, 25% tariffs on goods from Mexico and Canada are in place, along with an additional 10% levy on Chinese imports—building on a similar tariff hike last month. But within 24 hours, the White House announced a one-month exemption from tariffs for the big three US automakers following requests from Ford, General Motors, and Stellantis. US commerce Secretary Howard Lutnick indicated the president would consider relief for other sectors, a view later reiterated by the White House press secretary. Still, other comments indicated reciprocal matching tariffs would be imposed regardless by 2 April.

*Our view:* The implementation of blanket tariffs on Canada and Mexico underscores the Trump administration's use of tariffs to achieve its policy aims. Moreover, the one-month exemption for US automakers supports our view that these tariffs appear to be, at least in part, a negotiation tactic rather than a permanent shift.

While we do not expect tariffs on Canada and Mexico to be sustained, the risk of prolonged trade tensions has increased. As a result, we now see a 15% probability of a benign or limited tariff outcome, down from 25%, while the likelihood of a highly aggressive tariff escalation has increased to 35% from 25%.

Our base case remains at 50%, anticipating selective but significant tariffs that heighten market volatility without derailing the economy. Against this backdrop, we favor maintaining diversified portfolios. Including high-quality fixed income and gold as an effective hedge against geopolitical and inflation risks.

Original report: [US Daily: German spending plans raise hopes for an economic lift, 6 March 2025.](#)

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