



CIO sees recent market dislocations as a chance to selectively add quality stocks and build exposure to long-term structural growth themes, including artificial intelligence, longevity, and power and resources. (UBS)

# Tariffs, tumult, and tactical ideas

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**The first 100 days of US President Donald Trump's second term have been characterized by both forceful policy actions and pronounced market turbulence. Trump has now signed more than 140 executive orders—far exceeding any recent US President—in the aim of reshaping government, trade, and foreign policy, while reversing many initiatives and policies of the past administration.**

The White House's policy speed has come at a cost. The rapid rollout of tariffs, DOGE spending cuts, and aggressive action on immigration have hurt his public standing, dented the near-term economic outlook, and contributed to volatility in stock, bond, and currency markets. Trump's presidential job approval rating has declined from 52% in mid-January to 45%, with some national polls suggesting even lower approval rates. The S&P 500 index briefly approached bear market territory after the "reciprocal" tariff announcement in early April, though it has since rebounded by more than 10% from its lows.

While market volatility may persist until more tariff certainty emerges, we believe the sharpest Trump policy swings are likely behind us and that the outlook is becoming more constructive:

**Trade policy still in flux, but tariff extremes have likely peaked.** Roughly 15% of the executive orders announced so far during President Trump's second term are tied to tariffs, an area where US presidents have historically had broad authority from Congress. Notably, the administration's willingness to moderate its tariff stance in response to equity and bond market turbulence signals some sensitivity to market stress. With many countries seeking to negotiate with the US on tariff policy—and the White House eager to demonstrate "success" amid low approval ratings—we expect a range of deals or sector carve-outs to emerge within the current 90-day pause period. Once the first major bilateral trade agreement is announced, potentially with India, it could set a benchmark for future tariff negotiations. Overall, we anticipate the administration will reach agreements to lower certain tariffs, while businesses adapt to a new, higher baseline level of tariffs. However, investors should also be aware that the administration is likely to announce the results of Section 232

investigations into pharmaceutical and semiconductor trade before year-end, which could reignite rhetoric if exporting nations prove inflexible on key US trade policy goals. We anticipate an effective US tariff rate that settles closer to 15% by year-end, though this assumes a substantial rollback in tariffs on China—an outcome that remains elusive.

**The Trump agenda may be moderated by mounting legal, economic, and political obstacles.** Narrow Republican majorities in Congress and the rush to pass a reconciliation bill before the 4 July recess—lifting the debt limit, extending key tax cuts, and increasing defense and border security spending—have contributed to fewer new laws being passed than in previous administrations. The Trump administration aims to extend the 2017 tax cuts, but higher import tariffs threaten this goal by choking off imports and economic activity, which would limit the revenue needed to offset the cost and deficit impact of an extension. Despite headlines about spending cuts, federal outlays in 2025 are running above 2024 levels, driven by rising interest payments and new spending priorities. Meanwhile, a shrinking immigrant labor supply is expected to restrain job growth from the second half of 2025, and any resulting worker shortages could further fuel inflation already elevated by potential second-round tariff effects. Increasing court challenges to the Trump agenda are also acting as another potential brake on policy and economic outcomes.

**Bearish sentiment could be a useful contrarian signal.** Defensive stocks have outperformed cyclical since Inauguration Day, reflecting investor caution and heightened policy uncertainty. According to the American Association of Individual Investors (AAII), only 21.9% of surveyed respondents expect the S&P 500 to rise over the next six months. Past readings at or below this threshold have seen the S&P 500 go on to deliver a positive one-year return 90% of the time, with an average gain of 19.7%. Similarly, market volatility has moved higher: the VIX index spiked as high as 60 in early April, and since 1990, VIX readings above 40 have been followed by average one-year S&P 500 returns of around 30%. We also think the US dollar may find some near-term support after its recent selloff, particularly as the Federal Reserve signals caution on rate cuts while other major central banks move to ease policy.

So, with Trump's first 100 days bringing political uncertainty, shifting trade policies, and choppy markets, we believe investors should focus on strategies that both manage and look through volatility. Periods of elevated volatility have historically set the stage for strong equity returns, making this an opportune moment for underinvested investors to phase into US equities or balanced portfolios, to position for medium- and long-term gains as policy clarity improves. We see recent market dislocations as a chance to selectively add quality stocks and build exposure to long-term structural growth themes, including artificial intelligence, longevity, and power and resources. At the same time, we acknowledge still unresolved near-term risks, which support capital preservation strategies or more defensive allocations—such as gold, which remains well supported by "safe haven" demand, and high-grade bonds offering durable income—which can help hedge portfolios against market downturns.

Original report: [100 days of Trump—tariffs, tumult, and tactical ideas, 30 April 2025.](#)

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