



(UBS)

# Uncertainty and market volatility could persist as Trump's policies take shape

07 January 2025, 1:06 pm CET, written by UBS Editorial Team US Editorial Team

**President-elect Donald Trump denied a recent newspaper report that said his aides were exploring tariff plans that would only cover critical imports, deepening uncertainty about future US trade policies. The US dollar pared declines against a basket of other currencies following Trump's statement.**

A Trump presidency in the US, coupled with Republican control of Congress, has the potential to reshape the global economic and geopolitical landscape. Key policy areas in focus for investors include tariffs, fiscal policy, deregulation, monetary policy, and international relations. The resulting market volatility could create opportunities for investors to boost long-term returns.

## **Donald Trump is readying his second presidential term.**

- Trump campaigned on a platform of extending personal income tax cuts, lower corporate taxes, deregulation, trade tariffs, immigration controls, and reassessing America's role in global affairs.
- Since winning the election, Trump has threatened tariffs on China, Mexico, Canada, and the BRICS countries.

## **Yet, some policy measures could be constrained.**

- With current large federal budget deficits, fiscal hawks in Congress might resist policies that further expand the deficit.

- Potential legal and congressional challenges mean the Trump administration is more likely to implement bilateral and selective tariffs, in our view.
- Although tariffs could temporarily increase inflation, we believe the Fed will continue its path of rate cuts toward achieving a neutral policy stance.

**We see wide-ranging implications for global markets.**

- We expect US equities to benefit from solid economic growth and AI advancements, while international markets could face greater headwinds from tariffs. Nevertheless, the world is better prepared today for trade tensions.
- US Treasury yields are likely to be volatile amid uncertainty over fiscal and trade policies. But with the Fed still on a rate-cutting path, we expect modestly lower yields by the end of 2025 (versus the current 10-year Treasury yield of 4.6%).
- Gold will likely remain an effective hedge against geopolitical tensions.

**Investment view**

The outlook for US equities remains positive amid US economic strength, AI optimism, and pro-growth US policies ahead. We expect the S&P 500 to reach 6,600 by the end of 2025. Investors can consider using structured strategies to navigate volatility. We believe gold remains an effective portfolio hedge amid geopolitical tensions.

**Did you know?**

- We expect the US tariff rate on all mainland Chinese goods to be hiked in stages to around 30% from 10% in effective terms by end-2026. Alongside this, product-specific tariffs could also be extended to certain other EMs with high US trade surpluses, such as Mexico, Vietnam, Taiwan, and maybe South Korea.
- Beijing's potential stimulus in response to tariffs could help mitigate the impact on mainland China, while US imports from markets like Taiwan and South Korea are not easily replaceable. In addition, most US sales by European companies are from goods and services made in the US.

For more, see [What will President Trump mean for markets?](#), published 7 January, 2025.

**Disclaimer**

This document is prepared and published by the Global Wealth Management business of UBS Switzerland AG (regulated by FINMA in Switzerland), its subsidiaries or its affiliates ("UBS"), part of UBS Group AG ("UBS Group"). UBS Group includes former Credit Suisse AG, its subsidiaries, branches and affiliates. In the USA, UBS Financial Services Inc. is a subsidiary of UBS AG and a member of FINRA/SIPC. Additional Disclaimer relevant to Credit Suisse Wealth Management follows at the end of this section.

**This document and the information contained herein are provided solely for your information and UBS marketing purposes.** Nothing in this document constitutes investment research, investment advice, a sales prospectus, or an offer or solicitation to engage in any investment activities. This document is not a recommendation to buy or sell any security, investment instrument, or product, and does not recommend any specific investment program or service.

Information contained in this document has not been tailored to the specific investment objectives, personal and financial circumstances, or particular needs of any individual client. Certain investments referred to in this document may not be suitable or appropriate for all investors. In addition, certain services and products referred to in the document may be subject to legal restrictions and/or license or permission requirements and cannot therefore be offered worldwide on an unrestricted basis. No offer of any product will be made in any jurisdiction in which the offer, solicitation, or sale is not permitted, or to any person to whom it is unlawful to make such offer, solicitation, or sale.

Although all information and opinions expressed in this document were obtained in good faith from sources believed to be reliable, no representation or warranty, express or implied, is made as to the document's accuracy, sufficiency, completeness or reliability. All information and opinions expressed in this document are subject to change without notice and may differ from opinions expressed by other business areas or divisions of UBS Group. UBS is under no obligation to update or keep current the information contained herein. **The views and opinions expressed in this material by third parties are not those of UBS.** Accordingly, UBS does not accept any liability over the content shared by third parties or any claims, losses or damages arising from the use or reliance of all or any part thereof.

All pictures or images ("images") herein are for illustrative, informative or documentary purposes only and may depict objects or elements which are protected by third party copyright, trademarks and other intellectual property rights. Unless expressly stated, no relationship, association, sponsorship or endorsement is suggested or implied between UBS and these third parties.

Any charts and scenarios contained in the document are for illustrative purposes only. Some charts and/or performance figures may not be based on complete 12-month periods which may reduce their comparability and significance. Historical performance is no guarantee for, and is not an indication of future performance.

Nothing in this document constitutes legal or tax advice. UBS and its employees do not provide legal or tax advice. This document may not be redistributed or reproduced in whole or in part without the prior written permission of UBS. To the extent permitted by the law, neither UBS, nor any of its directors, officers, employees or agents accepts or assumes any liability, responsibility or duty of care for any consequences, including any loss or damage, of you or anyone else acting, or refraining to act, in reliance on the information contained in this document or for any decision based on it.

**Additional Disclaimer relevant to Credit Suisse Wealth Management:** Except as otherwise specified herein and/or depending on the local entity from which you are receiving this document, this document is distributed by UBS Switzerland AG, authorised and regulated by the Swiss Financial Market Supervisory Authority (FINMA). Your personal data will be processed in accordance with the Credit Suisse privacy statement accessible at your domicile through the official Credit Suisse website <https://www.credit-suisse.com>. In order to provide you with marketing materials concerning our products and services, UBS Group AG and its subsidiaries may process your basic personal data (i.e. contact details such as name, e-mail address) until you notify us that you no longer wish to receive them. You can optout from receiving these materials at any time by informing your Relationship Manager.

Please visit <https://www.ubs.com/global/en/wealth-management/insights/chief-investment-office/marketing-material-disclaimer.html> to read the full legal disclaimer applicable to this document.

© UBS 2025. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.