



(UBS)

# Investors continue to navigate the twists and turns of Trump's policies

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**Investor sentiment got a lift after news reports suggested the Trump administration is planning to repeal the AI chip curbs unveiled during Biden's last week in office, as well as a trade deal framework with the UK.**

President Donald Trump teased the trade development on social media, promising a "major trade deal" with a "big, and highly respected, country." Earlier this week, Bloomberg reported that Trump may not enforce the so-called AI diffusion rule, which places caps on how many AI chips can be sold in different countries, when it takes effect on 15 May.

But details remain thin on both headlines. We expect near-term volatility to persist as more information emerges, and as investors continue to navigate the twists and turns of Trump's policies.

**The US-UK agreement is likely a starting point for negotiation.** It would be encouraging to see the UK and US close in on a deal, as both Presidents Trump and Biden have previously sought a US-UK trade pact to no avail. But the failed attempts underscored the complexity of reaching an agreement. With the Trump administration keen to address not only effective tariffs, but also non-tariff barriers and digital services, we believe the initial framework could prove relatively modest in scope. Early indications also suggest the announcement is more likely a starting point for negotiations than a comprehensive agreement, and any major US free trade agreement requires congressional approval.

**Potential changes in AI diffusion rules could be part of broader trade deals.** We estimate the AI diffusion rules, as outlined by the Biden administration, could create a potential revenue impact of 5-10% for AI compute companies, so a

likely repeal should come as a relief for affected firms. But it remains unclear what changes could take shape as part of the Trump administration's broader trade negotiations. In addition, the global semiconductor sector still faces the prospect of higher US tariffs under Trump's section 232 national security probe.

So while we continue to expect a variety of deals or sector carve-outs to materialize before the 90-day pause period ends in July and maintain our conviction in the secular AI trend, we believe investors should be prepared for volatility. Phasing into the equity market can be an effective way to position for medium- and longer-term equity upside while managing timing risks, while capital preservation strategies can provide a way to manage near-term downside risks.

Original report: [Volatility to remain despite improvement in headlines, 8 May 2025.](#)

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