



While volatility may persist, CIO continues to see room for gains in equities, supported by resilient earnings, AI-driven tailwinds, and monetary policy easing. (UBS)

# Tech concerns and tariff threats weigh on stocks

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**US stocks fell and bonds rose on Monday as tech weakness, escalating trade risks, and renewed economic growth concerns prompted a broad risk-off move.**

Several factors contributed to the decline in stocks.

NVIDIA, already under pressure in recent days after its quarterly results disappointed high investor expectations, declined on concerns that additional export restrictions may be placed on its chips. Sentiment was also hurt by additional information released by DeepSeek over the weekend that appeared to refute the argument that its model incurs losses when offering inferencing services at their standard rates.

US President Donald Trump on Monday confirmed he will go ahead with a new 25% tariff on Mexico and Canada, and will double tariffs on China to 20% over border- and narcotics-related issues. Under the executive order, those tariffs went live at 12:01 EST AM. Trump also said that a separate order for reciprocal tariffs would come into effect on 2 April.

Canada has retaliated with a 25% tariff on CAD 30bn of US imports, which will extend coverage to a further CAD 125bn of US imports in 21 days if no resolution is met. China enacted a 10-15% tariff effective 10 March, targeting a raft of US agricultural products ranging from beef and pork to dairy, fruit, and grains. Mexico is expected to announce its response within the next 12 hours.

The impact of tariff threats on business sentiment was evident in the ISM Manufacturing PMI, which dipped to 50.5 in February, barely in expansion territory. The prices paid index rose considerably to its highest level since mid-2022, signaling increased cost pressures on businesses.

Brent oil crude prices fell 1.8% on Monday and declined a further 1.3% today, after the eight OPEC+ member states with additional voluntary production cuts in place announced that they plan to start unwinding their production cuts gradually from April. The energy sector was among the hardest hit in the S&P 500 on Monday, falling 3.5%. The OPEC+ statement reiterated the cautious stance of the group, indicating it can pause or even reverse Monday's decision if market conditions require it. In our view, the oil market remains undersupplied, and there is no indication of a fight for market share, but rather a prudent unwind of the production cuts.

### How do we invest?

- **Navigate political risks.** Tariff-related uncertainty and trade policy shifts reinforce the need for portfolio diversification and risk management. In equities, capital preservation strategies can help manage the risks of equity losses, while mean-reversion strategies could be an effective way to harness increased volatility. We continue to favor high-quality fixed income such as investment grade corporate bonds, which provide insulation against trade risks. Additionally, long USDCNY positions could hedge trade-related risks, while CAD and MXN exposure should be hedged or avoided in the near term. Gold remains an effective hedge against geopolitical and inflation risks, and certain hedge fund strategies may offer resilience in volatile markets.
- **More to go in stocks.** Despite tech sector weakness and trade-related concerns, we continue to expect resilience in US equities, supported by solid earnings and AI tailwinds. NVIDIA's post-earnings pullback weighed on sentiment, but its strong guidance and AI-driven capex trends reinforce our confidence in AI as a structural growth driver, even amid short-term volatility. Without taking any single name views, while market sentiment remains sensitive to AI demand trends and tariff risks, we believe that earnings growth, AI investments, and economic stability should continue to support stocks.

So, while volatility may persist, we continue to see room for gains in equities, supported by resilient earnings, AI-driven tailwinds, and monetary policy easing. Despite trade uncertainty and economic concerns, inflation continues to moderate, Fed policy remains accommodative, and corporate earnings have been solid, reinforcing our view that the S&P 500 can reach 6,600 by year-end.

Original report: [US stocks fall on tech concerns and tariff threats, 4 February 2025.](#)

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