Aside from looking through volatility by phasing into US equity markets, investors can ensure that portfolios are more resilient in the face of market turbulence. (UBS)

# Market swings likely until there is greater certainty over tariff outlook

16 April 2025, 2:05 pm EDT, written by US Editorial Team UBS Editorial Team

**Tariff fears had eased over the past week following President Trump's decision to suspend a large part of additional levies for 90 days to allow talks with nations that had not retaliated. While China was excluded from this pause, the nation will benefit from an announcement by the administration that a range of key tech products, such as smartphones, personal computers, memory chips, and servers, would be temporarily exempted from the recent tariff hike.**

The resulting optimism has given way to caution after news that the US has imposed restrictions on AI chipmaker NVIDIA's exports to China. President Trump also launched a probe into whether critical minerals, which are essential in the production of high-tech products, should face tariffs. From China's side, the government is reportedly mulling requiring airlines to halt deliveries of US jets and equipment. Finally, reporting from Bloomberg suggests little progress is being made in trade talks between the European Union and US, with EU trade officials supposedly uncertain what the White House is aiming for.

In our base case, we expect equities to rise over the balance of the year owing to various trade deals and carveouts, central bank rate cuts, and progress toward a US budget reconciliation bill. We view US equities as Attractive. But recent developments are a reminder that market swings are likely until there is greater certainty over the outlook for tariffs. Against this backdrop, we recommend various strategies to manage volatility.

**Manage risks with gold.** An adequate allocation of gold has proven a helpful cushion against uncertainty over trade. The precious metal was trading at an all-time high of USD 3,296 an ounce on Wednesday, taking its gains for the year to around 26%. Despite this strong run, we believe gold can advance further and our base case is that the price will reach USD 3,500 an ounce this year. Along with simmering geopolitical tensions, gold is benefiting from worries that higher tariffs will kindle inflation. We believe that the Federal Reserve will look through higher near-term inflation risks and cut rates by 75-100 basis points this year, which would further increase the appeal of gold by lowering the opportunity cost of holding zero-yielding assets.

**Diversify with hedge funds**. By dynamically adapting to macro shifts, hedge fund strategies like discretionary macro, equity market neutral, select relative-value, or multi-strategy can cushion portfolios in down markets. We believe that the alpha orientation and conservative posture of multi-strategy funds will mean near-term performance is likely to be largely insulated from market volatility. Similarly, we expect that macro strategies should generate positive outcomes amid the volatility. Investors, however, should be aware of the unique drawbacks inherent in hedge funds, such as illiquidity and a lack of transparency.

**Quality bonds can help dampen portfolio volatility, and we currently see the risk-reward outlook as appealing.** Despite the recent period in which Treasuries fell in tandem with stocks, we expect the broadly negative correlation between stock and bond returns should hold over the longer term. Historical data since 1900 from the Global Investment Returns Yearbook show that a diversified 60:40 blended portfolio of US stocks and Treasury bonds delivered an annualized real return of 5.1% (versus 6.6% for stocks and 1.6% for bonds), with lower volatility at 13.4% compared to stocks alone at 19.8%.

So, while we expect that trade talks will ultimately yield progress, the brinkmanship between the US and China looks set to continue in the near term. Aside from looking through volatility by phasing into US equity markets, investors can ensure that portfolios are more resilient in the face of market turbulence.

Original report: **Renewed trade anxiety adds to volatility, 16 April 2025.**

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 it 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.