



Q2 2025 Market Outlook

## Weathering Trump's tariff tantrum



# Q1 2025: Quarterly Market Recap

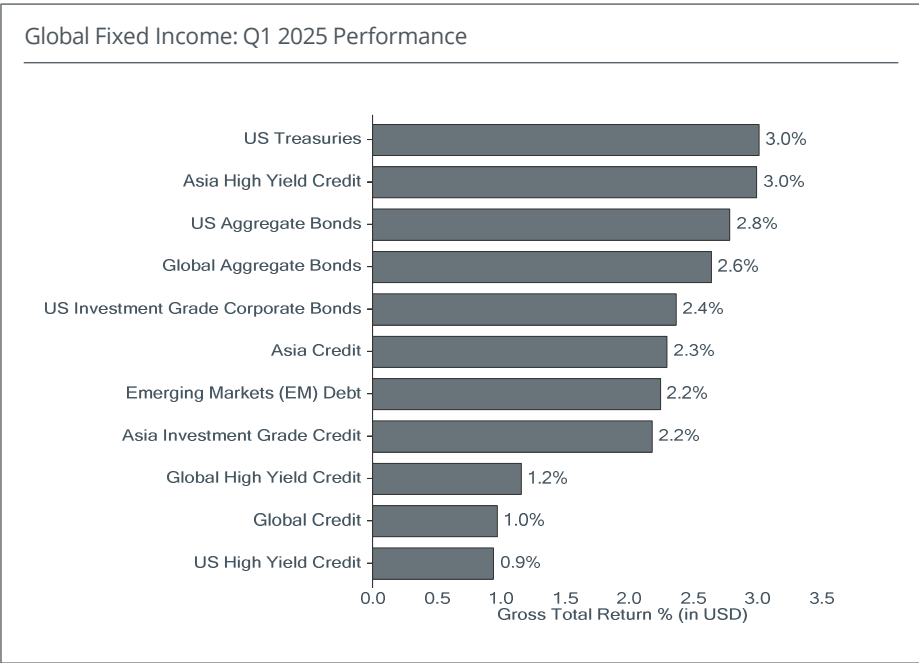
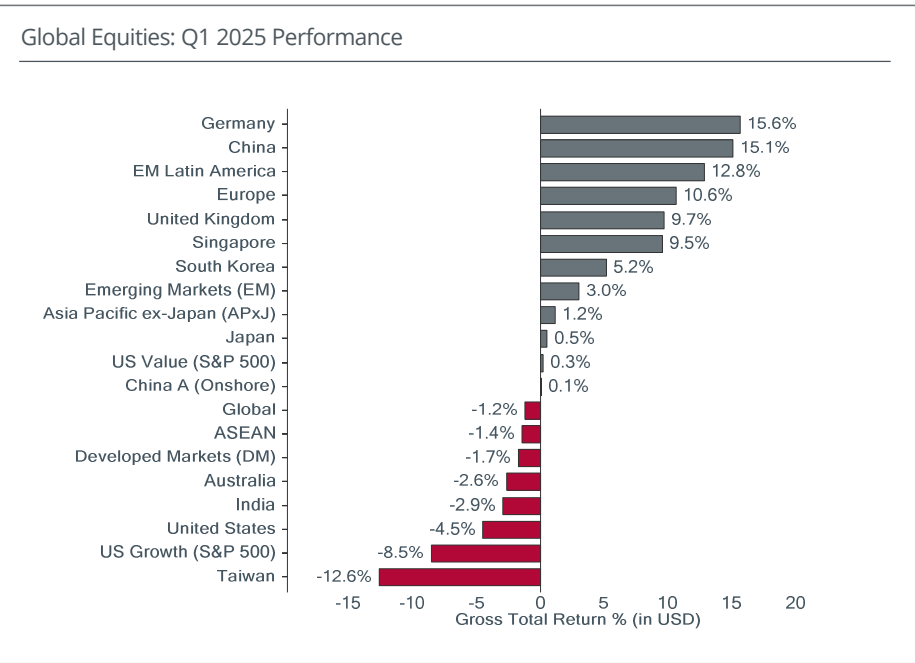
US trade uncertainty weighed on global equities, but global aggregate bonds gained

## Equities

Global equities experienced volatility with the MSCI All Country World Index (ACWI) declining by -1.2%, primarily driven by a downturn in the US market (-4.5%). This was due to investors bracing for US President Trump’s tariff policies and the US Federal Reserve’s (Fed) forecast of slowing economic growth and higher inflation. Europe outperformed during the quarter (+10.6% in USD), led by Germany (+15.6% in USD), driven by robust Eurozone economic growth and the increased specter of German fiscal stimulus, despite concerns over U.S. trade tariffs. Emerging market equities returned 3.0% (in USD), outperforming global and developed markets. This relative outperformance was driven by China (+15.1% in USD), Brazil (+14.1% in USD), and South Africa (+13.9% in USD). Asia Pacific ex-Japan markets appreciated by 1.2% (in USD), driven by China, while Taiwan (-12.6% in USD) was a major laggard, due to a drop in AI and semiconductor-related stock prices.

## Fixed Income

Global bond markets largely gained due to slowing economic growth in the US, softer inflation data from Europe, and anticipation of Fed rate cuts. The yield on the 2-year US Treasury notes decreased by 36 basis points (bps) to 3.89%, while the yield on 10-year US Treasury notes decreased 35 bps to around 4.23%. Amid generally falling US Treasury yields during the quarter, the Bloomberg Global Aggregate Index gained 2.6% while the ICE BofA US Treasury Index rose by 3.0%. In the US credit markets, the more interest rate sensitive investment grade credit bonds returned 2.4%, outperforming their high yield counterpart. In March, US high yield spreads experienced their largest monthly widening since June 2022, as participants factored in the potential impacts of tariffs on economic growth and inflation. The JP Morgan Emerging Markets Bond Index (EMBI) Global Diversified Index, a proxy for USD-denominated EM bonds, returned 2.2%, supported by a weaker USD.



Data source: Eastspring Investments; MSCI; LSEG Datastream. Performance data is provided as of 31 March 2025. Equity returns are referenced by the respective MSCI market indices quoted in USD (gross total returns). Exceptions are the “US Growth (S&P 500)” and “US Value (S&P 500)”, which are represented by the S&P 500 Growth (TR) Index and S&P 500 Value (TR) Index, respectively. “DM Equities” is represented by the MSCI World Index. The fixed income markets are represented as follows: “Asia High Yield Credit”: J.P. Morgan Asia Credit Non-Investment Grade Index, “Global High Yield Credit”: ICE BofA Global High Yield Index, “Asia Credit”: J.P. Morgan Asia Credit Index, “US High Yield Credit”: ICE BofA US High Yield Constrained Index, “Asia Investment Grade Credit”: J.P. Morgan Asia Credit Investment Grade Index, “Emerging Markets (EM) Debt”: J.P. Morgan EMBI Global Diversified Index, “US Treasuries”: ICE BofA US Treasury Index, “US Investment Grade Corporate Bonds”: ICE BofA US Corporate Index, “US Aggregate Bonds”: Bloomberg US Aggregate Index, “Global Credit”: ICE BofA Global Credit Index, and “Global Aggregate Bonds”: Bloomberg Global Aggregate Index.





## Currencies

During the quarter, the broad-based US dollar index (DXY) decreased by 3.9% against a basket of six major currencies, contrasting sharply with the bullish outlook on the dollar that was widely held at the beginning of 2025.

The Swedish Krona was the top performer among the G10 currencies. It strengthened 10.2% against the USD, registering its best quarterly performance since 2009, as income tax cuts and reduced mortgage rates, in addition to robust state finances and strong defense exports, bolstered its economic outlook.

The Indonesian Rupiah (IDR) fell to its lowest level in over two decades amid growing concerns about government spending and persistent foreign capital outflows. Indonesia also experienced a decrease in both exports and imports during the quarter.

Against the backdrop of US tariff uncertainties, the Taiwan dollar declined by approximately 1.4% against the USD in the quarter; pressured by a declining stock market and foreign capital outflows.

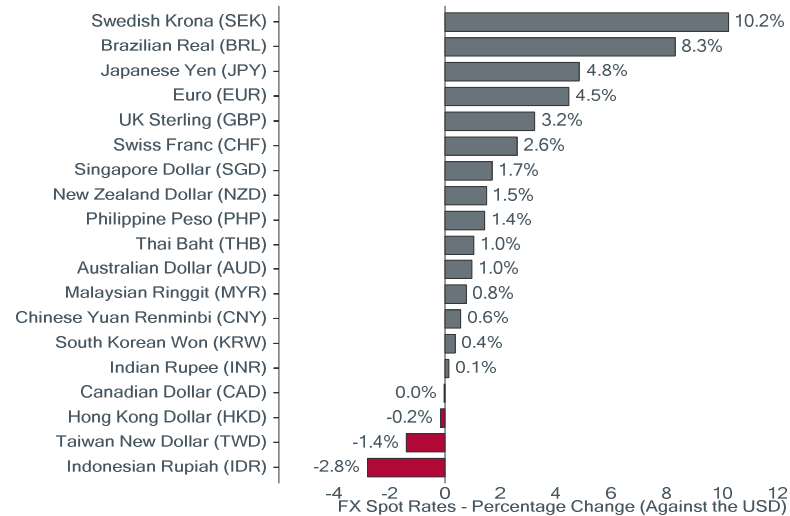
## Commodities

During the quarter, the S&P GSCI Index, a composite index of commodities that measures the performance of the commodities market, gained 4.9%.

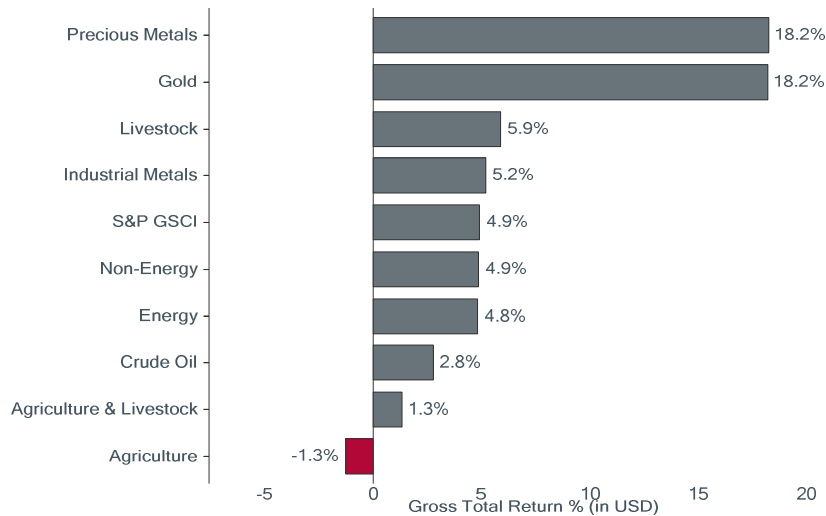
Escalating investor concerns over the import tariffs imposed by the Trump administration and the ongoing global trade tensions bolstered demand for precious metals, notably gold and silver. The precious metals and gold components of the broader S&P GSCI Index rose approximately 18.2% during the quarter.

The agriculture sector underperformed, falling -1.3%.

Currencies (against the USD): Q1 2025 Performance



Commodities: Q1 2025 Performance



Source: LSEG Datastream; S&P Global. Performance data is provided as of 31 March 2025. For the “Currencies (against the USD)” chart, the currency performances for the respective currencies are based on the closing spot rates (versus the USD), as calculated by Refinitiv. For the “Commodities” chart, please note the following. Crude Oil: S&P GSCI Crude Oil Index, Energy: S&P GSCI Energy Index, Livestock: S&P GSCI Livestock Index, Gold: S&P GSCI Gold Index, Precious Metals: S&P GSCI Precious Metals Index, Agriculture & Livestock: S&P GSCI Agriculture and Livestock Index, Non-Energy: S&P GSCI Non-Energy Index, Agriculture: S&P GSCI Agriculture Index, and Industrial Metals: S&P GSCI Industrial Metals Index.



# Macro Outlook

## Persistent high tariff uncertainty implies rising downside risks to global growth outlook

### Growth

In light of the recent tariff announcements, we foresee a significant slowdown in US growth, while recession risk has risen meaningfully. Our analysis suggests that the Trump Administration's policies, including, but not limited to reduced immigration, cuts in Federal spending and employment, and an approximate 20 % rise in the US' effective tariff rate, are projected to lower US growth to below 1% this year. Higher US inflation due to tariffs implies lower household income and slower consumption growth. Persistent high tariff uncertainty implies business investment spending will stall. Furthermore, on the back of a US growth slowdown, we anticipate a reduction of approximately 0.8% to 1.0% in overall global growth.

In Asia, we believe India stands out as being well-positioned to weather the tariff shock this year. India's exports of goods to the US are the second lowest in Asia at only 2.2% of Gross Domestic Product (GDP). Importantly, India's government had begun proposing tariff rate cuts to the US even before Trump announced "reciprocal" tariffs on April 2, increasing the likelihood of a trade deal with the US. India may also benefit from global companies relocating production from China to reduce tariff exposure. Further, the recent sharp fall in Indian inflation allows its central bank to cut interest rates in an effort to reflate the economy and asset prices.

China is admittedly tricky for investors because of the large headwind to growth from tariffs. The increase in the US tariff rate on China to 125% represents a roughly 3% of GDP drag on growth if sustained for the full year. However, China's government announced 2% of GDP worth of fiscal stimulus at the recent National People's Congress (NPC) in March and we expect it to increase this significantly to try to keep GDP growth above 4%. This implies larger support for consumption, accelerated purchases of idle property, and increased investment in industry development, particularly in technology.

In Japan, we acknowledge that tariffs will likely reduce the country's growth potential this year, particularly auto tariffs, and we now expect GDP growth of only 0.6% - 0.8%, down from 1.1% previously. However, rising wage growth should allow a bounce in consumption growth that works to offset some of the adverse impact from tariffs.

Growth in ASEAN economies will slow to roughly 0.5% - 1.0% on average with Singapore likely hardest hit because of the city-state's very high exposure to trade. Monetary policy easing will work to offset some of the shock, but few economies have room to deploy fiscal stimulus significantly. Investors should anticipate that the adverse impacts of tariffs and the slowdown in global growth will manifest in tangible data points gradually over time.

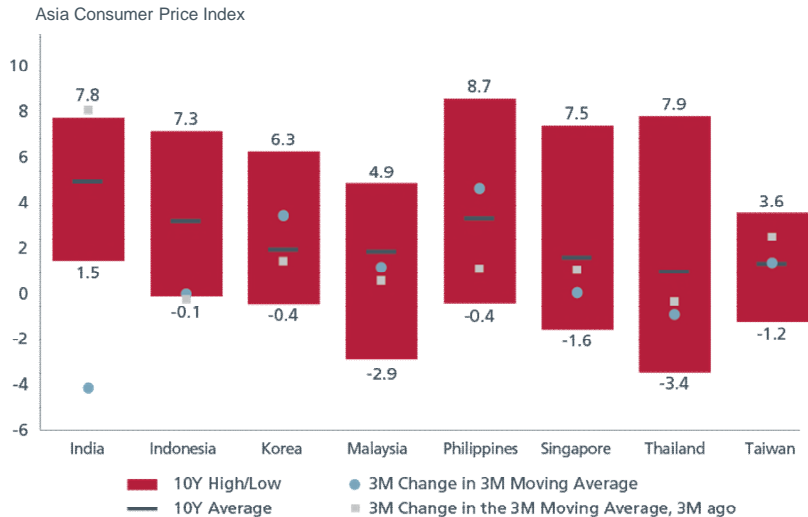
### Inflation

Trump's tariffs effectively act as a supply shock on the US economy, potentially leading to a substantial increase in US inflation over the near-term. This could drive the headline US Consumer Price Index inflation to around 4.5% year-on-year or even higher by the fourth quarter of this year. Additionally, retaliatory tariffs imposed by China, and to a lesser extent Europe, along with fiscal stimulus, are expected to contribute to a moderate inflationary impact.

For countries in Asia (excluding China), the US tariffs are akin to a negative demand shock that is poised to dampen inflation in the region by impeding growth. The decline in growth is expected to exert downward pressure on inflation, further exacerbated by reduced prices of fuel and hard commodities. We also expect an increase in cheap Chinese manufactured goods diverted from North America into Asia's economies, although some countries may introduce tariffs against China to try to manage this effect.

With the added downward pressure on inflation in the majority of Asian economies, the key implication is that there should be additional scope for implementing monetary policy easing measures.

Low Asian inflation leaves room for rate cuts and lower yields



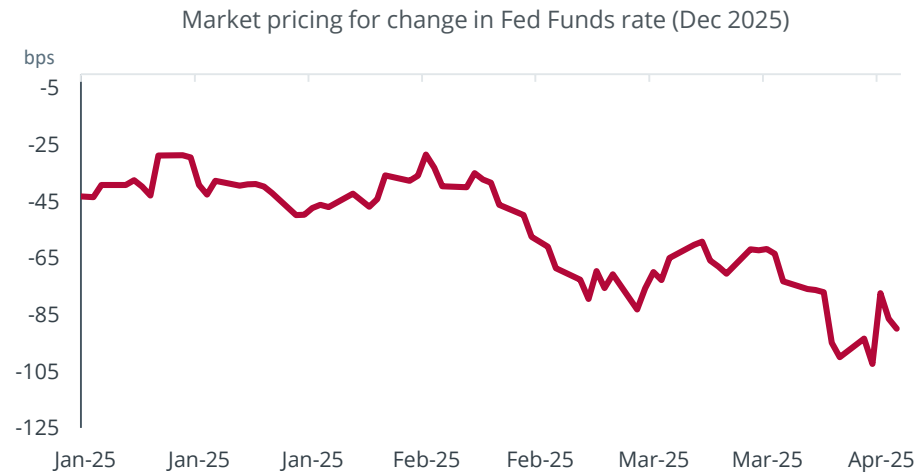
Source: LSEG Datastream. 11 April 2025.



## Monetary Policy

The imposition of US tariffs has prompted a shift in global monetary policy away from that of the US. While Federal Reserve (Fed) officials suggest that the inflationary repercussions of tariffs may result in maintaining the Fed Funds rate for an extended period, we interpret their stance as leaning dovishly towards bolstering the economy in response to any slowdown affecting the labor market. If the US unemployment rate exceeds 4.4% and initial jobless claims surpass 350k consistently, we foresee the Fed potentially implementing rate cuts. We anticipate that such economic indicators could warrant rate reductions commencing in September or October, with an estimated 50 basis points decrease in the Fed Funds rate this year and an additional 75 basis points in 2026. Our assessment suggests that the risk leans towards the likelihood of more rate cuts in 2026.

Given the generally lower inflation levels across Asia, we anticipate a trend towards monetary policy easing in rates but countries within the region. The People's Bank of China (PBOC) is expected to reduce reserve requirements and interest rates by 50 bps, with a growing possibility of potential rate cuts reaching up to 100 bps. We expect the Reserve Bank of India (RBI) to cut another 50 bps, with a possibility of even 75 bps. The Monetary Authority of Singapore is likely to lower the slope of its Singapore Dollar (SGD) policy bands at least 0.5% and we do not rule out a shift to neutral with a recentering lower in the bands at some point this year. In other parts of Asia, we anticipate policy interest rate cuts ranging from 25 to 50 bps in Korea, the Philippines, Thailand, and Taiwan. Bank Indonesia may have room for rate cuts based on low inflation, but this would hinge on the Indonesian Rupiah (IDR) stabilising. Meanwhile, Bank Negara Malaysia has scope to reduce rates but is maintaining them at current levels.



Source: Bloomberg. 11 April 2025.

## Currency Outlook

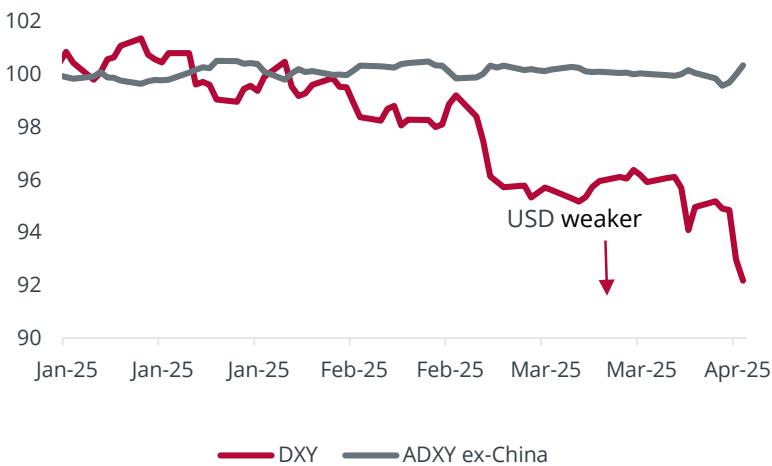
The strongly held consensus view at the start of the year was that tariffs would strengthen the US dollar. Yet, the DXY dollar index has fallen 7.6% year-to-date, as of 15 April 2025. This raises the question: What is causing the deviation from the traditional narrative regarding the effect of tariffs on currencies?

Interest rate differentials have been moving unfavorably for the USD following the recent policy changes by the Trump Administration, with yields on US assets experiencing more notable declines than those of developed economy trading partners. For example, the yields on two-year US government bonds have noticeably decreased recently when compared to the yields on equivalent maturity European and Japanese government bonds.

Importantly, the anticipated increase in US inflation resulting from tariffs, in contrast to other countries, implies that expected US real interest rates, which consider the effect of inflation, are likely to decline further relative to the real interest rates of other major countries. We anticipate a close alignment of the EUR/USD and USD/JPY exchange rates with the decline in US yields. Consequently, we project this trend to persist in the coming quarters, with expectations for the Euro (EUR) and the Japanese Yen (JPY) to strengthen slightly against the USD.

In contrast, most of Asia's currencies have remained relatively stable or have seen only minor increases in value compared to the USD, with the IDR being the weak exception due to concerns about its domestic policies. We see two key challenges for Asia's currencies in the coming quarters. One is that Asian central banks are likely to cut interest rates ahead of the Fed in this cycle. Another is that we expect the Chinese Yuan (CNY) to trend depreciate against the USD to 7.4 - 7.5 as an adjustment to the tariff shock to China's exports.

The USD has weakened vs major currencies, but not the Asian currencies



Source: Bloomberg. 11 April 2025. ADXY: Asian Dollar Index



Assessment of Key Risks – Trade war escalation and China remain in focus

Key Areas	Likelihood	Magnitude of Negative Market Impact
<p><b>The global trade war intensifies further from here.</b> US President Trump’s focus on trade balances, rather than actual barriers to trade, stymies the ability of countries to conclude negotiations with the US. Current Section 232 of the Trade Expansion Act of 1962 investigations into copper, lumber, semiconductors, and pharmaceuticals, amongst other items, will potentially lead to new tariffs by the third quarter of this year, further adding to inflationary pressures and exerting downward pressure on growth. Part of China’s expected response is to likely flood the emerging markets and Europe with cheap exports as trade activities divert from the US market.</p>	High	High
<p><b>China’s growth slowdown (and its drag on global growth)</b> may persist for longer, should Beijing prove too slow (and inadequate) in its stimulus response to the trade war. The lack of sufficient and timely support for the domestic economy can potentially lead GDP growth to slow to below 4%, shocking Asian export growth and pushing commodity prices lower.</p>	Medium	Medium
<p><b>Key upside risks</b> remain as Trump responds to market pressure with trade deals. The extreme uncertainty of the Trump administration’s policies means it is prudent to be nimble to the possibility that Trump announces a series of trade deals that lower tariffs bilaterally, sooner rather than expected. These could potentially drive relief rallies in equities and sell-offs in duration. Based on our estimation, we anticipate a higher overall effective tariff rate for the US, which is expected to result in a subdued growth outlook and a corresponding decline in US equity valuations.</p>	Medium	Medium
<p><b>US-China tension over Taiwan rises.</b> China’s frustration with the US trade war may prompt an escalation of grey-zone tactics against Taiwan. A critical risk scenario for the upcoming four to six quarters involves China establishing a naval customs zone around Taiwan and potentially implementing export restrictions targeting the US.</p>	Low	High

Data source: Eastspring Investments (Singapore) Limited. Views are as of 13 April 2025. The information provided here is subject to change at Eastspring’s discretion without prior notice.

# Asset Allocation Views

## On the defensive: Adjusting allocations towards safety amid market uncertainties

Given rising downside risks to global growth, especially on the back of recent US tariff announcements, we have turned more cautious on US equities given their near-term risks. Europe and emerging markets may continue to outperform the US, given better-than-expected economic data and more attractive relative valuations. Overall, over the near-term, we would maintain a defensive positioning towards equities amid high US trade policy uncertainty and heightened market volatility.

We favour government bonds and cash, as a safeguard against recession, and look to increase duration exposure if economic data clearly indicates a downturn. Corporate bonds will underperform if the economic outlook

worsens materially, but US investment grade credits are expected to outperform their US high yield counterpart.

Over the near-term, we prefer Emerging Market USD bonds over US credits given their attractive valuations and the potential benefits from US dollar depreciation. Additionally, Asian USD bonds may be supported by the region's more stable fundamentals and net negative supply in 2025.

Over the medium term, predicting market outcomes in an increasingly volatile global landscape is becoming more challenging (if not impossible), unless significant clarity emerges. As such, we maintain a defensive stance towards risk assets, while being more constructive on government bonds as a hedge against higher odds of recessionary economic conditions.

Asset Allocation Views					
<div> <span>● Underweight</span> <span>● Neutral</span> <span>● Overweight</span> </div> <div> <span>↕ Upgrade/downgrade in view from previous quarter</span> <span>– No change</span> </div>					
Asset	3m		12m		Rationale
Global Equities	●	↓	●	–	As we observe a continued decline in macroeconomic momentum, our base case sees higher odds of recessionary economic conditions, including a scenario of either (1) stagflation (i.e., decreased growth/higher inflation) or (2) a traditional economic slowdown (i.e., decreased growth/lower inflation). With mounting downside risks to global growth, we believe that the risks associated with global equities (i.e., MSCI ACWI), where US equities represent 65% of the total market capitalisation, are also skewed towards the downside over the near-term; hence, our tactical downgrade in US equities. That said, over the tactical horizon, non-US regions, especially Europe and emerging markets, which have benefitted from better-than-expected economic data, can continue to outperform the US market, which has seen a decline in sentiment and “animal spirits”.
Government Bonds	●	↑	●	↑	We are more constructive on government bonds (i.e., duration), especially in US Treasuries, as a possible safeguard against a recession, particularly considering that while tariffs may have short-term inflationary effects, they are likely to impede long-term global growth. Over the shorter 3m horizon, should further economic data prints indicate a clearer downturn, we will look to increase our duration. The combination of growth constraints (such as the prolonged impact of tariffs on growth) and a continued moderating of US labour market strengthens the rationale for increased exposure to government bonds over the 12m horizon.
US Investment Grade Credit	●	↓	●	–	Despite recent spread widening on the back of Trump's tariffs announcement in early April, US investment grade credit spreads (i.e., option-adjusted spread (OAS)) remain at historically tight levels. Over the 3m horizon, we prefer government bonds over credit. Credit will generally underperform if the global economic outlook deteriorates further. Over the longer 12m horizon, in line with our increased expectations of decelerating global growth, US investment grade credits, given their higher quality nature and their relatively higher duration characteristic (i.e., higher sensitivity to falling interest rates/yields) are expected to outperform US high yield (HY) bonds.
Cash	●	↑	●	–	With market volatility expected to remain elevated, a constructive cash stance over the 3m horizon reflects the need to remain agile and responsive to market changes. This would provide flexibility and ability to take advantage of investment opportunities as they emerge.

Data source: Eastspring's Multi-Asset Portfolio Solutions (MAPS) team. 3m = 3-month view. 12m = 12-month view. Asset class views are as of 13 April 2025, and should not be taken as a recommendation. The information provided here is subject to change at the discretion of the Investment Manager without prior notice.



# Asset Allocation Views (cont.)

## Asset Allocation Views

Global Equities	3m		12m		Rationale
US	●	↓	●	—	Looking ahead over the 3m horizon, we remain cautious on global equities, though we prefer non-U.S. markets over the US. Europe and emerging markets, have benefitted from better-than-expected economic data, and can continue to outperform the US market, which has seen a decline in sentiment and “animal spirits”. While we have a neutral view towards non-U.S. regional equities, overall we maintain a defensive posture in equities with a bias towards government bonds and cash in view of higher US policy uncertainty alongside higher market volatility ahead.
Europe	●	↑	●	—	Please refer to our response above for US equities. Europe's economic data has outperformed expectations so far this year, albeit from a low starting point, and the fiscal support in Germany has boosted its stock market. Nevertheless, there are concerns about valuation risks, as the market's price gains have generally been driven by increased multiples rather than earnings growth.
Emerging Markets (EMs)	●	↑	●	—	Emerging markets offer attractive long-term economic growth prospects and are currently trading at discounted valuations relative to the US. Fundamentally, economic readings for the EM (and China) including the Asia Pacific ex Japan counties, as proxied by the Citigroup Economic Surprise Index, continue to surprise to the upside.
Asia Pacific ex-Japan	●	↑	●	—	Please refer to our comments above for Emerging Markets. Asia (e.g., China, Taiwan, India, South Korea) accounts for roughly 76% of the MSCI Emerging Market (EM) Index although a large part of this exposure comes from China, which makes up approximately 31% of the index.

Government Bonds	3m		12m		Rationale
US	●	↑	●	↑	As macroeconomic momentum declines, our base case sees higher odds of recessionary economic conditions. We prefer government bonds/cash over risky assets (e.g., equities, credits) and look to increase duration overall within our multi-asset portfolios. That said, we are cognizant of the risk that the short-term inflationary impact of Trump's tariffs could potentially limit the Fed's ability to cut rates.
Europe	●	↑	●	↑	Please refer to our rationale provided above for US government bonds. Regarding Europe, the European Central Bank (ECB) is notably ahead in its rate-cutting cycle. The ECB cut rates in April in response to the weakening growth outlook. This proactive stance by the ECB may limit the scope for additional easing measures compared to the Federal Reserve (Fed).
Singapore	●	↑	●	↑	Singapore government bonds look to be attractive due to Singapore's favourable inflation dynamics. Singapore's core inflation fell to 0.6% in February, the lowest in nearly four years. In its April policy meeting, the Monetary Authority of Singapore took a dovish stance on local rates given the impact of the US' tariff announcements on 2nd April and the weakening economic growth outlook. Our defensive posturing favours government bonds and cash over credit as a whole.

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# Asset Allocation Views (cont.)

## Asset Allocation Views

Corporate Bonds	3m		12m		Rationale
US High Yield	●	↓	●	↓	Given our base case where we see increased odds of a recession, we are turning more cautious on US assets (e.g., equities, credits). Valuations are relatively “rich” and Trump’s tariffs will likely worsen the US consumer outlook. Despite the recent spread widening, US high yield spreads remain at levels close to pre-Global Financial Crisis (GFC) lows. Further meaningful deterioration in the growth outlook can contribute to wider spreads.
US Investment Grade	●	↓	●	—	Despite recent spread widening on the back of Trump’s tariffs announcement in early April, US investment grade credit spreads (i.e., OAS) remain at historically tight levels. Over the 3m horizon, we maintain a defensive posture, favouring government bonds over credit. Credit will generally underperform if the economic outlook deteriorates further. Over the longer 12m horizon, in line with our increased expectations of decelerating global growth, US investment grade credits, given their higher quality nature and their inherently higher duration characteristic (i.e., higher sensitivity to falling interest rates/yields) are expected to outperform US high yield (HY) bonds.
Emerging Markets (USD) Bonds	●	↓	●	↓	Over the 3m horizon, on a relative basis, we favour Emerging Market USD bonds over US credits. Valuations of Emerging Market (USD) bonds are more attractive and they may potentially benefit from the depreciation of the US dollar. We continue to favour government bonds and cash over credit.
Asian Credit	●	↓	●	—	Over the 3m horizon, relative to the US, the Asia region’s more stable macroeconomic fundamentals and net negative supply of corporate bonds in 2025 should underpin the Asian USD bond market, although we continue to favour government bonds and cash over credit.

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## Trump's tariff tango: Is there an end-game?

US President Trump's much more aggressive tariff regime is likely to slow US and global growth significantly in 2025. We expect US growth to slow from 2.4% y/y in 2024 to 0.6% - 0.8% y/y while global growth is likely to slow 0.8% - 1.0%, in our view.

At their core, tariffs are simply a tax on imports. However, when imposed broadly, they tend to be highly regressive, costing a larger share of the incomes of lower income groups relative to higher income groups. They also tend to cause broad economy welfare losses by pushing resources from high to low productivity uses. Academic studies of US tariffs imposed in the early years of the 20th century as well as studies of the Trump tariffs of 2018 share the finding that tariffs raise domestic prices, fail to stimulate domestic manufacturing, and cause economic welfare losses<sup>(1)</sup>.

This history is important because setting aside the near-term impact of the Trump tariffs on growth, the longer-term impact is likely to be slower US productivity growth, which, combined with the Trump Administration's restrictions on immigration, implies a fall in US long-term trend growth. This outlook is one of the key reasons we expect US equity valuations to trend lower to below their long-term averages.

Over the next 4 – 6 quarters, the extreme uncertainty arising from Trump's on-off approach to tariffs is also likely to depress investment activity globally. Recent press reports show that companies

are struggling to commit to orders and investment decisions because they are unsure about the costs they will face until after Trump's negotiations with countries conclude.

Shifting from the US to Asia, Trump's recent announcement of a 90-day pause in "reciprocal" tariffs, while maintaining the 10% across the board tariffs and an increase in tariffs on China to 125% hints at a potential end-game.

The Trump Administration has announced that over 70 countries have asked for negotiations. Treasury Secretary Bessent has stated that these will be bilateral negotiations covering not just tariff rates, but also subsidies and non-tariff barriers such as regulatory discrimination against US goods.

This leads us to expect a patchwork of US bilateral deals in which countries agree to cut their tariffs significantly and commit to targeted purchases from the US, such as energy, agricultural, and aircraft. In return, the US will forgo the "reciprocal" tariffs, but retain an across-the-board US tariff, likely close to 10%. In contrast, even if US tariffs on China come down from the currently unsustainable levels, they are likely to remain much higher than on other countries. Additionally, we expect some countries to impose tariffs on China as part of their deals with the US.

Two key challenges to trade deals with the US stand out for countries currently running surpluses with the US.

One is that the Trump administration appears to want to use revenues from tariffs to enable cuts to US income and corporate tax rates. Elimination of tariffs would prevent this revenue source.

The more important issue is that Trump appears powerfully opposed to countries running trade surpluses with the US. However, at the aggregate, nation-wide level, the US trade deficit reflects US investment exceeding US savings. Weak US savings rates are largely a home-grown problem of insufficient incentives to lift the US private savings rate, and almost no current momentum to cut the Federal budget deficit, which represents government dissaving in the order of 6% of GDP. Unless the US raises its savings rate or cuts its investment rate, new trade agreements will fail to produce the balanced trade that President Trump desires.

These facts imply that trade negotiations are likely to be difficult and slow because they currently come with the fundamentally unrealistic objective of balancing trade. It also implies that where trade deals are done, they are likely to be unstable and probably short-lived because US trade deficits are unlikely to fall meaningfully on trend.



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