Market briefing

SPECIAL EDITION

Trump's tariffs test investor's resolve

President Donald Trump's dramatic new round of tariffs—announced on 2nd April 2025 and set to come into effect within days—has sent tremors through the global economy and rattled financial markets from Wall Street to Shanghai.

But the aftershocks are reaching well beyond America's borders, and UK investors have every reason to pay close attention.

Dubbed "Liberation Day" by the Trump administration, the policy includes a blanket 10% tariff on all imports, regardless of origin, and sharply higher "reciprocal" tariffs targeting specific countries viewed as engaging in "unfair trade practices." China faces the highest burden, with tariffs on its exports to the U.S. now reaching 54% in some categories. Other key trading partners—Japan (24%), Taiwan (32%), Vietnam (46%), South Korea (25%), and notably the European Union (20%) —are also caught in the tariff crosshairs.

Markets reacted fast and fell sharply. The new tariffs were worse than expected, even beyond the worst-case scenarios. This caused stock markets around the world, including the US, to drop as fears grew that company profits would fall, and uncertainty increased. The biggest losses were in tech, consumer services, and industrial companies, especially those that depend on global supply chains. At the same time, investors moved their money into safer places like gold and U.S. government bonds. The U.S. dollar also dropped against the Euro and the pound, showing that people are less confident in the U.S. right now.

Even though this started in the U.S., it matters to UK investors too. Pension funds, global companies, and the UK economy could all feel the impact. It's something we all need to pay attention to. But here's the message we believe is crucial: **don't panic—zoom out.**

A familiar playbook, but a different chapter

This isn't the first time markets have reacted to U.S. tariff announcements. Back in 2018, during his first term, President Trump introduced tariffs on steel, aluminium, and Chinese imports. That caused short-term market volatility and fears of a trade war.

However, by the end of 2019, the S&P 500 had risen by almost 30%. Investors who stayed the course, remained diversified, and didn't react emotionally were well rewarded.

The key point? Markets adjust. Businesses adapt. Trade flows shift. Over time, those who focus on long-term goals tend to come out ahead.

This latest round of tariffs is broader and more aggressive, with a greater risk of retaliation from trading partners. That adds to market uncertainty—but the long-term principles remain the same.

Tariffs are essentially taxes. While they're applied by governments, the costs often fall on businesses and consumers through higher prices. That can push inflation higher, which remains a challenge in both the U.S. and UK.

What does this mean for UK investors? There are two key risks: rising imported inflation and the potential for interest rates to stay higher-for-longer. If global prices for goods and raw materials increase, the UK will likely feel the impact. British companies that rely on imported parts may see pressure on their profit margins.

To keep inflation in check, the Bank of England—like the U.S. Federal Reserve—might need to hold interest rates at elevated levels. That could affect everything from mortgage costs to the performance of sectors that are sensitive to interest rates, such as real estate and utilities.

Some assets tend to offer more protection against inflation. These include real assets such as commodities, infrastructure funds, inflation-linked bonds, and companies with strong pricing power that can pass higher costs on to customers.

Volatility is normal—and not a reason to flee

UK exports to the U.S. are smaller than those from the EU, but UK businesses could still be affected—especially if tensions between the U.S. and EU escalate and impact other regions.

That said, there may also be an opportunity. If U.S. buyers look for alternatives to European suppliers hit by tariffs, UK companies could step in to fill the gap—particularly in areas like advanced manufacturing, tech services, pharmaceuticals, and defence.

However, when markets are shaky and headlines are worrying, it’s natural to feel nervous. But it’s important to remember that volatility isn’t a flaw in the market—it’s part of how it works. It’s one of the reasons investors can earn higher returns than they would from cash or other low-risk assets.

Over the years, markets have faced political tension, trade issues, and even recessions. These challenges are nothing new. History shows that those who stay invested, rebalance when needed, and avoid emotional decisions often see the best results in the long run.

Make sure your portfolio stays balanced. Use periods of volatility to your advantage—perhaps ask your FD Partner about using these opportunities to realise losses and offset gains for tax purposes. If appropriate for your circumstances, perhaps consider adding to investments gradually during market dips, rather than making large moves all at once.

Globalisation is changing—not ending

The key point to remember is this: these tariffs aren’t happening in isolation. They’re part of a bigger shift in global supply chains that started with Brexit, sped up during COVID, and is now being shaped by new trade and industrial policies. The world is moving away from just-in-time manufacturing and global efficiency toward more resilient supply chains, national security priorities, and more local production. That shift brings challenges—but also major opportunities.

Take clean energy, for example. Countries want to produce their own power and rely less on imports. This could support UK-listed companies involved in the energy transition and grid technology. There's also growing focus on AI and semiconductor independence. Governments are expected to keep investing heavily in “critical technology” infrastructure—where UK firms are already playing a role. Finally, defence and cybersecurity are top priorities for the U.S., UK, and Europe, opening the door to long-term growth in those sectors too.

These aren’t short-term shifts—constant change is the new normal. A well-diversified portfolio, with a clear focus on different asset types, can help investors stay on track through changing conditions.

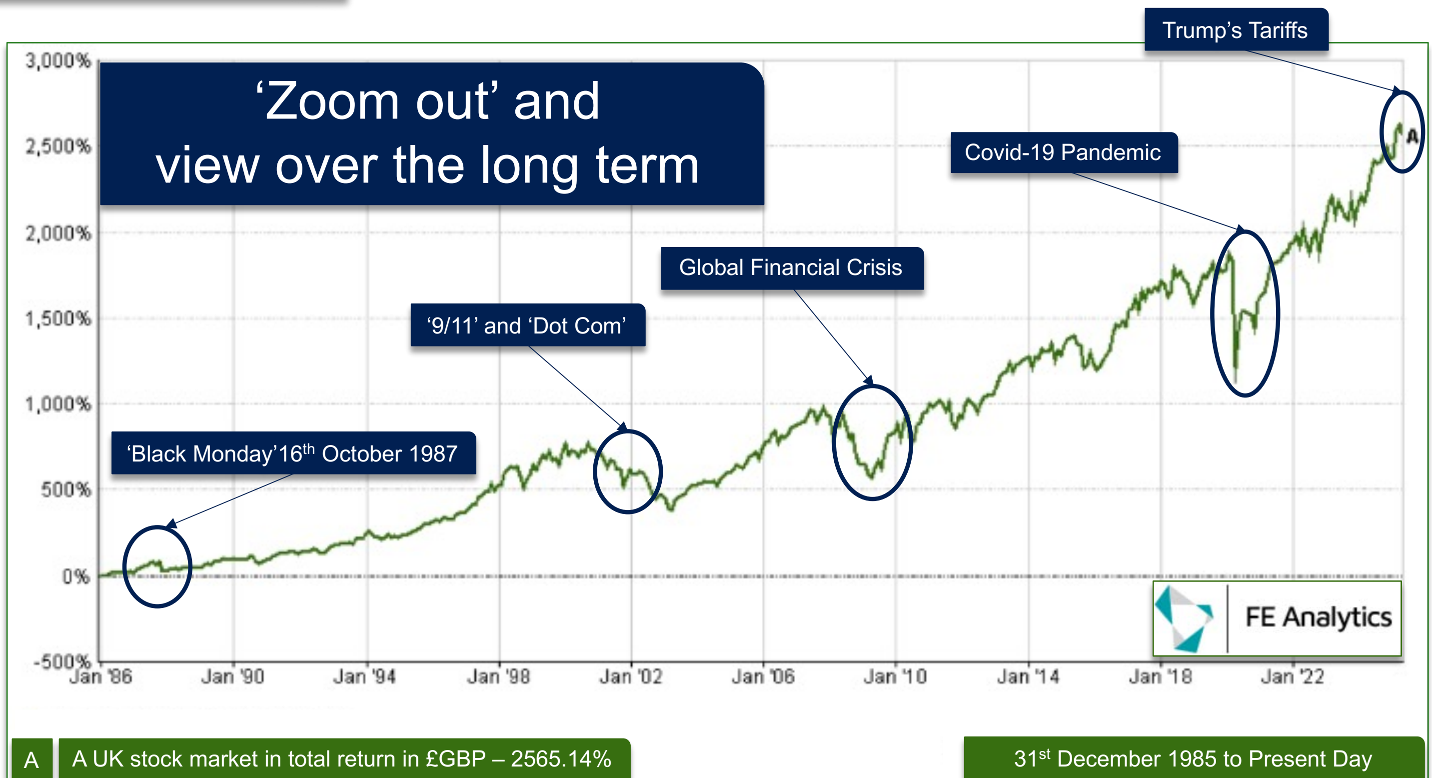
Reframing the "Trade War" narrative

The headlines might say "Trade War 2.0," but a better way to think about it is as an "Economic Transformation." We're seeing a return to protectionist policies. But it's about more than just tariffs. Governments are taking back control over their economies, changing the rules, and focusing more on national resilience than global efficiency.

For investors, the key question isn't "Will tariffs hurt growth?" but "How is the economic landscape changing—and who stands to gain?" This environment could create real opportunities for active investors who can adapt and stay focused on the long term.

The key message is stay calm, stay informed, and stay invested. Don't let short-term headlines throw you off. Markets will move up and down, but long-term wealth is built through patience, diversification, and smart planning.

Overall key takeaway



Past performance is not a reliable indicator of future results

Trump's tariffs are making headlines—but they're also part of a bigger shift that's already happening. So when markets get shaky and the news feels overwhelming, pause. ***'Zoom out'*** *and view what's happening with a long-term investing mindset.*

Yes, this is a time of disruption—but it's also a time of change and new opportunities.

On this day

4th April 1975	**UK Inflation Hits 20% Amid Economic Crisis** Amid the global oil shock and domestic industrial unrest, inflation soared. The government introduced pay restraint policies in a desperate bid to regain control over spiralling costs.
5th April 1955	**Winston Churchill Resigns as Prime Minister** After a long and iconic career, Churchill stepped down due to health issues. He was succeeded by Anthony Eden.
6th April every year	**Start of the UK Tax Year** A fixed point in the UK financial calendar, dating back to 1752 when Britain switched to the Gregorian calendar. It's the start date for personal income tax, ISAs, and pensions allowances.
7th April 1954	**Gold Reserves Bolster Sterling Confidence** The UK announced a boost in gold reserves, helping to reassure international markets of sterling's strength amid post-war rebuilding and the pressures of managing the pound under the Bretton Woods system.
8th April 1904	**Entente Cordiale Signed Between Britain and France** This agreement marked the end of centuries of rivalry, forming the basis of Anglo-French cooperation through both World Wars.
9th April 1981	**Geoffrey Howe Delivers Controversial Budget** Chancellor Howe's deflationary budget, focusing on monetarist principles, it cut public spending and increased taxes—policies that deepened the recession but laid the groundwork for what became known as Thatcherism.
10th April 1992	**John Major Wins UK General Election** Against the odds and poll predictions, John Major's Conservative Party secured a surprise victory over Neil Kinnock's Labour party, extending their time in power until 1997.

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