MARCH 03, 2025

PHILEQUITY CORNER

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Trump's latest tariff threats rattle markets

Last week, the Nasdaq Composite plunged nearly 10% from recent highs, validating the bearish warning from hedge fund titan Steven Cohen which we highlighted in our article last week. Cohen's prescient caution about Trump's threats seems to be playing out as he predicted.

Cohen warns of growth risks

Steven Cohen, head of Point72 Asset Management with over US$ 30 billion in assets, sounded the alarm at the Future Investments Initiative summit in Miami Beach on February 21. He warned that Trump's mix of tariffs, immigration restrictions, and the Department of Government Efficiency's (DOGE)spending cuts could derail the economy. "You've got a brew of sticky inflation, slowing growth, and austerity in the government," Cohen said.

He slashed his US GDP forecast to 1.5% for the second half of 2025, down from 2.5%. Turning bearish for the first time in years, he predicted stocks to peak soon and have a significant correction as policy headwinds pile up.

Tariffs expand; markets plunge

Trump's latest tariff announcement last February 27 intensified the decline. An additional 10% tariff hits China on March 4. At the same time, 25% duties on Mexico and Canada, which were previously paused on February 3, are now back on. More is coming with reciprocal tariffs and 25% levies on autos, semiconductors, and energy products will take effect April 2.

The Nasdaq Composite tumbled 2.8% last Thursday following Trump's statements, marking its biggest daily loss for the year, while the S&P 500 fell 1.6%.

Retaliation risks keep rising

Cohen cautioned about this tariff spiral. "Tariffs can't be positive – it's a tax," he said. "Imagine a tit-for-tat: the US taxes somebody, then they raise the stakes and tax us back." He warned that a retaliatory spiral could amplify economic strain, a scenario that the markets may still be underestimating. With global trade at risk, the prospect of back-and-forth reprisals keeps markets on edge.

EU braces for Trump tariff offensive

Trump's tariff storm isn't sparing Europe. He vowed to slap 25% tariffs on EU-made goods, claiming that the bloc was "created to screw the US" and accused its trade policies of hobbling American exporters, particularly in food products and autos. This signals a widening trade war that could batter European economies already struggling with sluggish growth. Retaliatory moves from the EU – potentially targeting US agricultural or tech exports – could further roil the markets.

China shifts from calm to countermeasures

On February 26, a day before Trump's new 10% tariff threat on China, Xi Jinping urged calm, saying China must "calmly respond to challenges." Trump's February 27 moves hit harder, curbing Chinese tech and energy investments, pressing Mexico to tax China's imports, and targeting China-built ships with fees. China's Ministry of Commerce hit back Friday, opposing the tariffs and vowing "all necessary countermeasures" if the US persists, shifting from Xi's restraint to a firmer stance.

Market rotation: Anti-Trump trades outperform

Ironically, this year's winning trades are the anti-Trump trades – or those betting on Trump's tariff targets. Chinese equities (MSCI China +14.3%), Mexican stocks (MSCI Mexico +7.9%), and Euro Stoxx 50 (+12.3%) top the performance charts. This suggests that markets may be rotating away from US centric growth bets and shrugging off tariff noise.

Philippines stays resilient amid turbulence

While Trump's tariff threats continue to rattle global markets – just as Cohen warned in our previous coverage - the Philippines is showing notable resilience. The PSE Index has successfully held above the 6,000 major support level for four consecutive weeks even as Trump's latest tariff salvo looms. Yet, his unorthodox and erratic policymaking promises more volatility, creating both challenges and opportunities for investors positioned to weather the storm.