NEWS LETTER

SPEKTRA FINANCIAL SERVICES

TRUMP'S "LIBERATION DAY" TARIFF BLITZ RATTLES GLOBAL MARKETS

APRIL 2025

In a dramatic shake-up of global trade, U.S. President Donald Trump has unveiled sweeping new import tariffs on all goods entering the U.S., marking the most significant overhaul of international trade policy since World War II.

The plan establishes a baseline 10% tariff on all imports, a move in line with Trump's 2024 campaign promise. However, higher duties will apply to around 60 key trading partners, including the European Union and China, which the White House has labelled "the worst offenders" for what it calls unfair trade practices.

Reciprocal Tariffs

Country	Tariffs Charged to the U.S.A. Including Currency Manipulation and Trade Barriers	U.S.A. Discounted Reciprocal Tariffs
China	67%	34%
European Union	39%	20%
Vietnam	90%	46%
Taiwan	64%	32%
Japan	46%	24%
India	52%	26%
South Korea	50%	25%
Thailand	72%	36%
Switzerland	61%	31%
Indonesia	64%	32%
Malaysia	47%	24%
Cambodia	97%	49%
United Kingdom	10%	10%
South Africa	60%	30%
Brazil	10%	10%
Bangladesh	74%	37%
Singapore	10%	10%
Israel	33%	17%
Philippines	34%	17%
Chile	10%	10%
Australia	10%	10%
Pakistan	58%	29%
Turkey	10%	10%
Sri Lanka	88%	44%
Colombia	10%	10%

Reciprocal Tariffs

Country	Tariffs Charged to the U.S.A. Including Currency Manipulation and Trade Barriers	U.S.A. Discounted Reciprocal Tariffs
Peru	10%	10%
Nicaragua	36%	18%
Norway	30%	15%
Costa Rica	17%	10%
Jordan	40%	20%
Dominican Republic	10%	10%
United Arab Emirates	10%	10%
New Zealand	20%	10%
Argentina	10%	10%
Ecuador	12%	10%
Guatemala	10%	10%
Honduras	10%	10%
Madagascar	93%	47%
Myanmar (Burma)	88%	44%
Tunisia	55%	28%
Kazakhstan	54%	27%
Serbia	74%	37%
Egypt	10%	10%
Saudi Arabia	10%	10%
El Salvador	10%	10%
Côte d`Ivoire	41%	21%
Laos	95%	48%
Botswana	74%	37%
Trinidad and Tobago	12%	10%
Morocco	10%	10%

Source: NTTV, US Government

The White House released tariff schedules for 180 countries, with rates generally set at roughly half of what the Trump administration claims each nation has imposed on the U.S.. Trump justified the sweeping measures as a long-overdue correction, accusing other nations of "looting" the U.S. economy through high tariffs and restrictive trade policies. Speaking from the Rose Garden, he declared:

"It's our declaration of economic independence."

A national emergency has been declared to justify the tariffs, which will take effect in two stages:

- **April 5** – Universal 10% tariffs on all imports.
- **April 9** – Higher duties on targeted countries.

Market analysts warn that the escalation of trade tensions could trigger higher consumer prices and slower economic growth in the U.S., while potentially pushing some countries into recession.

HIGHLIGHTS

Trump Tariffs:

- 10% tariff on all U.S. imports from April 5, with higher tariffs on 60 nations from April 9.
- Expected to raise $2.2T by 2034; risk of inflation and global slowdown.

Market Impact:

- Volatility rising. Investors urged to diversify with bonds and inflation-linked assets.

South Africa:

- Local equities up 3.6% (March); gold +68% YTD.
- Budget passed narrowly; VAT hike rejected.
- Rand dropped 2.3%; revised budget due by May 1.

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The Congressional Budget Office estimates that these import taxes could raise $2.2 trillion in revenue by 2034. According to Capital Economics, the effective U.S. tariff rate is set to soar from 2.3% last year to approximately 26%, marking the highest level in 131 years. This includes earlier tariff hikes on Chinese imports, as well as sector-specific levies on steel, aluminium, and autos.

Following his sweeping tariff announcement, U.S. President Donald Trump hinted at potential tariff reductions, but only if trading partners take steps to boost U.S. exports. Speaking to foreign leaders, Trump urged them to "terminate your own tariffs, drop your barriers" and refrain from currency manipulation as conditions for lowering U.S. import taxes.

While the scale and unpredictability of these recent policy measures have surprised markets, there remains scope for negotiation and potential revisions. As investors adjust to a new landscape shaped by trade-driven inflation, geopolitical uncertainty, and fiscal dominance, markets are likely to experience heightened volatility.

In this environment, risk assets will likely demand a higher premium, while high-quality bonds and inflation-protected securities offer stability. Maintaining diversification and balance is essential for investment portfolios. Despite near-term turbulence, compelling opportunities are already emerging. By remaining vigilant, adaptable, and disciplined, investors can navigate the uncertainty and position for long-term gains.

SOUTH AFRICA

South African equities ended the first quarter of 2025 in positive territory, with the local equities (as measured by the FTSE/JSE Capped SWIX Index) gaining 3.6% for the month of March, and 5.9% YTD, despite the ongoing volatility in global markets.

Gold (up 68% YTD) and platinum miners (up 37% YTD) delivered stellar performances, driven by a surge in commodity prices. Gold broke through the US$3,000/oz mark in March, a remarkable rebound from levels as low as US$1,800/oz just 18 months ago. Platinum group metals (PGMs) also rallied, with rhodium gaining 20% during March. The local market struggled to gain traction outside of these sectors, however, with the broader index constituents posting negative returns on both a monthly and year-to-date basis.

On the political front, South Africa's parliament narrowly passed the national budget's fiscal framework on Wednesday 2nd April after weeks of contentious debate amongst the members of the Government of National Unity.

In an hours-long vote, the DA rejected a 0.5 per cent VAT increase this year and a further 0.5 per cent next year, which the National Treasury says is needed to fill a R60bn ($3.3bn) fiscal hole created partly by US President Donald Trump's withdrawal of funding for HIV/Aids programmes.

The budget vote passed by a razor-thin margin (194 in favour, 182 against), with the Economic Freedom Fighters (EFF) and former president Jacob Zuma's Umkhonto we Sizwe (MK) party siding with the opposition DA. The ANC secured last-minute support from ActionSA, led by former Johannesburg mayor Herman Mashaba, in exchange for a commitment to scrap all tax increases within 30 days. "Our proposal is clear. The finance minister has to come back to parliament with a new budget before May 1 that contains no VAT hike," he said.

The fragile political backdrop rattled investors, contributing to a sharp 2.3% decline in the rand on Wednesday, its worst one-day drop since August 2023.

With markets watching closely, the finance minister now faces the challenge of revising the budget before May 1, while navigating mounting fiscal and political pressures.

In the face of market volatility, clients need to trust in well-diversified portfolios and remind themselves that uncertainty is part of investing. Staying the course remains the best strategy for long term financial success.

Our tried-and-tested process for navigating volatile markets boils down to understanding and being comfortable with the reasons why markets are behaving in a volatile fashion, ensuring that portfolios are diversified across asset classes, fund managers and styles and staying invested because volatile markets breed opportunities to take advantage of investments at much better prices.