

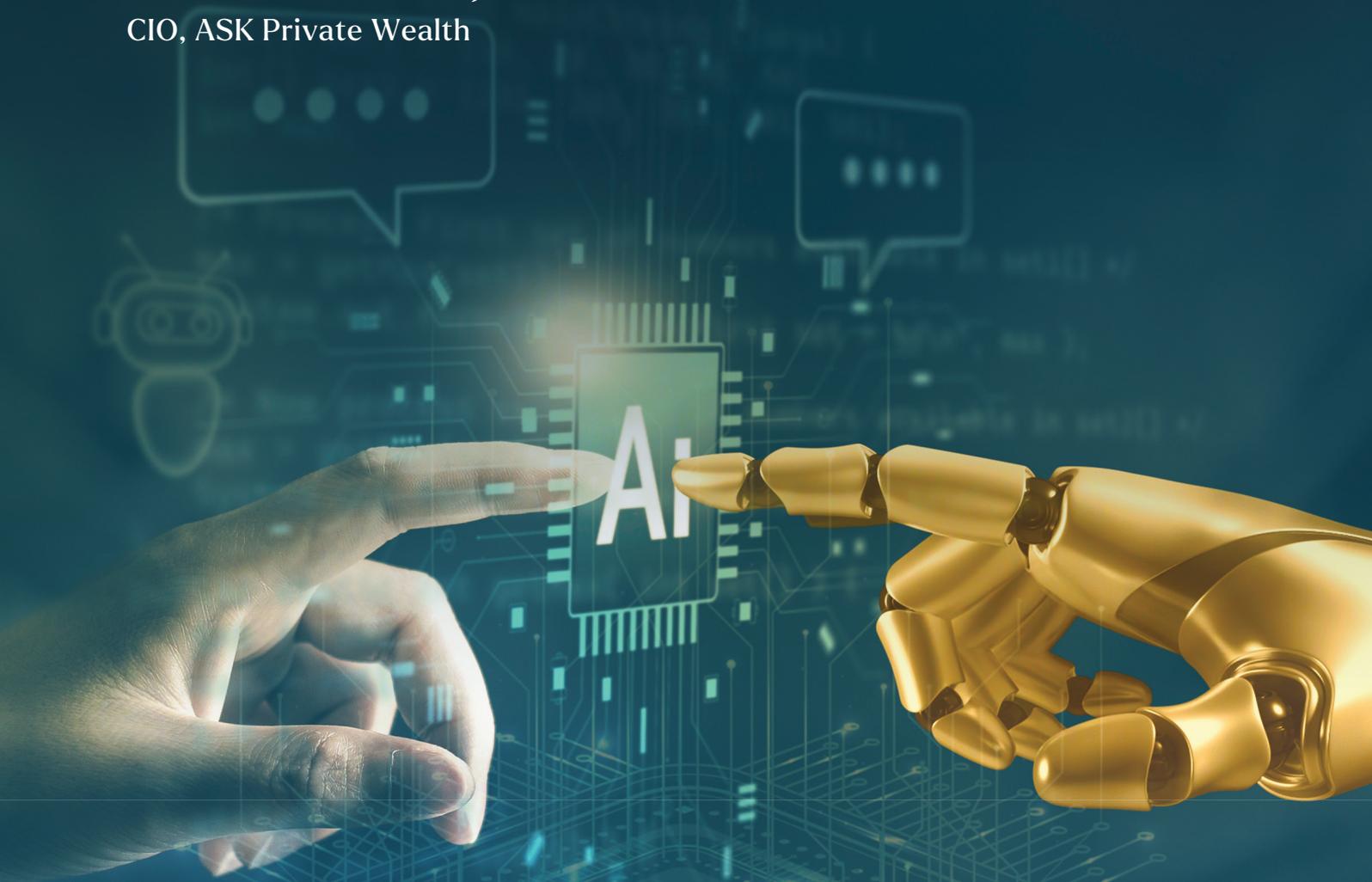
# Carpe Diem

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From the CIO's desk

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Politics Proposes,  
AI Proposes to Dispose!

## Politics Proposes, AI Proposes to Dispose!

Two enduring themes of the times – Politics and AI. One proposes to up-end the status quo in a frenetic and chaotic journey of resetting the global order. The other proposes (in popular idiom) to completely dispose off existing social-economic structures by making humans near-irrelevant as useful economic agents.

### Politics – Tariff Se Tariff Tak, between POTUS and SCOTUS

Tariff Se Tariff Tak – from a few generations of stable, predictable tariffs, we are into an era of dynamic tariffs that require an AI engine to predict!

US Supreme Court (SCOTUS), in a widely-anticipated judgement, has ruled that IEEPA (International Emergency Economic Powers Act) does not authorise the US President (POTUS) to impose reciprocal tariffs. In a swift comeback, DJT imposed an omnibus 10% (raised to 15% soon after) tariff on all goods under a Section 122 provision, something that needs to be ratified by the US Congress in 150 days' time.

At a headline level, the tariffs now look like this:

Country	Before SCOTUS	After SCOTUS	With Section 122
TOTAL	14.46%	6.72%	12.99%
CHINA	24.02%	8.31%	18.31%
JAPAN	18.80%	11.85%	17.45%
ROW	15.61%	4.79%	13.27%
EU	12.60%	5.17%	13.44%
UK	11.37%	6.36%	13.74%
MEXICO	12.78%	10.17%	11.21%
FTROW	11.17%	5.47%	13.15%
CANADA	8.12%	5.75%	6.49%

Source: Trade Research Institute

In short, tariffs remain in place.

Tariffs under various other sections – 301, 232, China specific rules, 10% aluminium, fentanyl – remain in place. Estimated trade-weighted tariffs go down for everyone, from 18% for China to 8% for India to 4% for Taiwan.

Country	Policy implied effective rate (%)
China	18.5%
Cambodia	11.8%
South Korea	11.1%
Indonesia	10.4%
Bangladesh	10.0%
Thailand	9.6%
Vietnam	9.3%
Philippines	8.5%
India	8.4%
Malaysia	6.1%
Taiwan	4.6%

Source: Elara Securities

DJT, in the press conference, alluded to various workarounds to restore bulk of the tariffs. Congressional approval, expanding the scope of existing rules, surcharges – the works. In short, the arsenal, though dented, is fully intact.

No wonder, market reaction was muted. Modest jump in equities, modest weakening of DXY and a mild expansion of US treasury yields – all in line with 101 linear expectations.

As the French say, more things change, more they remain the same!

## Politics – Iran is the new battleground

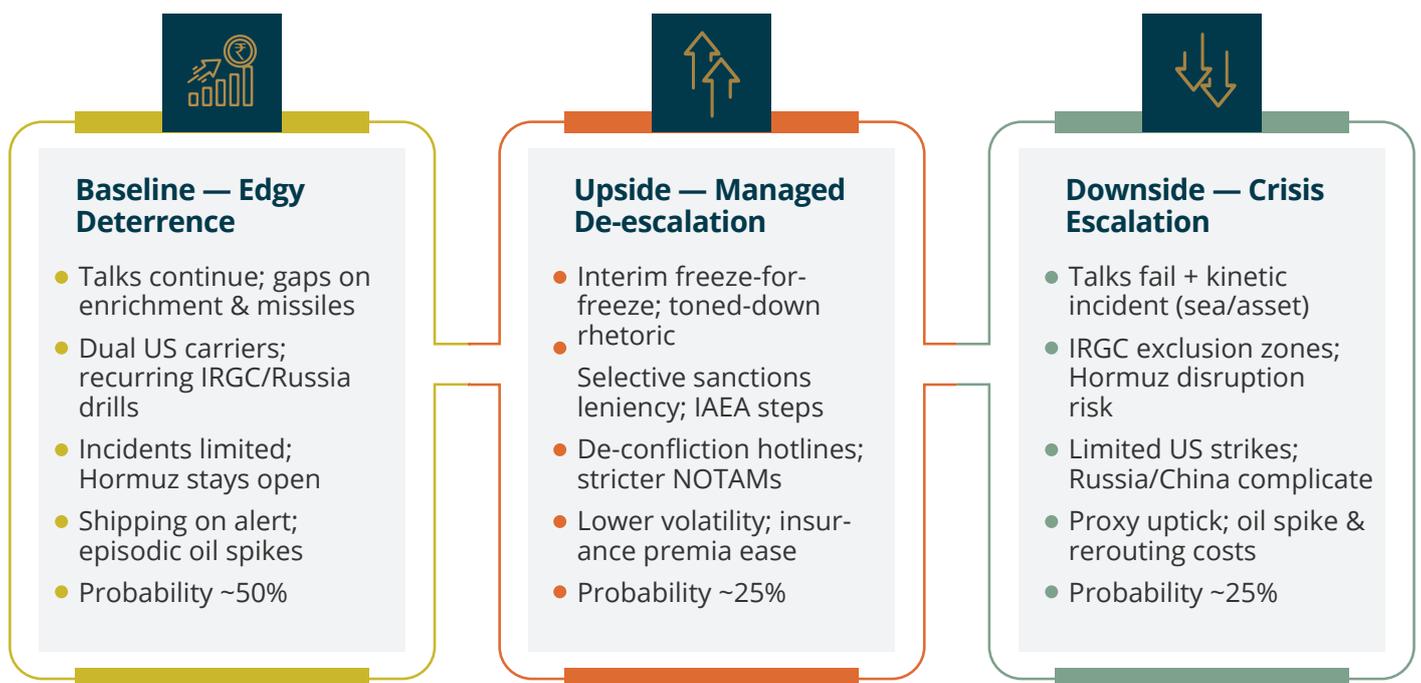
Noora Kushti, a term widely used in the Gangetic plains of India, has Persian (modern day Iran) origins. Broadly, it means a fixed fight or pretending to fight (while fooling a target audience). The world in general, and financial markets as a subset, pray that the latest US military mobilization in the Middle East, in a darkly Freudian twist, is a Noora Kushti. Two carrier battle groups, nearly 200 fighters and innumerable supply missions – the mobilization is heavy, heavier than anything the US has done in two decades. But not nearly enough for a prolonged operation. The last bit gives everyone hope, along with news trickling through about negotiations to preclude any offensive action.

The scenarios are finely balanced as of now, with more than even probability in favour of Noora Kushti.

## AI – The Frenemy that threatens to make humans obsolete?

Like in politics, days are too long in the world of AI too. The inexorable promise of new models making large swathes of technology services obsolete continues. Globally and in India, IT services firms have been losing market value at the release of each apocalyptic model from one of the AI Labs (Anthropic, OpenAI, etc.). The AI Summit in India showed up the promise on the other hand – Indian foundational models, large commitments to set up compute capacities in India and an emerging global coalition on regulating AI from a conceptual-philosophical perspective.

As investors, making sense of inherently instable environment is a feature of the job, not a bug. While the world convulses, or threatens to convulse, we maintain discipline in allocation and the occasional tactical rejig.



Source: Refinitiv, Bloomberg, Media, ASKWA

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