

Trump Tariff Implications - Canary in the dark mine...

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Trump tariff: Reciprocal at country level with sectoral exceptions

Minimum 10% to 49% tariff imposed

Reciprocal Tariffs			Reciprocal Tariffs		
Country	Tariffs Charged to the U.S.A. Including Currency Manipulation and Trade Barriers	U.S.A. Discounted 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%	Peru	10%	10%
European Union	39%	20%	Nicaragua	36%	18%
Vietnam	90%	46%	Norway	30%	15%
Taiwan	64%	32%	Costa Rica	17%	10%
Japan	46%	24%	Jordan	40%	20%
India	52%	26%	Dominican Republic	10%	10%
South Korea	50%	25%	United Arab Emirates	10%	10%
Thailand	72%	36%	New Zealand	20%	10%
Switzerland	61%	31%	Argentina	10%	10%
Indonesia	64%	32%	Ecuador	12%	10%
Malaysia	47%	24%	Guatemala	10%	10%
Cambodia	97%	49%	Honduras	10%	10%
United Kingdom	10%	10%	Madagascar	93%	47%
South Africa	60%	30%	Myanmar (Burma)	88%	44%
Brazil	10%	10%	Tunisia	55%	28%
Bangladesh	74%	37%	Kazakhstan	54%	27%
Singapore	10%	10%	Serbia	74%	37%
Israel	33%	17%	Egypt	10%	10%
Philippines	34%	17%	Saudi Arabia	10%	10%
Chile	10%	10%	El Salvador	10%	10%
Australia	10%	10%	Côte d'Ivoire	41%	21%
Pakistan	58%	29%	Laos	95%	48%
Turkey	10%	10%	Botswana	74%	37%
Sri Lanka	88%	44%	Trinidad and Tobago	12%	10%
Colombia	10%	10%	Morocco	10%	10%

Notable exceptions

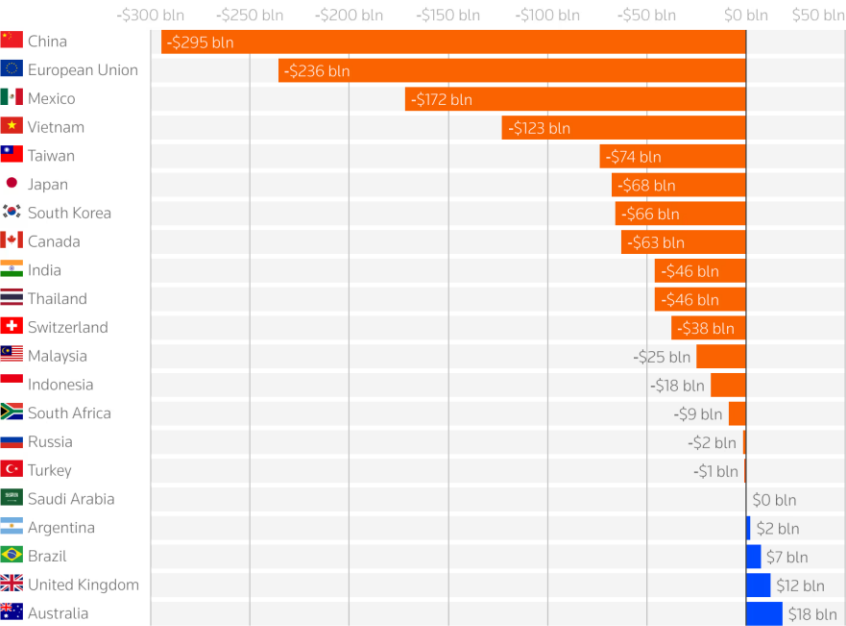
Copper, **pharmaceuticals**, semiconductors, lumber, gold, energy and "certain minerals that are not available in the United States

For India, biggest relief is this only pertains to goods trade and not services

Tariff didn't follow the sector-specific or rate-based reciprocity

Seem to aim at tackling the trade deficit

US goods trade deficit or surplus with major trading partners in 2024



Note: Countries listed by US Trade Representative in February 25 request for comments

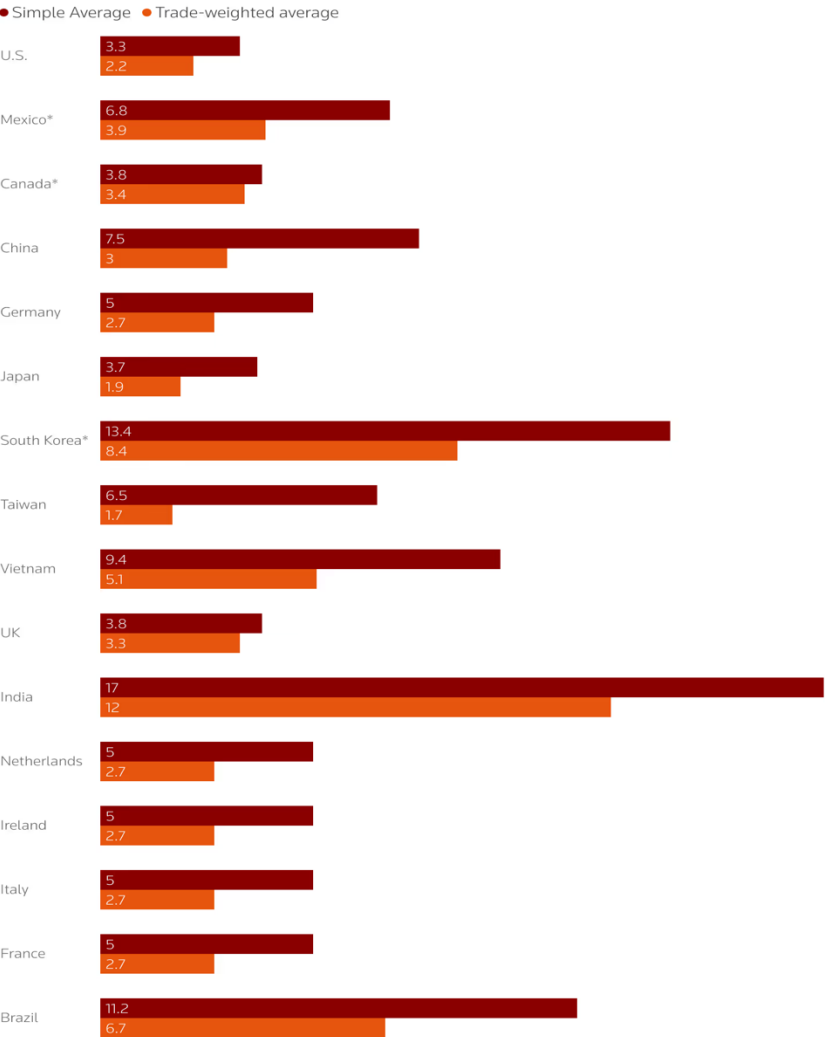
Source: US Census Bureau | P. Thal Larsen | March 31, 2025



Source: CMIE, Refinitiv, ASK PW

Average tariff rates of U.S. and its top 15 trading partners

Most-Favored Nation tariff rates by country, simple average for all products and trade-weighted average, in percent. *U.S. trade with Canada, Mexico and South Korea is duty-free for most products under free trade agreements.



Note: *The U.S. has free trade agreements with Canada and Mexico and with South Korea that eliminate nearly all tariffs between the member countries. Top U.S. trade partners are ranked by 2024 total bilateral goods trade as reported by the U.S. Census Bureau.

By David Lawder • Source: World Trade Organization

Most countries have higher levels of tariff than US

What did it follow then? Seems a rather simple formula

Tariff seems to be aimed at deficit reduction

Country	Tariffs Charged to the U.S.A.	U.S.A. Discounted Reciprocal Tariffs	Trade Deficit / US Imports (Min 10%)
China	67%	34%	67%
European Union	39%	20%	38%
Vietnam	90%	46%	91%
Taiwan	64%	32%	64%
Japan	46%	24%	46%
India	52%	26%	52%
South Korea	50%	25%	50%
Thailand	72%	36%	72%
Switzerland	61%	31%	52%
Indonesia	64%	32%	64%
Malaysia	47%	24%	46%
Cambodia	97%	49%	97%
United Kingdom	10%	10%	10%
South Africa	60%	30%	59%
Brazil	10%	10%	10%
Bangladesh	74%	37%	73%
Singapore	10%	10%	10%
Israel	33%	17%	33%
Philippines	34%	17%	34%
Chile	10%	10%	10%
Australia	10%	10%	10%
Pakistan	58%	29%	59%
Turkey	10%	10%	12%
Sri Lanka	88%	44%	88%
Colombia	10%	10%	10%

St Pierre et Miquelon

Political status – French overseas territory

Geography – Island off Canada

Population – 5,800

Total Exports to US - \$3.5 million (mostly lobsters and crabs)

Total Imports from US – \$0.1 million

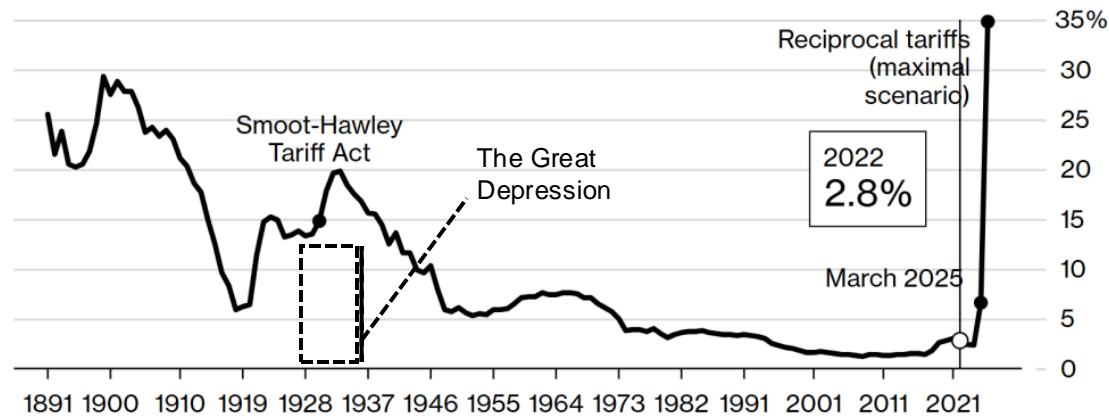
New US Tariff – 99%

Impact: Higher uncertainty; chances of retaliation and rollback

Reciprocal Tariffs Could Raise Rates to Highest Since 1800s

Average tariff levels on goods

／ Average tariff rate



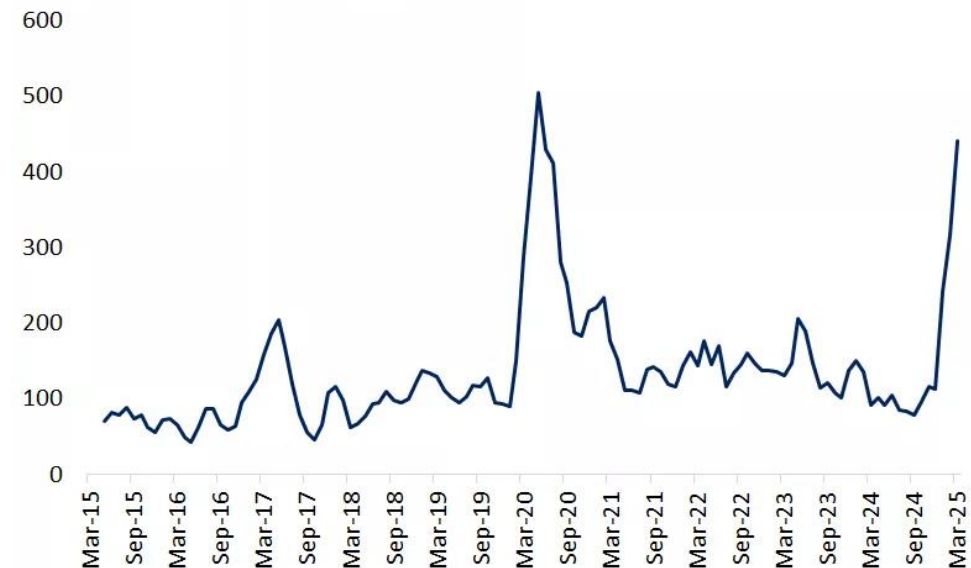
Source: US ITC, Customs, Census Bureau, Bloomberg Economics

Note: March 2025 figure includes tariffs on China, aluminum, steel, and non-USMCA-compliant Mexico and Canada. Bloomberg Economics' maximal reciprocal tariff estimate includes non-trade barriers, VAT and other grievances. Estimates based on 2024 trade composition.

Heightened uncertainty may lead to stagflation

Economic policy uncertainty reaches the highest since 2020

3-month average of economic policy uncertainty index



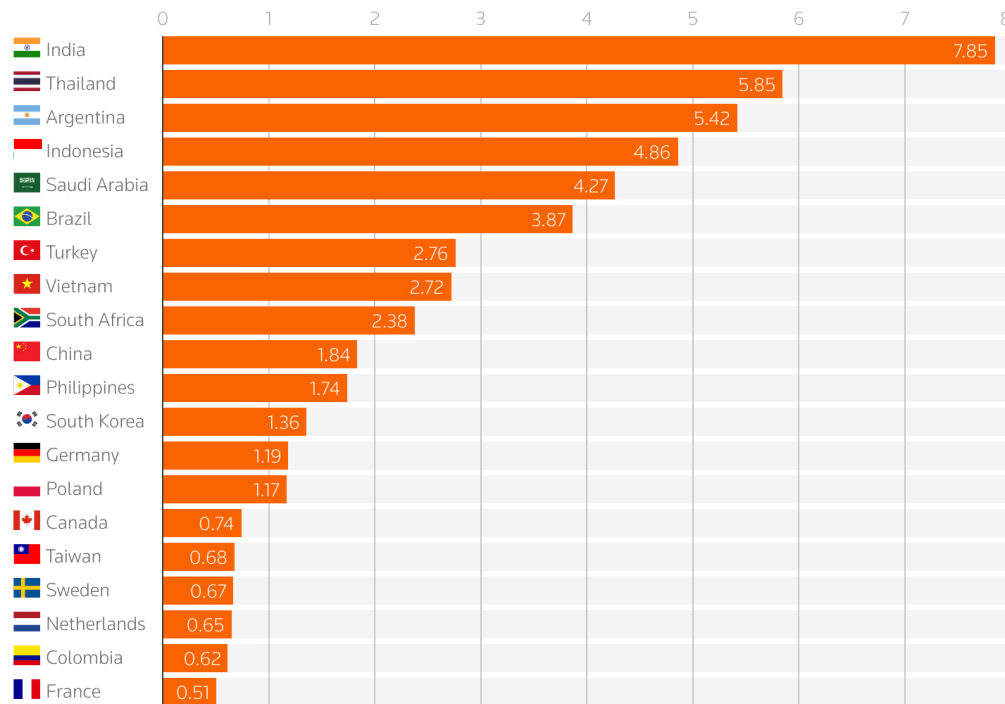
China on Thursday strongly condemned the sweeping new tariffs imposed by United States, declaring that it "firmly opposes" the measures and will implement "countermeasures to safeguard its own rights and interests".

European Union chief Ursula von der Leyen described the tariffs as a major blow to the world economy and said the 27-member bloc was prepared to respond with countermeasures.

India – Escaping the Worst (despite Bessent’s “Dirty 15”)

India has one of the highest tariff rates

Countries with the highest tariffs on US imports relative to exports

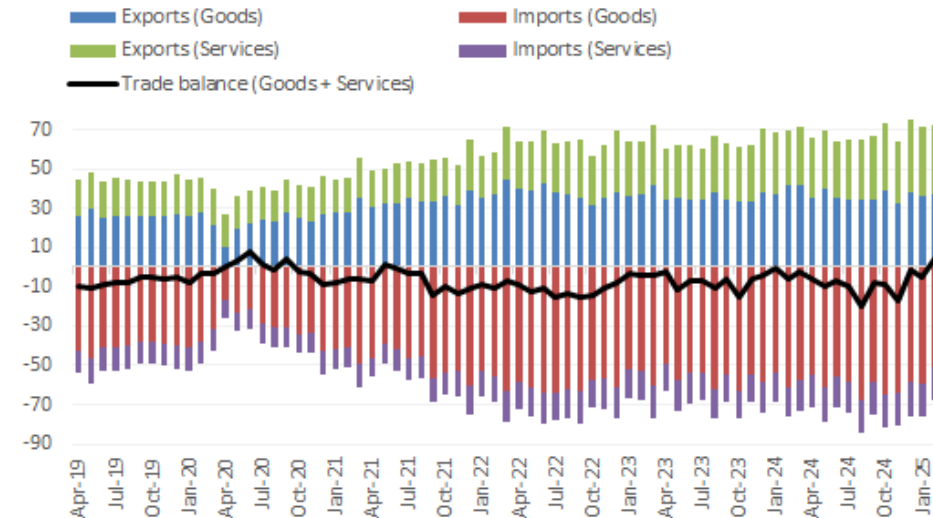


Note: Weighted average tariff differential in percentage points

Source: UBS | P. Thal Larsen | March 31, 2025

Reuters Breakingviews

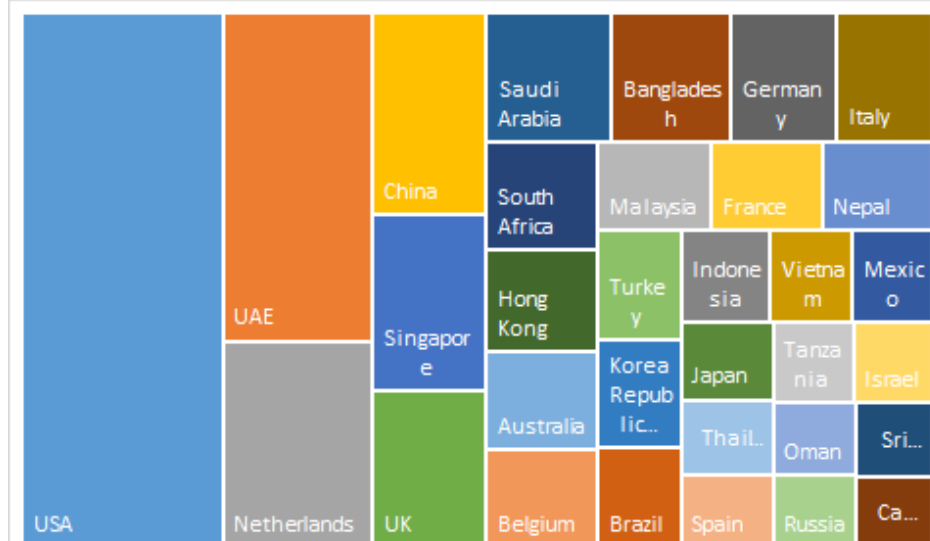
Services trade not directly targeted



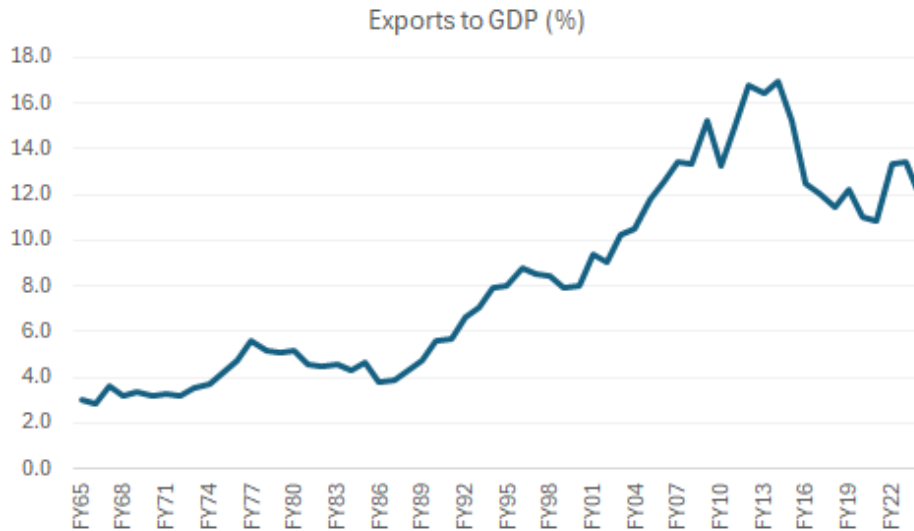
India is drawing comfort from Section C of Clause 4 of Trump’s executive order, which says that the administration will be ready to reduce or limit tariffs imposed “if a trading partner takes significant steps to remedy non-reciprocal trade arrangements and align sufficiently with US on economic and national security matters”.

India Macro Impact – Can be significant unless we react smartly

US biggest export destination with ~20% share



India's exports to GDP remained stable after a dip



- US accounts for ~20% of Indian exports
- Significant parts of the above have been affected by new tariffs, especially as LatAM have better tariffs than India
- \$30bn shave-off in exports to US will mean ~0.8% of GDP
- Cross-country responses, especially of China, will determine the final impact
- The Bilateral Trade Agreement (BTA) becomes critical

Impact on markets and economy: early indications

Oil and Dollar impacted



VIX Index up for both US and India



Source: CMIE, Refinitiv, ASK PW

Bracing for impact

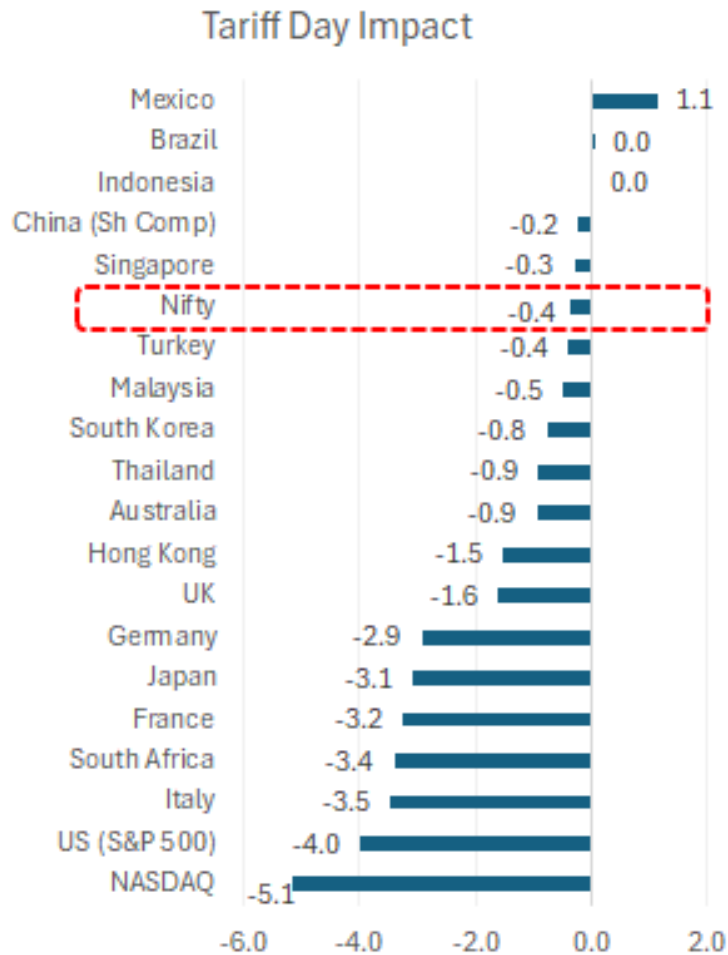
How much key tariff-exposed sectors contribute to countries' economies

Country	Pharmaceuticals	Semiconductors	Steel / Aluminum / Copper	Automobiles & Auto parts	Total %-pts of GDP
Mexico	0.0%	0.5%	0.3%	8.8%	9.7%
Malaysia	0.0%	4.0%	0.1%	0.1%	4.2%
Canada	0.3%	0.1%	0.9%	2.8%	4.0%
Taiwan	0.1%	3.0%	0.2%	0.4%	3.6%
Singapore	3.2%	0.3%	0.0%	0.0%	3.5%
South Korea	0.2%	0.5%	0.3%	2.3%	3.2%
Vietnam	0.0%	2.6%	0.2%	0.4%	3.1%
Thailand	0.0%	1.8%	0.2%	0.4%	2.4%
Switzerland	1.8%	0.0%	0.0%	0.0%	1.8%
Japan	0.2%	0.1%	0.0%	1.2%	1.6%
EU	0.7%	0.0%	0.1%	0.3%	1.2%
South Africa	0.0%	0.0%	0.3%	0.5%	0.9%
Israel	0.3%	0.6%	0.0%	0.0%	0.8%
India	0.3%	0.1%	0.0%	0.1%	0.5%
United Kingdom	0.2%	0.0%	0.0%	0.2%	0.5%
United Arab Emirates	0.0%	0.0%	0.4%	0.0%	0.4%
Brazil	0.0%	0.0%	0.3%	0.0%	0.3%
China	0.0%	0.1%	0.0%	0.1%	0.2%
Australia	0.1%	0.0%	0.1%	0.0%	0.1%
Indonesia	0.0%	0.0%	0.0%	0.0%	0.1%

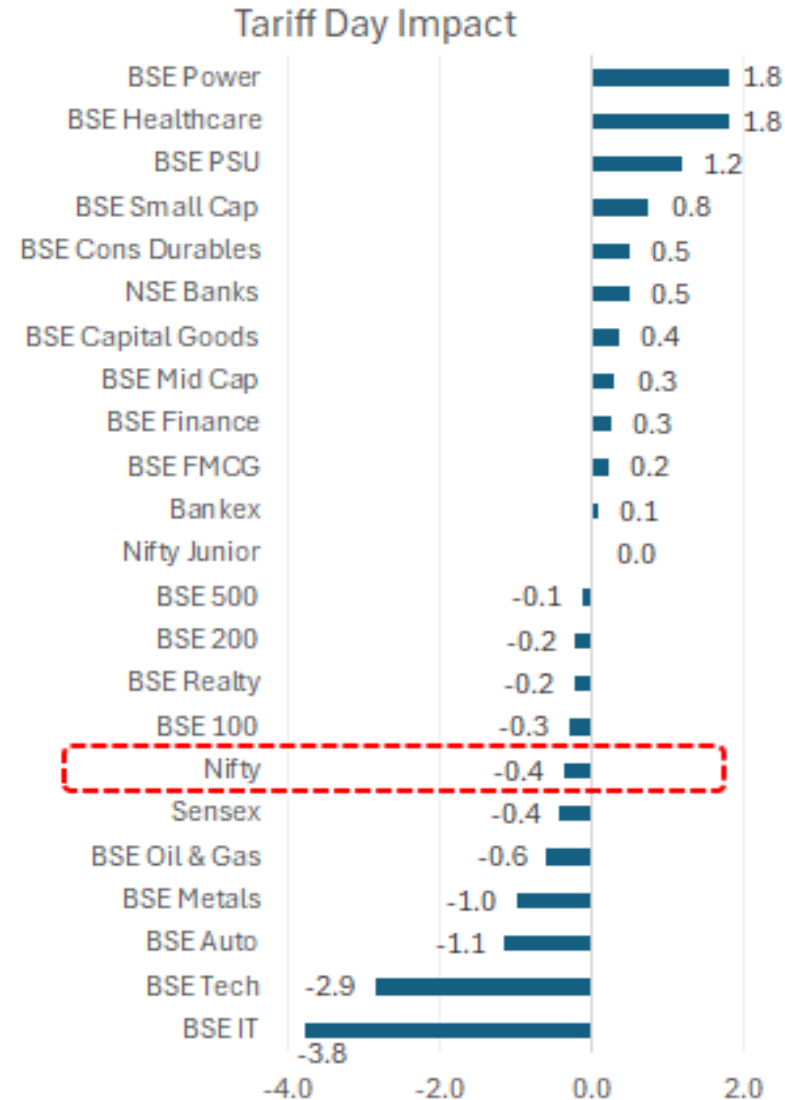
Reuters | Marc Jones @marcjonesrtrs
Source: JPMorgan

Tariff: The day impact

Country Impact



India: Sectoral Impact



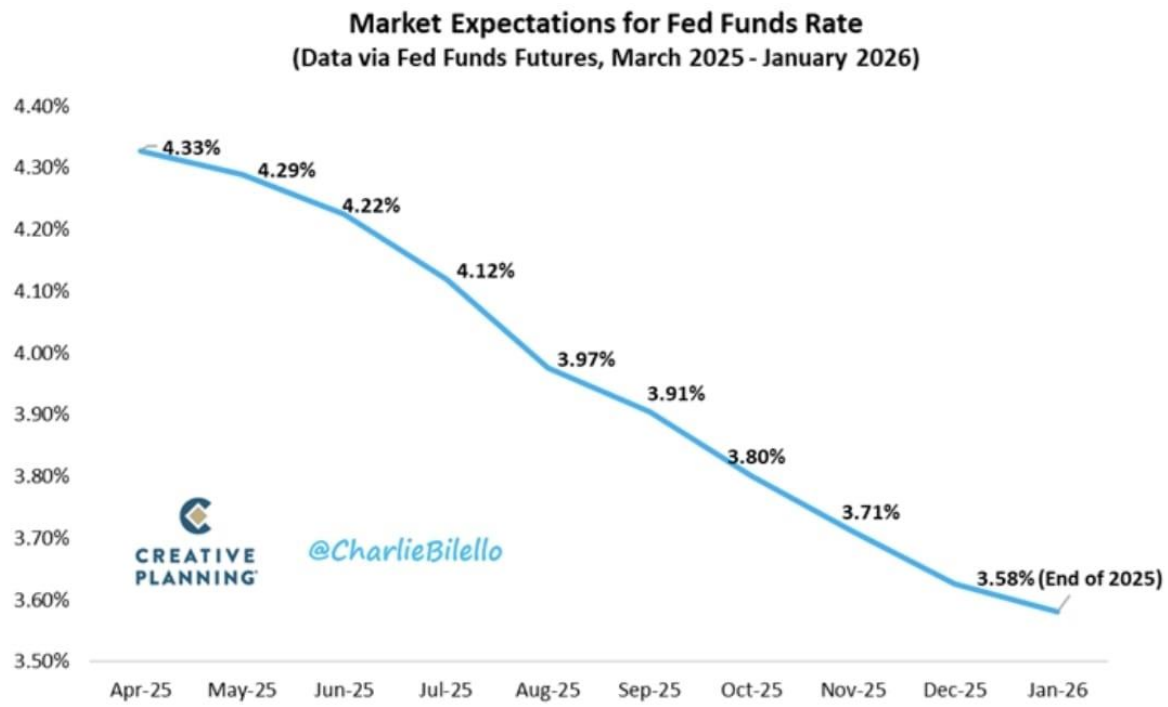
Gold and bond: The perfect storm shelters

Steady as they go

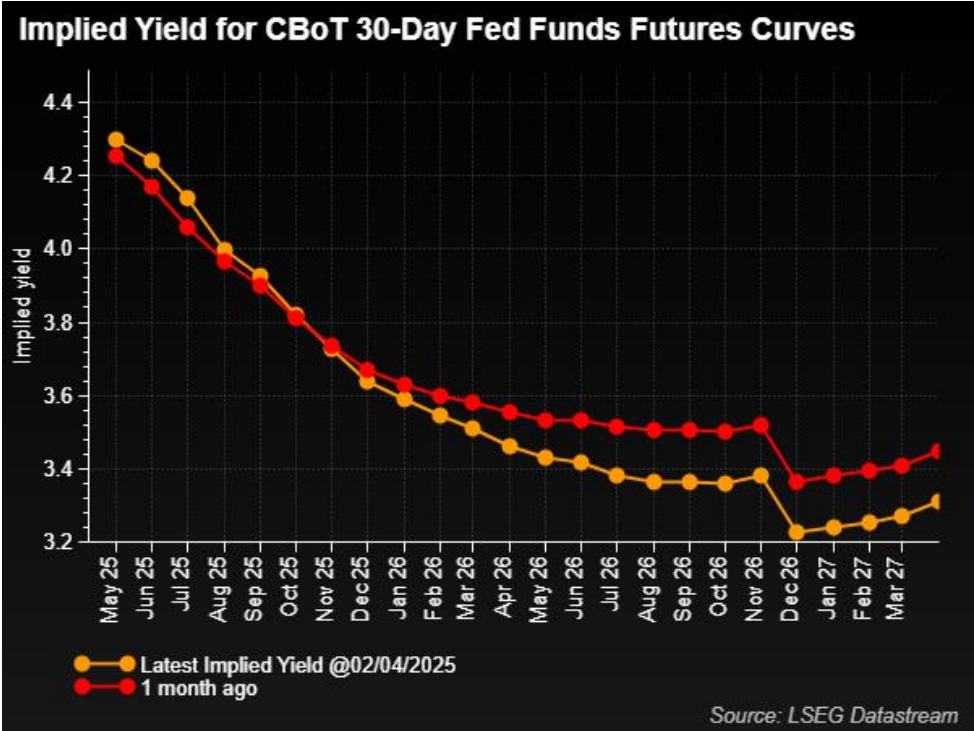


Rate cut expectations magnify during periods of uncertainty

Market now expects three rate cuts this year



Rate expectations eased recently



Advantage EM: Earnings-valuation combo still favourable

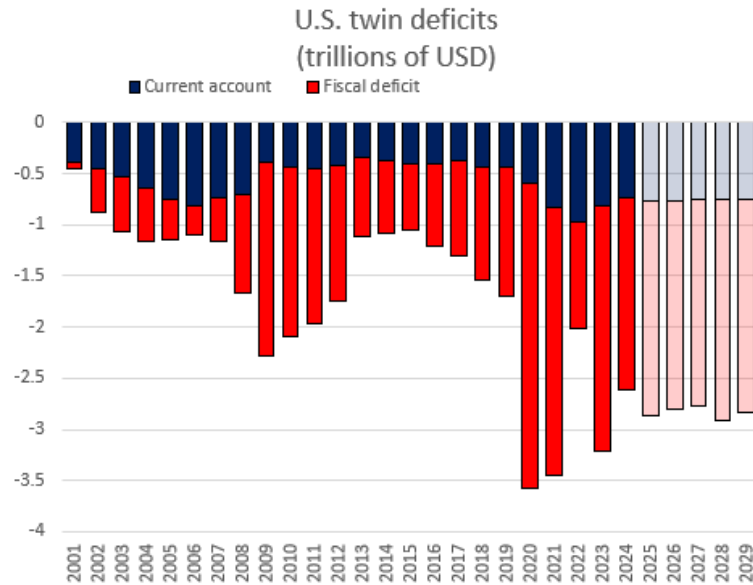
US/India expensive, China/EM holds value; while earnings are converging

Index	EPS Growth					Cons. Valuations				
	2022	2023	2024E	2025E	2026E	CAGR 19-24E	CAGR 24-26E	25F PE	26F PE	Current 12mth Fwd PER
MSCI USA	6.5	3.0	11.4	11.7	14.6	10.4	13.2	21.5	18.8	20.6
MSCI China	2.4	11.5	17.5	8.8	12.0	8.8	10.4	11.6	10.4	11.4
MSCI Hong Kong	(2.5)	(6.2)	12.3	8.3	7.2	(2.1)	7.7	12.4	11.6	12.2
MSCI India	7.8	32.0	6.1	17.0	15.0	18.1	16.0	21.2	18.4	21.2
MSCI Indonesia	39.3	10.2	2.4	(0.5)	6.3	11.3	2.8	10.3	9.7	10.1
MSCI Korea	(15.7)	(42.9)	99.5	20.0	17.6	19.3	18.8	9.0	7.6	8.6
MSCI Malaysia	8.1	6.2	10.9	6.2	7.0	9.0	6.6	13.0	12.1	12.6
MSCI Philippines	25.1	25.9	18.0	8.7	9.5	9.9	9.1	10.5	9.6	10.2
MSCI Singapore	141.0	38.3	11.4	7.0	7.9	28.9	7.4	14.5	13.5	14.3
MSCI Taiwan	(5.3)	(20.1)	40.2	18.2	15.8	17.6	17.0	15.1	13.0	14.5
MSCI Thailand	25.2	6.6	8.4	12.0	10.0	4.9	11.0	14.4	13.1	14.0
MSCI South East Asia	114.4	13.3	22.6	6.6	8.1	24.5	7.4	13.2	12.2	12.9
MSCI Asia-ex-Japan	2.0	(1.9)	26.9	12.7	13.3	12.5	13.0	13.2	11.7	12.9
Emerging Markets	15.6	(5.3)	21.7	13.1	13.2	14.8	13.1	12.4	11.0	12.1
Dev Markets	10.4	1.4	8.5	9.7	13.2	9.9	11.5	19.1	16.9	18.4
Hang Seng	7.6	6.2	13.1	4.8	8.5	5.8	6.6	10.6	9.8	10.4
CSI 300	8.8	6.1	10.0	9.0	9.2	8.3	9.1	12.2	11.2	11.9

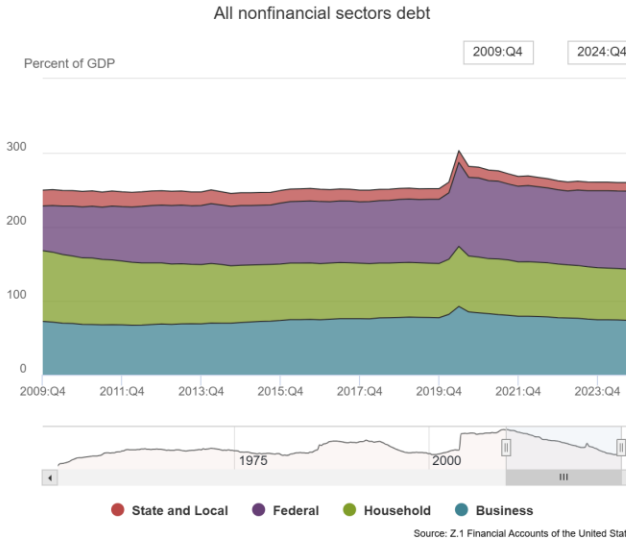
Source: IBES Consensus forecasts, MSCI, LSEG, Nomura research; data as on 1 April 2025
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US equities: On Hold

Twin deficits would take long to correct



Government debt levels high



Suffered more from tariff

	Mar-25	QTD
US (S&P 500)	-3.0	-1.8
NASDAQ	-3.1	-5.4
Mexico (MEXBOL)	1.7	7.5
Canada (S&P/TSX)	-0.2	2.5
China (Sh Comp)	1.5	0.5
Hong Kong (HIS)	1.8	16.4
MSCI Emerging Markets	2.9	5.0
MSCI Golden Dragon	0.4	7.2
Europe	2.8	13.7
Germany	2.5	16.1
India (Nifty 50)	7.0	0.1

Risk factor – widely publicized bear events rarely play out as advertised!

Impact Analysis – Dart-board in the Dark...

- It's a waypoint, not an outcome – there will be long months (maybe years) of negotiations
- The only definitive conclusion today is heightened uncertainty and volatility in financial markets
 - Gold is a natural beneficiary
 - Long-tenor G-Secs are a second beneficiary
 - Indian INVITs shine quite brightly (cash-flow assets with long durations in a soft interest rate environment)
- Indian Equity Impact
 - Pharma is a clear “phew” moment, but aside of that all sectoral analyses are coin-toss
 - India has multiple levers to balance trade with the US – Oil, Gas, Defence. A Bilateral Trade Agreement will be reached soon
 - Decline in oil prices with economic uncertainty is an unmitigated positive for India, strengthens CAD further, opens further room for monetary easing
- EM equities remain interesting – earnings-valuation trade-off, primarily due to China, is well-poised
- Incremental US Equities allocation – time for a pause till the dust settles, swap out of tech-heavy portfolios and into more broad-based ones

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