Monthly Perspective

"The New Tariff era isn't a cold war. It's an expensive one and global investors are feeling the heat."

March 2025 closed with a harsh reality check for markets — the S&P 500 dropped over 6%, the worst monthly decline since 2022. The catalyst? President Trump's sweeping return to protectionism, unleashing a wave of tariffs not only on rivals like China, but also on allies including Canada, the EU, and Japan.

This broad-brush tariff strategy is more than just economic policy; it's a geopolitical disruptor. Here's what you need to know — and why it matters for your investments:

▲ Strained Ties, Rising Risk
Once-stable alliances are under pressure. The US has historically depended on trade partnerships with Canada, Europe, and Japan to anchor its economic and political clout. By turning trade into a battlefield, the US risks losing that support – and watching key allies pivot away toward, high chance towards Asia Pacific regional bloc.

Investor watchpoint: Global firms with US-centric supply chains or significant export exposure may face earnings pressure as trade flows realign.

► New Trade Blocs are forming
China and EU are stepping up coordination. The same goes for Asia-Pacific neighbors – China, Japan and South Korea are quietly but steadily building stronger economic ties. These shifts could reduce the influence of US multinationals in global trade.

Investor watchpoint: Asia consumer and logistics sectors stand to benefit from this realignment, offering a potential cushion from US-centric volatility.

▼ Tariffs Won't Fix the Trade Deficit
Trump hopes that tariff will bring jobs back to America. The reality is without local manufacturing scale or a ready labor base, reshoring is slow and costly. US consumers and companies are likely to see rising prices without meaningful gains in domestic production.

Investor Risk: Tariff-driven inflation may dampen customer confidence and pressure corporate profit margins – leading to lower equity valuations in sectors like retail, autos, and tech.

Outlook: Cautious, with an Eye on Asia

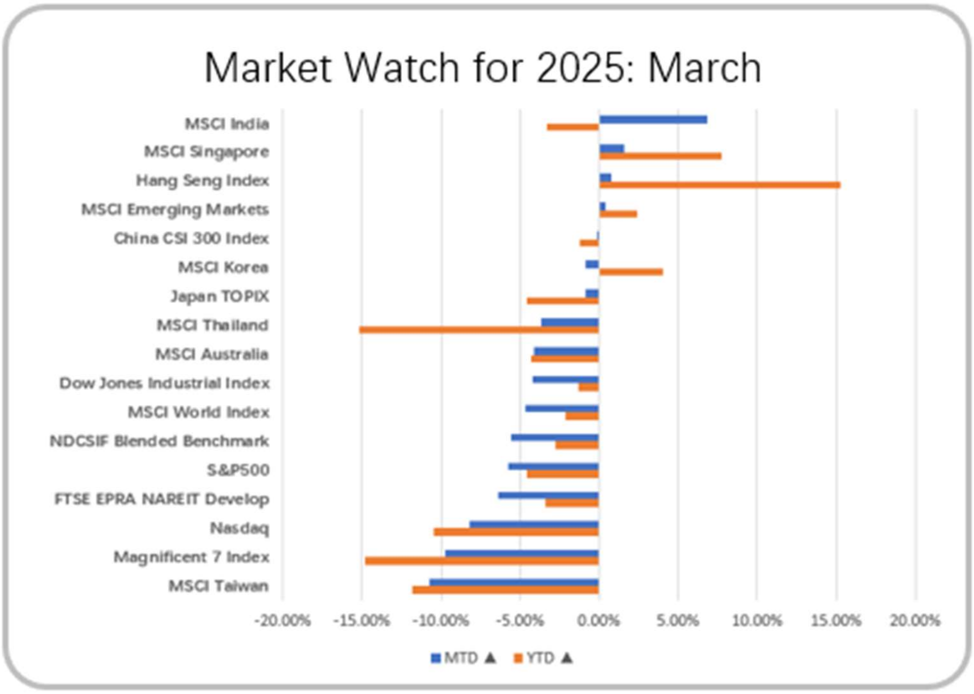
While the near-term view is clouded by protectionist fog, pockets of opportunity remain. Asia's expanding middle class – including 700 million consumers in China – continues to power domestic demand with the help of their local governments. As more nations diversify away from the US, this region may become a magnet for growth and capital flows.

Strategic Insight: We are closely monitoring Asian equities, especially in consumer, logistics and infrastructure-linked sectors, as potential bright spots amid global turbulence.

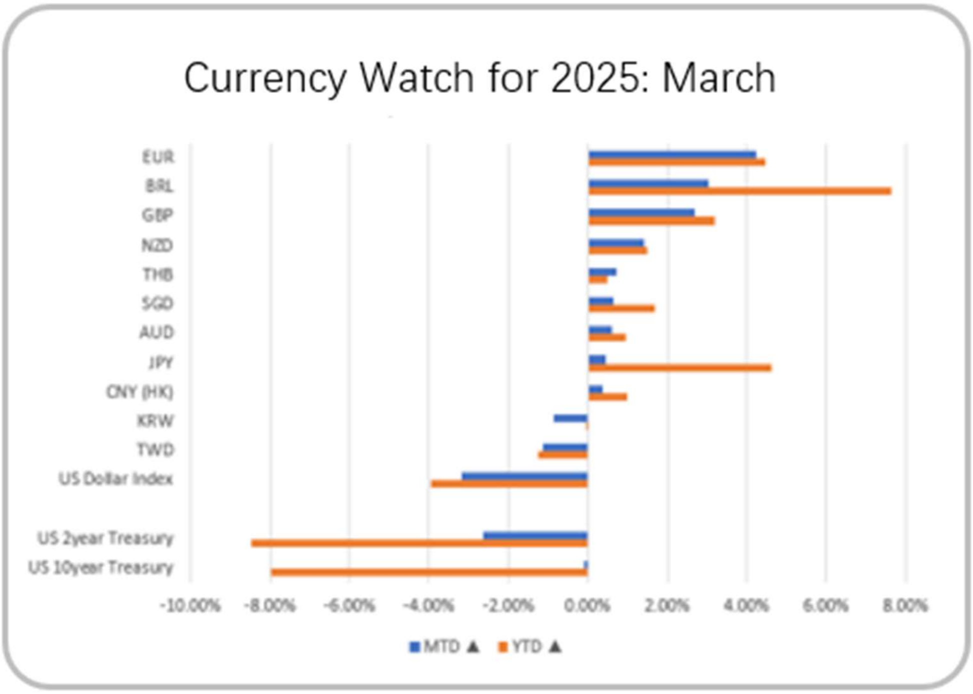
From the News Desk to the Investment Team

- US stock market loses $4 trillion in value as Trump plows ahead on tariffs – 3rd Mar
- China to boost food imports from Latin American, Europe as US trade war escalates – 5th Mar
- Sony, Suntory build US stockpiles as Japan faces Trump tariff threat – 6th Mar
- Technological cooperation leads to closer China-Africa economic, trade ties – 7th Mar
- Trump vows to take ‘hundreds of billions’ in tariffs as Australia’s hopes of getting exemption fades – 11th Mar
- Trump threatens tariffs on buyers of Venezuelan Oil – 26th Mar
- Europe criticizes Trump auto tariffs, warning of economic threat to both continents – 27th Mar
- Trump announces 25% tariffs on car imports to US – 27th Mar
- US economy grew 2.4% last quarter, faster than previous estimate – 27th Mar
- As Trump imposes trade barriers, China and France seek closer ties – 28th Mar
- EU trade commissioner says bloc seeks to deepen cooperation with China – 28th Mar
- Canadians pull back on US trips, threatening to widen United States $50 billion travel deficit – 29th Mar
- China, Japan and South Korea to strengthen trade as Trump tariffs bite – 31st Mar
- Goldman raises odds of US recession to 35% - 31st Mar
- Trump tariffs threaten Latin American steel industry – 1st Apr
- Anthony Albanese sends a blunt four word message – ‘not up for negotiation’ to Trump over US tariff threats – 1st Apr
- China ready to buy more goods from India as US tariffs loom – 1st Apr

Market Overview

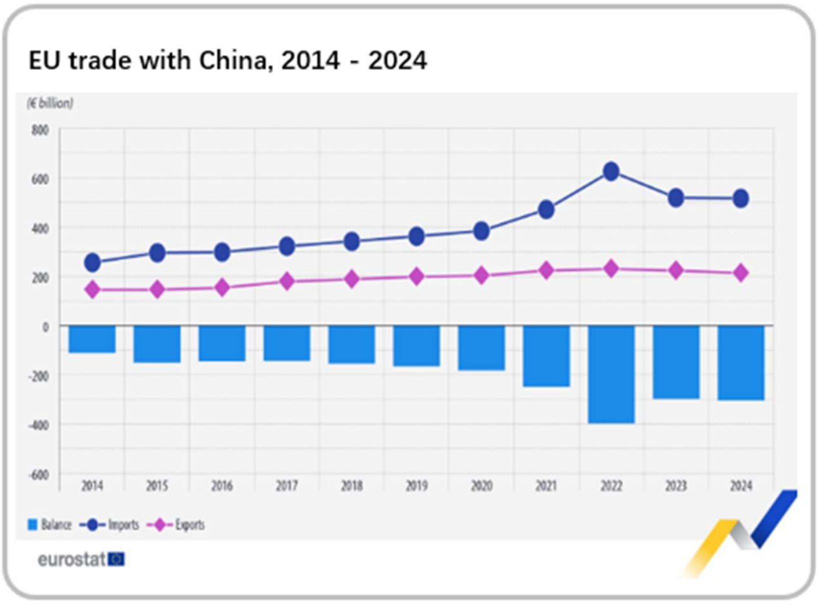


India, Singapore and Hong Kong stay in positive despite S&P500 pullback by more than 5% for the month on Trump's tariff threats.



US dollar declines for another month as the world anticipates new Trump tariffs and increased concern that US economic growth may slow down on higher cost linked to tariffs.

Chart of the Month



The chart from Eurostat showing EU-China trade from 2014 to 2024 reveals several key trends that are especially relevant in the current geopolitical climate.

Why This Data Matters for Investors:

1. Rising EU-China Trade Integration
   Despite pandemic-related disruptions, EU imports from China have surged over the past decade, reaching a peak in 2022. The trade deficit widened sharply, showing deepening dependence on Chinese goods. While 2023 and 2024 show a modest pullback, the volumes remain historically high despite US trying to influence less trade between Europe and China.
2. Potential Reacceleration Amid U.S. Protectionism
   With the U.S. implementing broad-based tariffs on both adversaries and allies, EU exporters may increasingly look eastward. A rebound in EU-China trade in 2024 could signal the formation of new trade blocs and deeper commercial ties—potentially sidelining U.S. interests.
3. Investment Implications:
   - Multinational Firms: European and Asian multinationals with strong China exposure may benefit from increased cross-border flows.
   - Supply Chain Realignment: Watch for logistic, industrial, and tech sectors positioned to benefit from EU-China infrastructure and trade agreements.
   - U.S. Equity Risk: If EU firms pivot toward China and away from U.S. collaboration, some U.S. corporates may see reduced European demand and face stiffer competition in global markets.
4. Early Indicator of De-Dollarization Momentum
   Growing EU-China trade volume may also translate into currency diversification—especially

if trade settlements increasingly move away from the U.S. dollar. Monitoring this shift can help us evaluate long-term FX implications.

We will continue tracking trade volumes and watch for signs of policy support (e.g., new EU-China trade pacts or tech collaborations). Any acceleration will help us plan forward positions in Asian consumer sectors, logistic, and select European exporters.

New Dimensions Capital

Navigating Market Uncertainty Amid 'Liberation Day'

On April 2, 2025, the U.S. administration announced a series of new tariffs, referred to as 'Liberation Day' tariffs, targeting various imported goods, including automobiles and technology components. This policy shift has introduced significant volatility into global financial markets, with the S&P 500 experiencing a 6.3% decline in March, marking its worst monthly performance since 2022.

Implications for Investment Strategy:

- Market Volatility and Risk Management: The introduction of these tariffs has heightened market volatility, underscoring the importance of robust risk management strategies. Diversification across asset classes and geographies remains a cornerstone of mitigating such uncertainties.
- Sector-Specific Impacts: Industries directly affected by the tariffs, such as automotive and technology sectors, may face headwinds. Conversely, domestic producers in these industries might experience short-term gains. A sector-rotation strategy could be beneficial in navigating these shifts.Long-Term Perspective: While tariffs can disrupt markets in the short term, it's essential to maintain a long-term investment horizon. Historical data suggests that markets tend to adjust over time as economies adapt to new trade policies.
- Monitoring Economic Indicators: Keeping a close watch on economic indicators, such as employment reports and consumer sentiment, can provide insights into the broader economic impact of the tariffs and inform tactical adjustments to investment portfolios.

New Dimensions Capital remains committed to navigating these complexities by adhering to disciplined investment principles, staying informed on policy developments, and proactively adjusting strategies to safeguard and grow our clients' wealth in an evolving economic landscape.