

SARASIN

Six Minute Strategy Update from Washington

February 2025

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1. Republican challenge to Trump appointees has collapsed

The most controversial confirmations were narrowly decided with 52-48 votes.

1

Tulsi Gabbard's Confirmation as Director of National Intelligence:

- Vote Outcome: Confirmed by the Senate with a 52-48 vote.
- Republican Opposition: Senator Mitch McConnell was the only Republican senator to vote against Gabbard's confirmation. He expressed concerns over her qualifications and her support for whistleblower Edward Snowden and her foreign policy stances.

2

Robert F. Kennedy Jr.'s Confirmation as Health & Human Services Secretary:

- Vote Outcome: Confirmed by the Senate with a 52-48 vote.
- Republican Opposition: Senator Mitch McConnell was again the sole Republican to oppose the nomination. As a polio survivor, McConnell cited Kennedy's anti-vaccine views.

There was no desire to challenge White House policy, appointments or the actions of DOGE from any Republican Senator or Congressman

2. Trump 2.0 more decisive and aggressive than Trump 1.0

- 1 Tariffs:** Despite walk backs on 25% tariffs on Canada and Mexico, 10% tariffs on China have come into effect and 25% tariffs on aluminium and steel expected to go into play on March 12. Reciprocal tariffs are being evaluated. Even if agreement is reached, Trump will continue to brandish tariffs as a negotiating tool to counter non-tariff barriers and regulations (Digital Markets Act, GDPR, CBAM, VAT). Retaliations could easily be argued to be the dominant strategy while repeated tariff threats risk creating uncertainty.
- 2 Tax Cuts:** Republicans have tabled \$1.5trn in spending cuts and \$4.5trn in tax cuts as their starting gambit. Increased spending for border and defence is at \$300bn. A government shut down on March 14 seems to be likely.
- 3 Deregulation:** Musk is currently targeting a reduction of 250K employees. Trump says he would like to reduce the Federal workforce 25%. Agencies likely to be drastically reduced – USAID, CFPB, FEMA, NIH, FDA, CDC, EPA, Department of Education meaning there is legal and disruption risk.
- 4 Deportation:** Run rate has matched the pace during Obama administration.

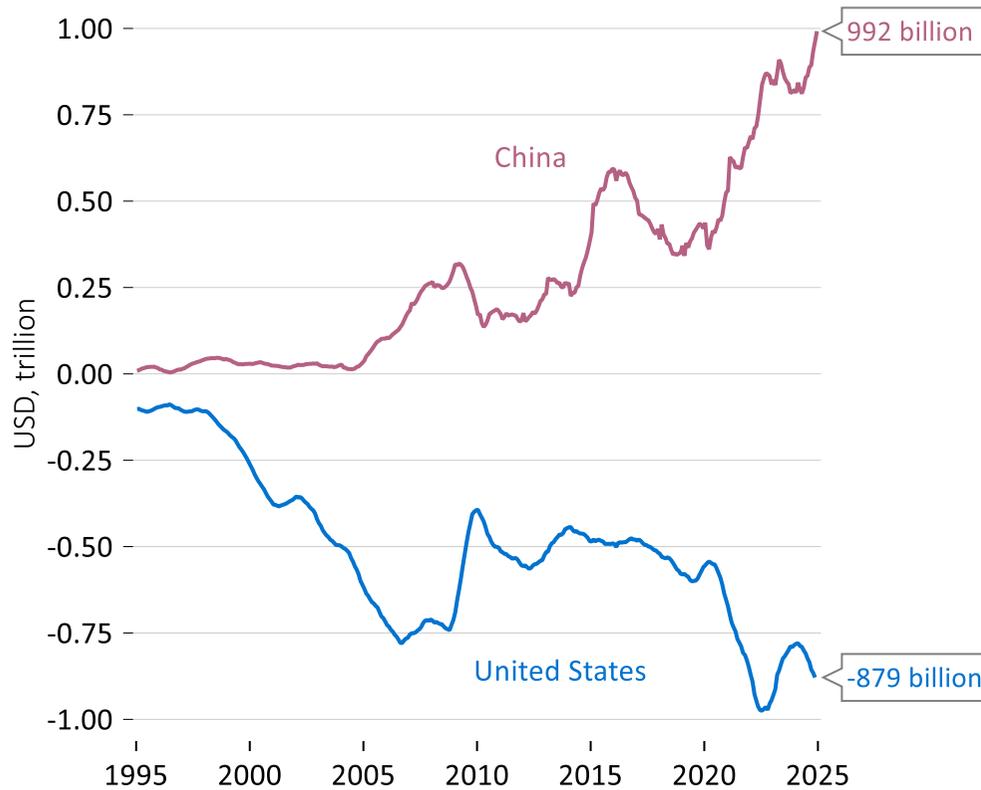
Markets had already priced in *some* tariff impact

Trump will continue to brandish tariffs as a negotiating tool to counter non-tariff barriers



Trade Balances: China vs US, 1995 - 2025

Total Trade Balances



Source: Macrobond, 22.01.25



The asymmetry of US trade power is striking

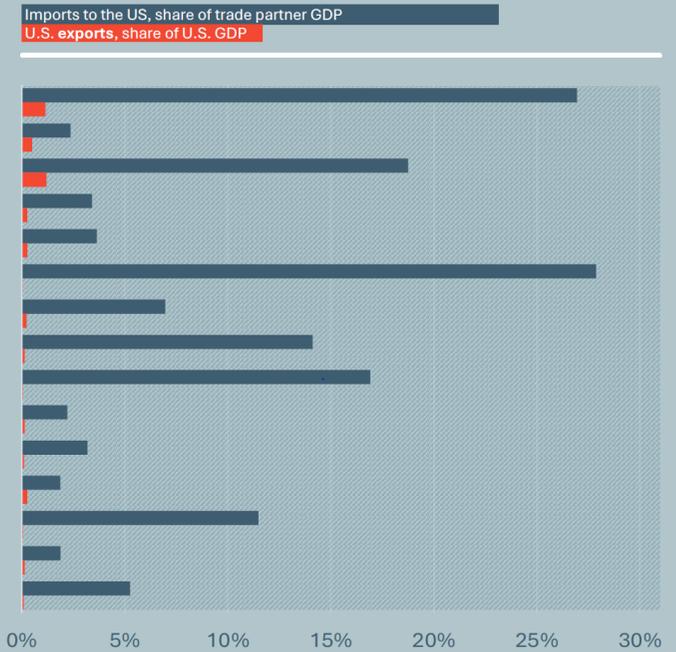
Whose trade matters? (by \$ imports)

- Mexico (\$498B)
- China (\$433B)
- Canada (\$415B)
- Germany (\$161B)
- Japan (\$148B)
- Vietnam (\$131B)
- Korea (\$130B)
- Taiwan (\$109B)
- Ireland (\$95B)
- India (\$86B)
- Italy (\$76B)
- U.K. (\$67B)
- Thailand (\$61B)
- France (\$59B)
- Switzerland (\$50B)

Sum of top 15 = \$2.9 trillion
or 89% of all U.S. imports

Note: 1) There are countries with whom the US has \$ trade surpluses, e.g., Hong Kong, Australia, & UAE. 2) Imports are trailing 12-mth totals as of 9/2024.
Source: Census Bureau, IMF, BCG Center for Macroeconomics

Power asymmetry: Who has more to lose?



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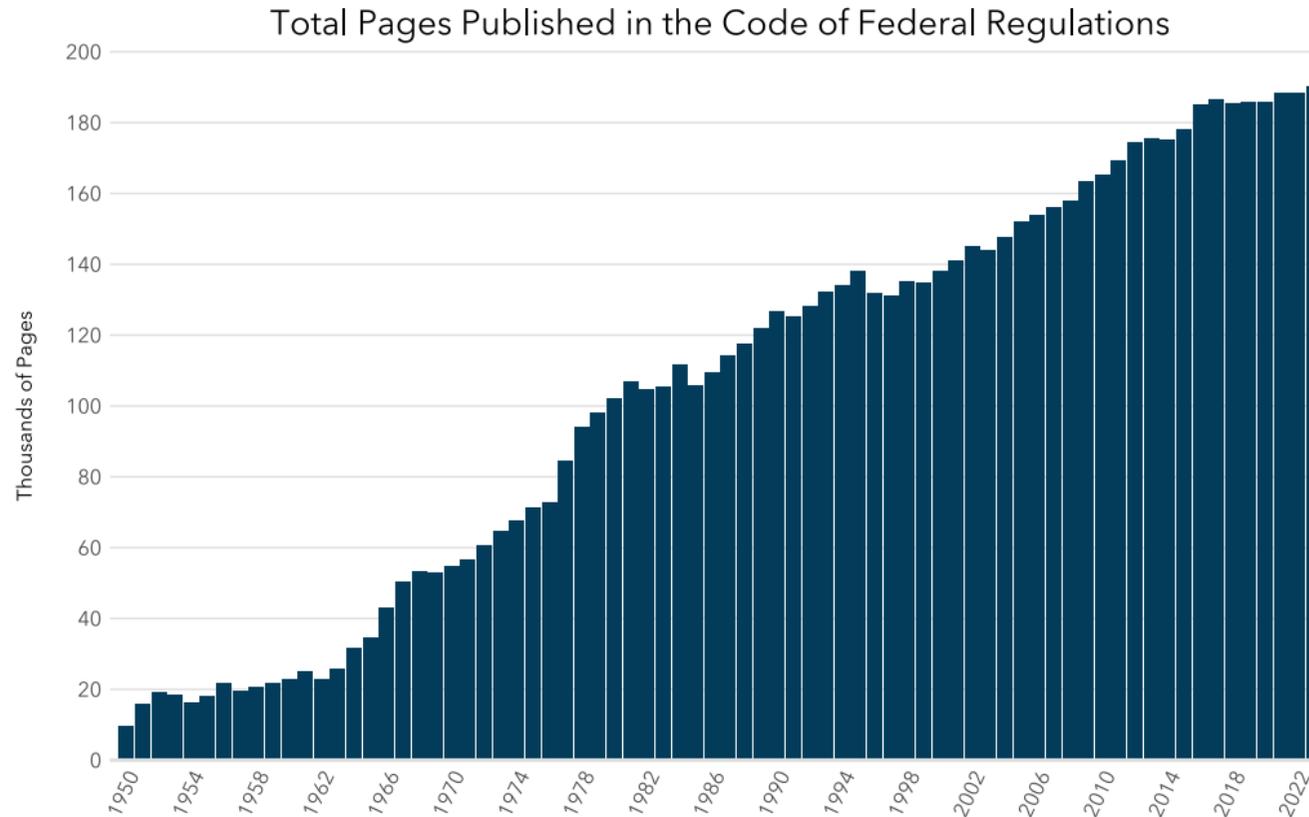
Source: BCG, December 2024

Aggressive action is needed to reverse regulatory overload?

Democratic Presidents have typically increased regulations



Volume of pages point to escalating burden on businesses



Regulatory
Studies Center

[THE GEORGE WASHINGTON UNIVERSITY](https://www.regulatorystudiescenter.org/)

Sources: govinfo.gov for the years 2022 and onwards; Federal Register Statistics for all the prior years

Updated: July 02, 2024

Performance since US election

US market leadership widens to include Chinese and European equities



Chinese equities now outperforming SPX since US election



Bond and equity volatility declines since US election

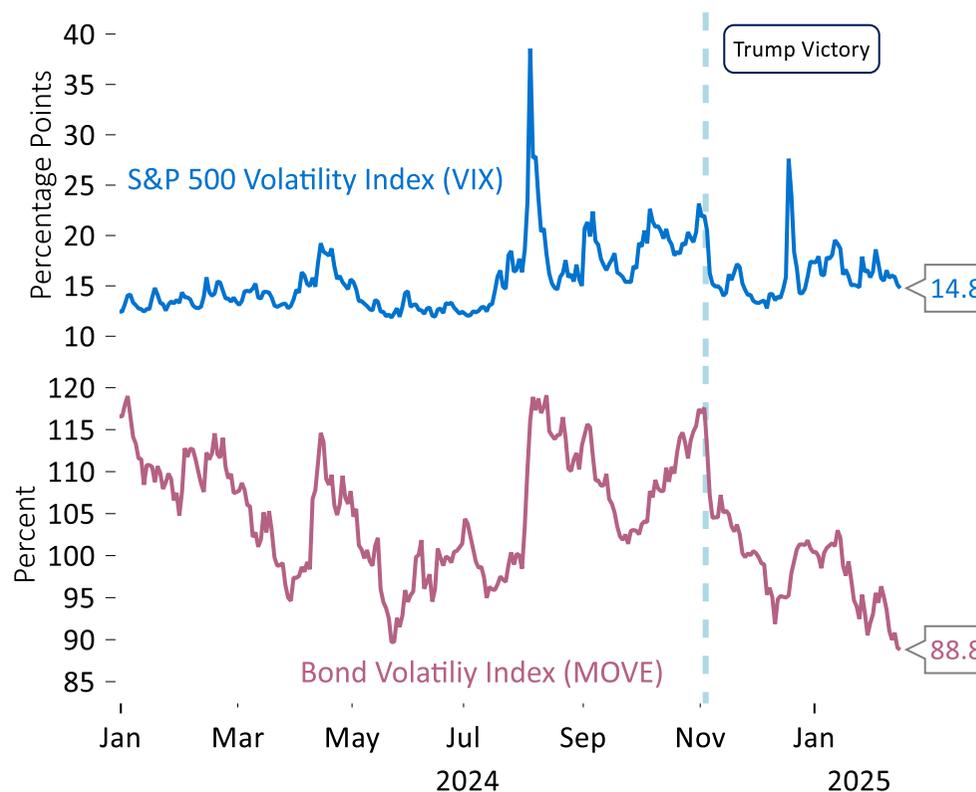
Impact of Trump's election victory on asset class performance

Asset class	Change since 11/5 as of 17/02/2025	Percentage change, %										
		-5	0	5	10	15	20	25	30	35	40	45
Bitcoin	41.83	[Progress bar to 41.83%]										
S&P 500 Growth	11.49	[Progress bar to 11.49%]										
China Equities	8.89	[Progress bar to 8.89%]										
S&P 500	7.04	[Progress bar to 7.04%]										
Gold	6.51	[Progress bar to 6.51%]										
Europe Equities	4.74	[Progress bar to 4.74%]										
US Dollar (DXY)	2.71	[Progress bar to 2.71%]										
S&P 600 Small Cap	2.42	[Progress bar to 2.42%]										
US High-Yield Bonds	2.23	[Progress bar to 2.23%]										
US 3M Bonds	1.28	[Progress bar to 1.28%]										
S&P 500 Value	1.13	[Progress bar to 1.13%]										
US 10Y Bonds	-0.31	[Progress bar to -0.31%]										
EMs Equities	-0.41	[Progress bar to -0.41%]										
Crude Oil	-0.76	[Progress bar to -0.76%]										
Real Estate	-1.97	[Progress bar to -1.97%]										

Source: ICE BofAML, LBMA, Macrobond, MSCI, FTSE Russell, S&P Global, ICE 17.02.25



US Equity & Bond Volatility



Source: Macrobond, 18.02.25

Past performance is not a reliable indicator of future results and may not be repeated.

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