

Six Minute Strategy

Why are markets celebrating tariffs?

13 June 2025

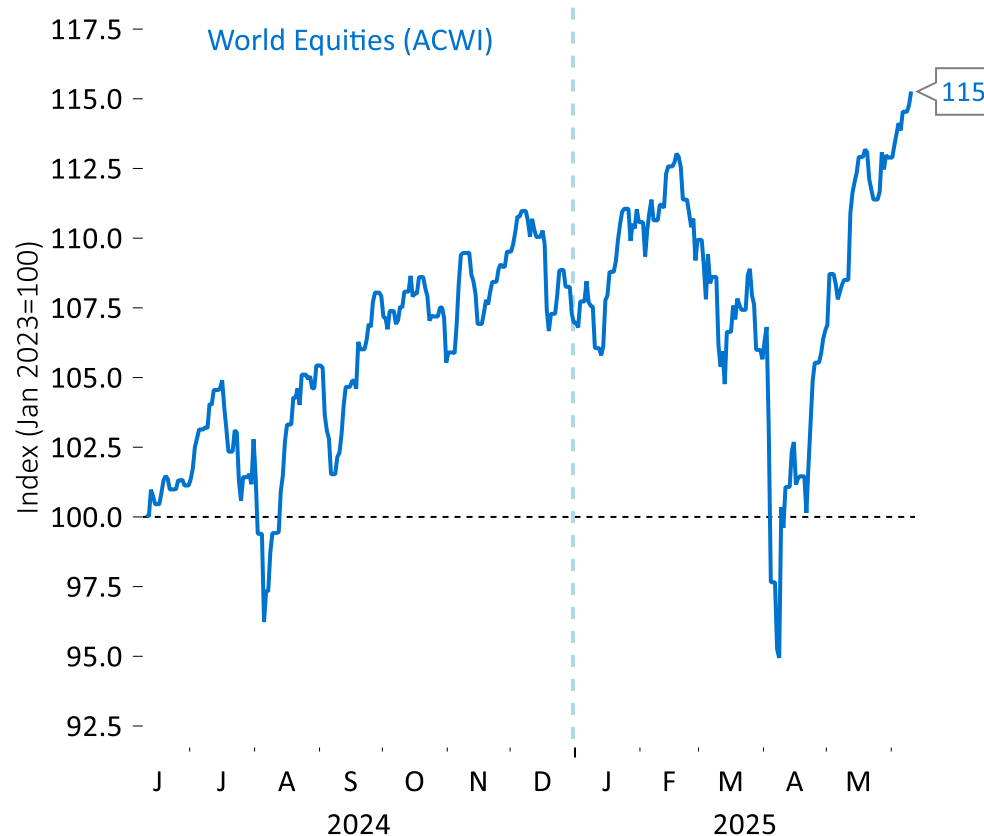


Global equities, oil, and the dollar

Market recovery continues (flattered by a weak dollar) – oil prices still weak



One of the sharpest falls in equity volatility

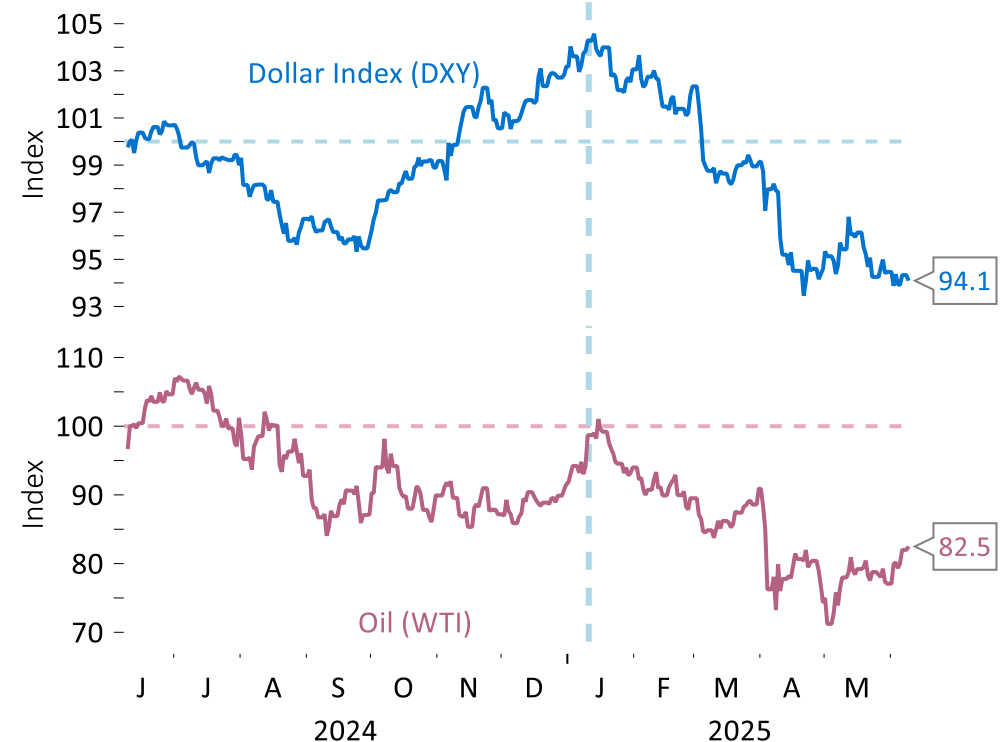


Source: Macrobond, 11.06.25



Decline in oil and the dollar continues

One year asset class performance
1Yr ago = 100



Source: Macrobond, 11.06.25

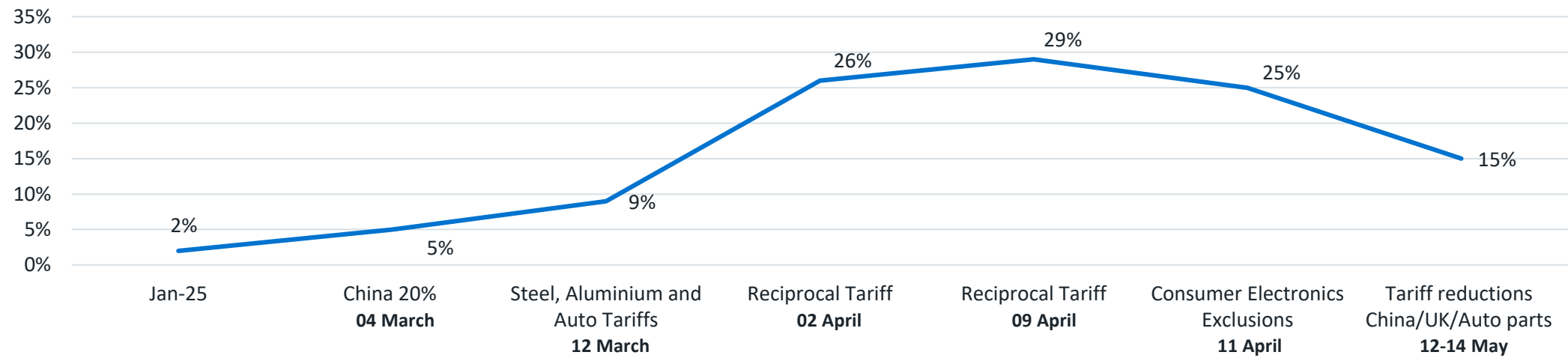
White House’s tariff agenda remains fluid

An estimate of long-term US tariff levels is still uncertain but rates are falling from peak

What can an end game look like?

Region–country	Possible tariff outcomes
Canada, Mexico	USMCA* Compliant 0% – otherwise 25% (paused at 10%)
UK, India, Australia, LatAm, Japan, South Korea, Taiwan	10% (paused at 10% till July 9 for all ex UK)
EU, China proxies (Vietnam, Cambodia, Malaysia)	20% (paused at 10% till July 9)
China	30% (paused till Aug 12)

Evolution of effective tariff rates



*USMCA = United States-Mexico-Canada Agreement. Source: Sarasin & Partners, Morgan Stanley, May 2025

President Trump's flagship MAGA policies now clear in the numbers

Labour market fundamentally changing as immigration falls – tariff rates climbing to around 12%

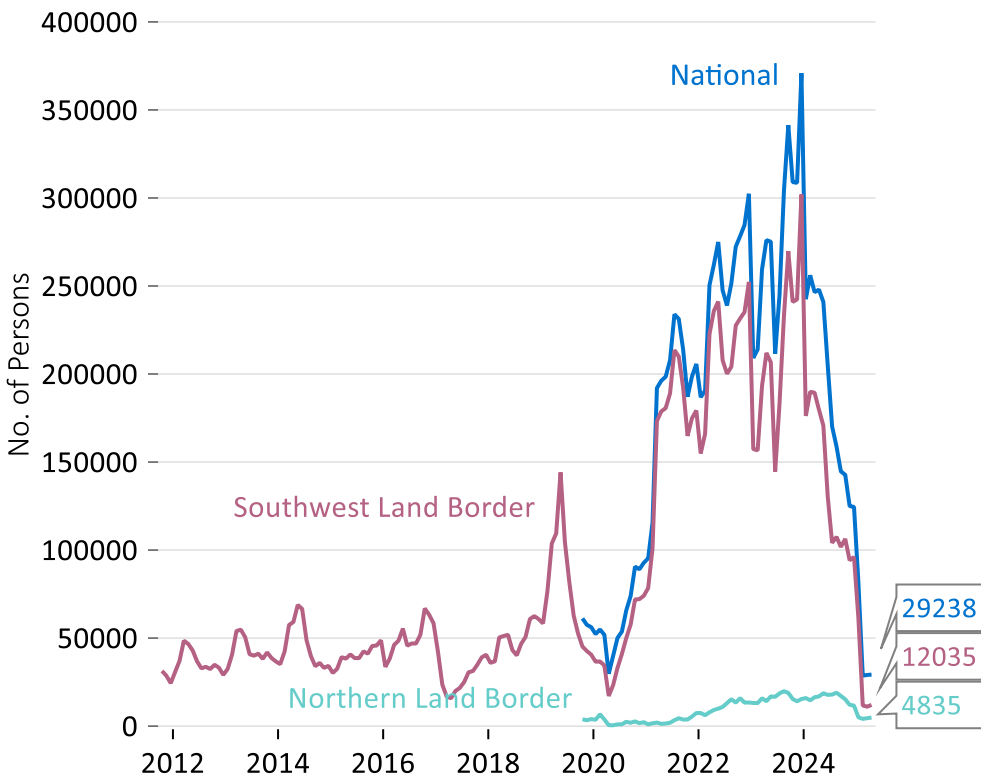


The US has effectively closed its borders



Tariff run rate is already c. US\$200 – 250bn annually

USA Nationwide Encounters - All Citizenships



Source: Macrobond, 11.06.25

US Customs Duty collected



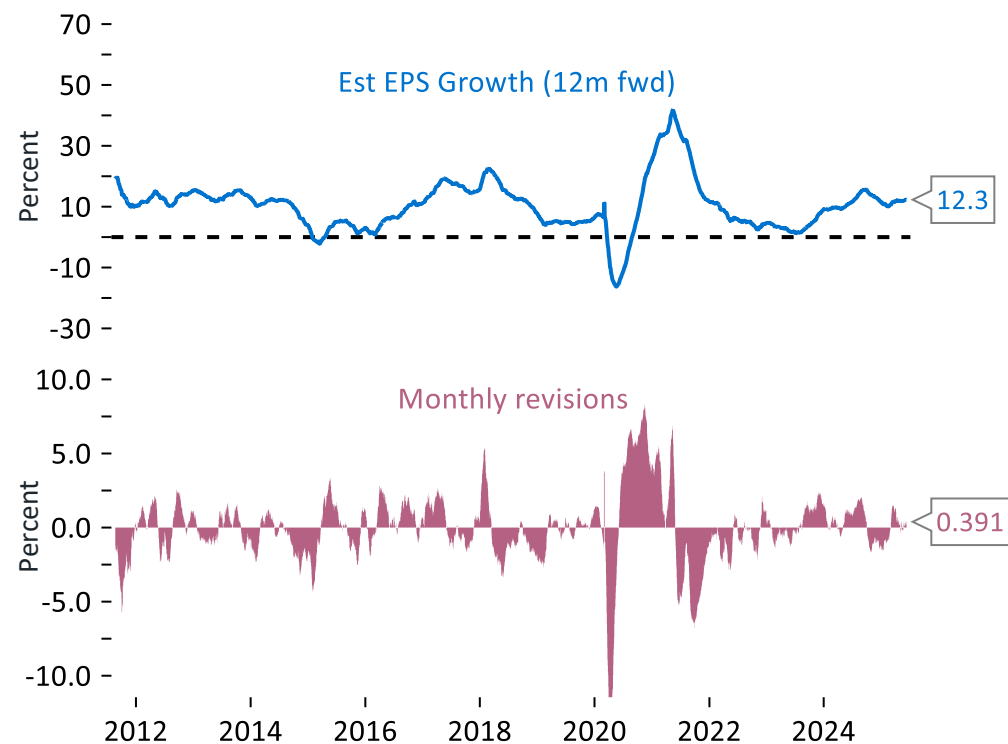
Source: Macrobond, 11.06.25

Global earnings and dividends – holding up

Downward earnings revisions are not visible yet – dividends and buyback robust

Global earnings growth still robust

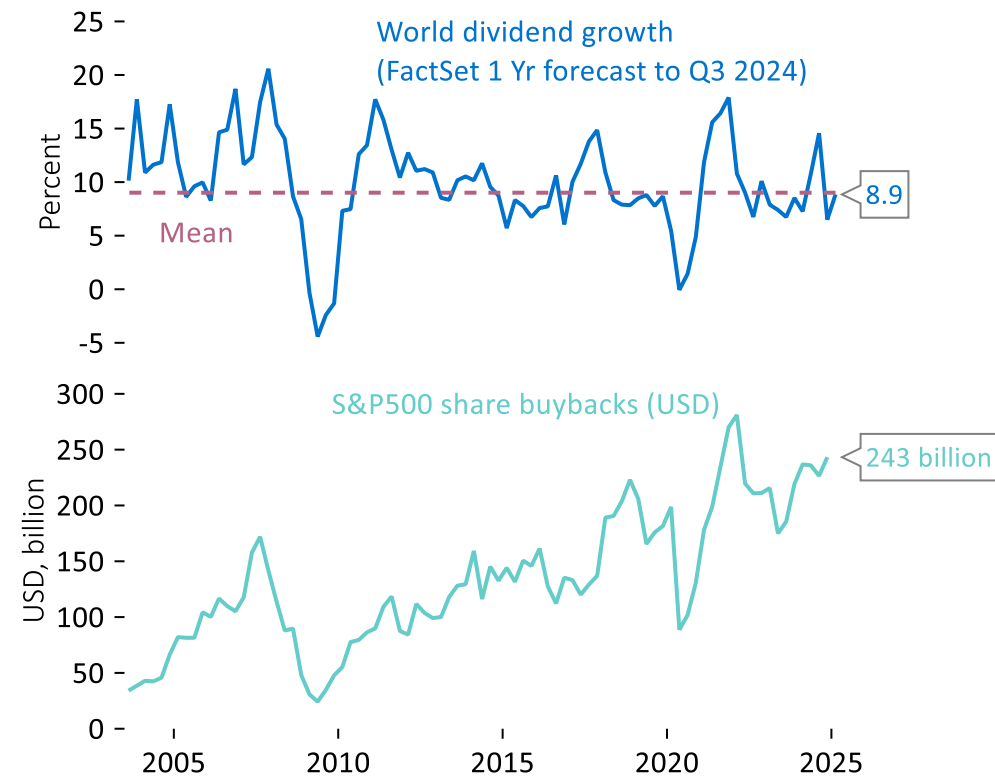
World Equities (MSCI ACWI)
Bloomberg Forward estimates



Source: Macrobond, 10.06.25

Global dividend growth and US buybacks plentiful

Global Dividend Growth & US Stock Buybacks



Source: Macrobond, 10.06.25

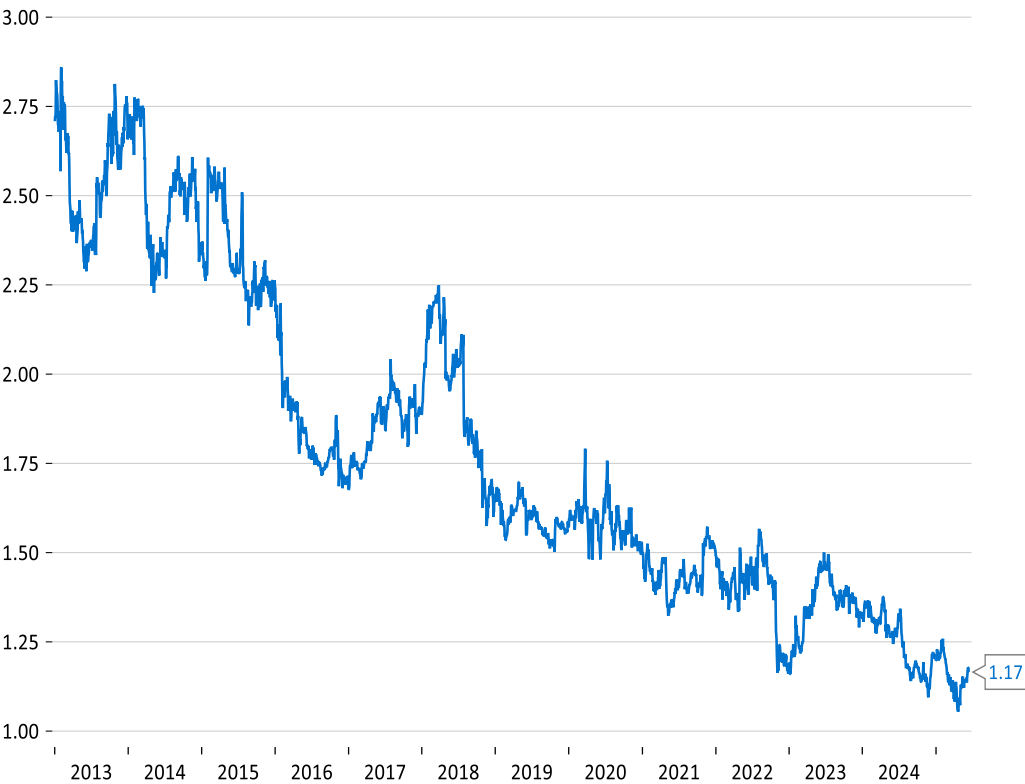
Past performance is not a reliable indicator of future results and may not be repeated.

Equity market valuations

Core tech platforms priced close to market – wider market looking expensive as bond yields rise

Core AI related valuations historically attractive

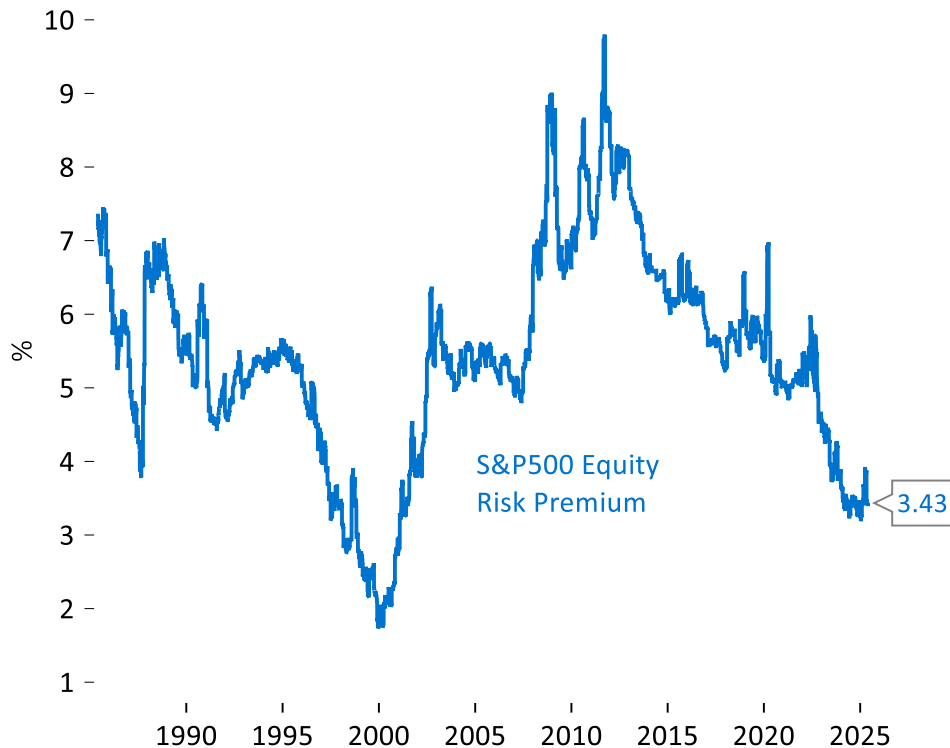
Microsoft, Google, Amazon & Meta xP/E relative to S&P 500



Source: Macrobond, 12.06.25

US Free cash flow margins still impressive

S&P500 Forward Earnings Real Equity Risk Premium



Source: Macrobond, 10.06.25

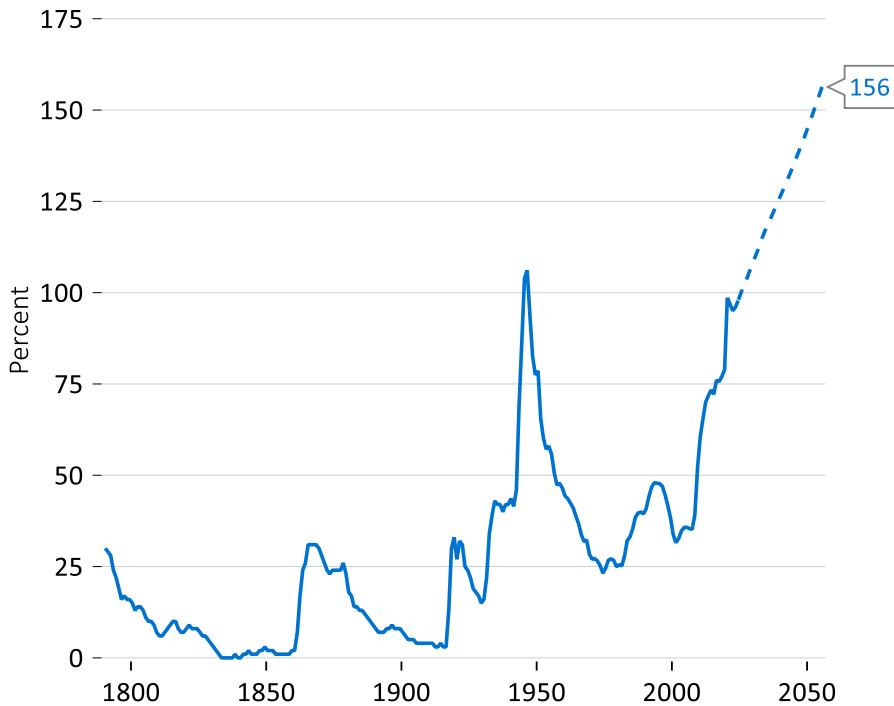
Source: Empirical Research June 2025

Government debt levels continue to surge

Bond market ‘vigilantes’ still a risk to the President’s ‘One Big Beautiful Bill’.

US federal spending still trending higher despite DOGE

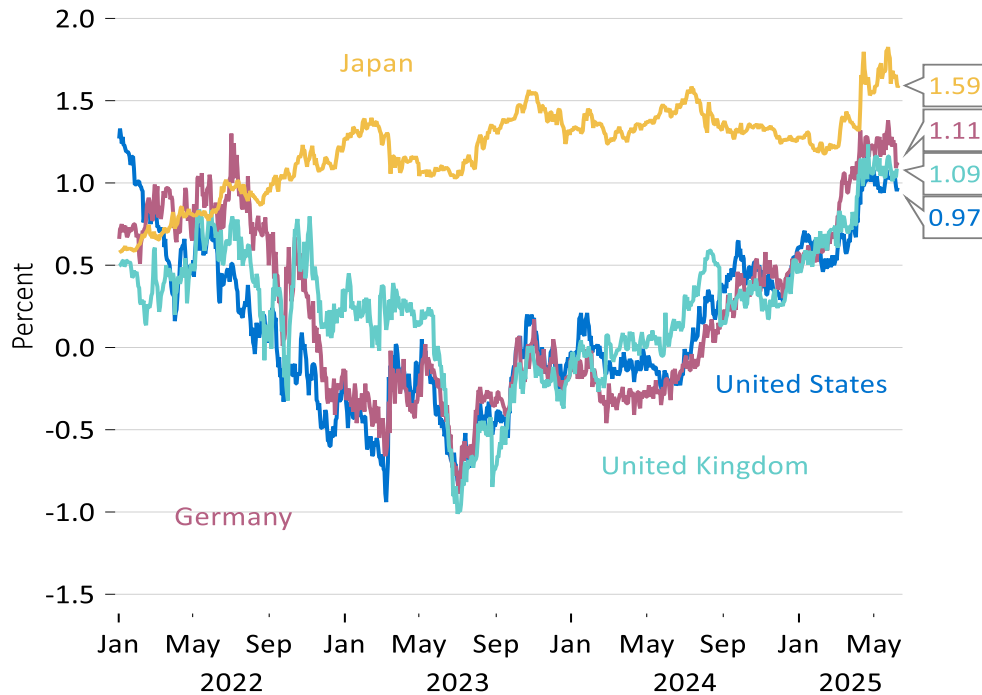
US debt held by the public as a percent of GDP



Source: Macrobond, 10.06.25

Investors increasingly nervous about buying long term debt

Government Bond Yield Curve Slope (20-2yrs)



Source: Macrobond, 10.06.25

The “One Big Beautiful Budget Bill” costs are estimated at U\$2.4 trillion over 10 years and add 7% to total US debt
CBO and Yale Budget Lab June 2025

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