

State of Play

Update: Focus on Tariffs



23 April 2025

In our previous State of Play, we discussed the impact of the series of tariffs imposed by the President of the United States, Donald Trump. At the time, this led to substantial declines in global shares. This week's update provides some insight into what has happened to markets since.

What has happened since?

On 9 April, President Donald Trump announced a 90 day pause on all the 'reciprocal' tariffs, with the exception of China. During this period, there will be a new minimum 10% tariff rate in place for goods coming from all countries, including the UK. This was a major U-turn on what seemed to be a strong determination to keep the tariffs at the rates that were announced on 2 April. The 90 day pause in the 'reciprocal' tariffs offers some hope that countries may be able to negotiate a trade agreement with the US.

What about other tariffs?

Many other tariffs that President Trump announced since returning to the White House remain in place and are not affected by the pause.

That includes:

- 25% tariffs on all car imports to America, including from the UK.
- 25% tariffs on steel and aluminium imports, including products made from these metals.
- 25% tariffs on many imports from Mexico and Canada.

China trade war

The US and China are engaged in a trade war which has escalated in recent weeks. A trade war occurs when two countries impose tariffs or other trade barriers on each other in a series of retaliatory actions, aiming to gain an economic advantage. Earlier this month, Trump increased tariffs on all goods from China to 145%. China, in turn, responded with 125% tariffs on American goods.¹

Exemptions

On 11 April, President Donald Trump's administration announced that they will exempt smartphones, computers and other electronics from tariffs. Beyond smartphones and computers, the administration included exclusions for other electronic devices and components, including semiconductors, solar cells, flat-panel TV displays, flash drives, and memory cards. Officially, the White House stated that exemptions were made because Trump wants to ensure that companies have time to move production to the US.²

What does this mean for investors in the short-term?

Market Rally: Following the pause announcement, major stock indices experienced significant gains. These gains reflected renewed investor optimism and relief from the immediate pressure that the tariffs had caused.

Reduced Uncertainty: The pause has temporarily lightened some of the uncertainty that was weighing heavily on the markets. Investors may see a more stable market environment for the next three months.

Sector-Specific Impacts: While the pause applies to most countries, tariffs on China have been increased to 145%. This means sectors heavily reliant on Chinese imports, such as manufacturing, may still face challenges.

Potential for Negotiations: The pause opens a window for potential trade negotiations with other countries. Successful deals could further stabilise markets and provide new opportunities for growth.

Words of comfort for investors

While the current situation may seem volatile, it's important to remember that markets are resilient and often recover from such disruptions. The temporary pause provides a chance for stabilisation and potential positive developments in trade negotiations. By maintaining a calm and strategic approach, investors can navigate these turbulent waters and position themselves for long-term success in the ever-evolving global market.

Learn more!

Investing can feel complex and overwhelming, but our educational insights can help you cut through the noise. Learn more about the Principles of Investing [here](#).

Note: data as at 22 April 2025

¹ BBC, 21 April 2025

² Morningstar, 14 April 2025

Important Information

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