

State of Play

Final focus on tariffs



22 May 2025

It's been over a month since we first talked about the effects of the new US tariffs. In our second update, we explored the impact of the temporary pause in Trump's tariffs. Now, in the final commentary, we reflect on what happened and consider how the markets have changed over the past few weeks.

Our words of comfort

In our first update, we provided some words of comfort. In times of uncertainty, it is natural to feel worried about the future of your investments. However, having a calm and measured mindset can stop you from making rash decisions. Let's revisit some of our reassuring thoughts:

Historical resilience

In the past, markets have shown they can recover from tough times. While prices can go up and down over several days or weeks, they often grow over periods of many years. That's why it helps to stay focused on the bigger picture, think long-term, and not worry too much about short-term changes.

Diversification is key

We also talked about how spreading your money across different types of investments can help. If one area is hit hard by tariffs, others might do better. This mix can help protect your overall portfolio and make the investment journey potentially smoother.

Words of comfort or words of wisdom?

Although things seemed bleak and there were a lot of unknowns, stock markets have recovered much quicker than was widely expected. The S&P 500, an index of the top 500 companies in the US, is back near its record high. This is only a month after markets crashed because Trump released his 'liberation day' tariffs. That's a big turnaround, after falling nearly 20%. Since its lowest close in early April, the S&P 500 has almost regained that 20%.¹ The rally in stock markets has provided welcome relief for those investors who stood firm during this time.

Why the sudden rebound?

After surprising markets with steep tariffs—including a 145% rate on China—the Trump administration has now pressed pause, and restarted talks with key trading partners.

On Friday (16 May), news that the US and the European Union had begun serious trade talks gave markets a boost. This followed earlier gains sparked by the easing of tensions between the US and China, and the outline of a new trade deal with the UK.¹ Trump's team are likely to concentrate on delivering key trade deals over the next few months. The change in stance has boosted markets globally.

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

More stable markets

The pause in tariffs, especially after the big increases in April, has helped calm the markets. Investors were worried about a trade war. This break, especially with China and the UK, makes trade more predictable. That's good news for stocks, especially in areas like manufacturing, technology, and consumer goods.

Better outlook for exporting companies

Companies that depend on global supply chains or exports—like those in farming, technology parts, or heavy industry—could benefit. The deal with China includes lower tariffs and a plan for better market access.

Effects on inflation

Stopping new tariffs might help slow down rising prices, especially for imported goods. That could affect what the Federal Reserve decides to do with interest rates.

Some risks remain

The US government says tariffs could return if deals aren't made. Also, let's not forget that some tariffs (10%) are still in place. Investors will still be cautious, especially in industries where trade rules are not yet clear.

Summary

Markets have recovered, and that's a good sign, but we're not in the clear just yet. Some tariffs are still in place, and there's a chance they could return if trade talks don't go well. While recent news has helped calm investors, it's still important to stay focused and not react too quickly. Sticking to a long-term plan and holding a diversified range of investments is still the smartest way to handle uncertain times.

A market update with Santander Asset Management

We're pleased to invite you to our next online event where we'll be discussing investments markets and the factors which have shaped them over the last twelve months.

James Ind, Chief Investment Officer at SAM UK, will also be talking about expectations for the future and what factors could affect investment performance in the short and longer term.

We hope you can join us.

Date: Wednesday 11 June 2025

Time: 12 pm (GMT)

[Click here to register](#)

Note: data as at 22 May 2025

¹ Fortune, May 17 2025

Important Information

For retail distribution.

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