



# Market Update

## Global Asset Allocation Viewpoints

21 January 2025

### Trump Day One

The executive actions on Day One of Donald Trump’s second term have so far proved to be **less aggressive** than many had feared. We highlight the key takeaways for investors below.

#### Tariffs: *No immediate action.*

While Trump did indicate he plans on enacting tariffs as high as 25% on Mexico and Canada by February 1st, the lack of immediate action confirms the view that he will likely take a more pragmatic, rather than idealistic approach. Tariffs are likely to be used as a tool for negotiating more favorable terms with trading partners, meaning a significant rise in tariff rates may be avoided. While this is certainly not the final word on the subject, it can be viewed as a positive sign for markets.

#### Immigration: *Aggressive, but uncertainty regarding implementation and impact.*

Several actions were issued that focus on immigration reform, notably, an action seeking to end automatic birthright citizenship. Some of these actions will face legal challenges and the implementation of these orders will be challenging—so the ultimate impact is uncertain. Immigration reform is likely to put upward pressure on inflation, but this is unlikely to happen over the near-term. It could, however, impact longer term inflation expectations (Figure 1) and therefore continue to put upward pressure on longer term yields.

#### Energy: *Regulations rolled back, but impact likely to be muted.*

Promises were made to reverse “all regulations that impose undue burdens on energy production and use”, with the goal of decreasing oil prices, through increased supply. We remain skeptical of the impact these actions could have on energy prices over the medium to longer term. Energy producers in the U.S. have expressed an unwillingness to dramatically increase supply, on fears of over-supplying the market.

**Figure 1: 10-Year U.S. TIPS Breakeven Yields**

6 months ended January 21, 2025



Performance data quoted represents past performance which is not a guarantee or a reliable indicator of future results.

Source: Bloomberg Finance, L.P.

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