

### Recent Market Volatility

Financial markets have been rocked in recent trading sessions as a result of what Donald Trump served up on 'Liberation Day' by way of import tariffs for pretty much every territory in the world – be they inhabited by humans, penguins or seals. Whatever industry you work in, you can't have avoided the tariff headlines of recent weeks. Some countries including China have retaliated, some we are told are queuing up to negotiate and others are in wait and see mode.

### Latest impact

The effects have been staggering though with daily market moves not dissimilar to what we saw during 'peak Covid' or some of the worst days of the GFC. Many markets are in or entering official bear market territory (20% lower) as the fallout continued over the weekend, spilling into Asian markets on Monday with Europe and the US falling further when trading restarted. Not one to back down, Donald Trump has reiterated his stance and affirmed the state of play and that 'sometimes you have to take medicine'. The situation is very fast moving, most risk, and bond yields, have moved up from the lows set earlier this week – yet remain markedly lower than just a week ago.

Mr Trump is single handedly unravelling the 'Trump trade' all by himself in an act of wanton wealth destruction not seen in modern times. With no individuals to call him to account, remarkably, he is now answering to the faceless financial market which is punishing his posturing. It is difficult to discern the level of financial leverage in the system, but it is likely that market moves are being exacerbated by the unwinding of leveraged positions, BUT it is important to recognise that despite some big number moves, markets are functioning. Global sovereign bonds have proved to be robust diversifiers during this rout with bond yields falling sharply (and their prices rising) as risk assets sold off. This is different from peak Covid when even the highest quality paper – US treasuries – could not find a clearing price.

### Remain Invested and Diversified

Momentum's single asset and multi asset portfolios of course will have been impacted by mark to market pricing of their constituent holdings, but the diversification embedded into their portfolio construction means their relative performance – versus index and/or peers – is holding up in most cases. We came into this post inauguration episode with lower country and sector concentration risk in the equity part of our portfolios (read lower US and 'big tech') and healthy levels of sovereign debt. Whilst painful to wear when the 'Mag 7' moves higher, this diversified positioning has been well rewarded year to date as the likes of Europe, UK and China strongly outperformed the US.

### What next

For our portfolios, we are watching to see how the politics plays out in the coming days. Once the fog clears a little we will be better placed to send a more detailed note with our thoughts on how this could play out from here and how we position for that. Whilst we haven't explicitly upweighted our equity targets in multi asset portfolios as a result of these moves – too much uncertainty remains right now – we have used this opportunity to buy equity back up to existing targets and have also taken some profit from our treasury holdings where in the US the rate cuts priced in earlier today through Dec 2025 looked optimistic in the face of higher tariff induced inflation.

## Important Notes

Investment Manager - Momentum Global Investment Management Limited (MGIM).

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