

FINANCE

Tariff Surge Drives Defensive Rotation in Global Investment Strategies

22/05/2025

Strategically reposition portfolios as tariffs, inflation, and supply chain shocks reshape global markets. Capitalize on the defensive rotation into gold, CNY, and SGD as investors respond to record-high tariff pressure, rising default risks, and deteriorating trade flows across equities, bonds, and currencies.

Key Points

Equities	Tariffs are driving equity volatility and margin pressure, with high exposure in consumer goods and Southeast Asian supply chains, rising U.S. sector credit risk (Healthcare ~7.0% PD), weak sentiment (below -10%), and inventory strain, while resilience is seen in China (~1.5% PD), lean-inventory durables (~1.5), and USMCA auto firms (85%+ duty-free).
Fixed Income	Rising credit stress in U.S. and UK bonds, tariff-driven inflation (30% China, 10% others), and weak PMI data are lifting yields and flattening curves, while China's improving PD (~1.5%) supports bond resilience, favoring sovereigns, SOEs, USMCA auto bonds (70%+ duty-free), and low-inventory firms (~1.5), over long-duration tech or U.S. healthcare debt (~7.0% PD).
Currencies	Amid global trade tensions and over 25,000 tariff mentions, SGD faces diverging FX trends with USD and GBP weakening on credit risk, CNY strengthening on policy support (~1.5% PD), KRW and VND pressured by high tariff exposure (62%, 33%), while investors favor SGD, CNY, CAD, and MXN over EUR and long USD.
Commodities	Gold is gaining favor as a stable, inflation-hedging asset for SGD investors amid trade tensions (25,000+ tariff mentions), rising U.S. credit risk (~2.4–7.0% PD), weak trade flows (~4,200 TEUs/day), and volatility in tariff-exposed sectors, with Switzerland (35.3% of U.S. exports) anchoring liquidity and strong demand from China (~1.5% PD) and India reinforcing support for bullion and Swiss gold ETFs.

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	Foundational Assumptions	Key Challenges	Strategic Action
Equities	<p>Equity Trend Insights</p> <p>Tariffs are driving equity volatility, with toys (23%, 98% affected), clothing (12%, 95%), and smartphones (15%, 92%) hardest hit; over 25,000 tariff mentions in April 2025 signal market anxiety. U.S. sectors like Healthcare (~7.0% PD) and Consumer Staples (~2.4%) face rising credit risk, while Southeast Asian exposure (Vietnam 33%, Cambodia 36%) adds supply chain vulnerability.</p>	<p>Equity Pressure Analysis</p> <p>Tariffs of 30% (China) and 10% (others) are inflating input costs and squeezing margins, with corporate sentiment deeply negative (below -10% in late 2024). U.S. PMI data shows weak inventory builds, and Healthcare's 7.0% PD highlights sectoral strain, while China's PD improvement to 1.5% signals relative equity resilience.</p>	<p>Equity Investment Guidance</p> <p>Consumer durables with lean inventories (~1.5) and USMCA auto firms (85%+ duty-free) offer stability, while China-reliant electronics (~26%) face higher risk. Healthcare shows +2% tariff sentiment despite high U.S. PDs, and apparel stocks should be avoided due to bloated inventory levels (~2.4).</p>
Fixed Income	<p>Bond Market Trends</p> <p>U.S. and UK bond markets show rising credit stress post-April 2025, with PDs for Consumer Staples (~2.4%) and Healthcare (~7.0%) spiking. China's improved PD (~1.5%) suggests bond resilience, while EU sectors exposed to Section 232 tariffs (~50%) may see repricing.</p>	<p>Bond Pressure Drivers</p> <p>Tariff-induced inflation (30% China, 10% others) is lifting real yields, especially for long-dated bonds. Slower demand recovery and weak U.S. PMI data flatten the yield curve, while UK bonds face repricing risk as PDs edge up to ~1.9%.</p>	<p>Bond Investment Strategy</p> <p>China's falling PD (~1.5%) supports sovereign and SOE bonds, while firms with low inventory ratios (~1.5) offer investment-grade stability. Avoid long-duration tech debt reliant on China (~26% exposure), and favor USMCA auto bonds (70%+ duty-free); shift from U.S. healthcare debt (~7.0% PD) to EU healthcare.</p>
Currencies	<p>Currency Movement Trends</p> <p>SGD faces divergent FX trends: USD and GBP weaken on rising credit risk, while CNY strengthens (PD ~1.5%) on policy support. KRW and VND are pressured by high tariff exposure (62% and 33%), and EUR may face trade-linked volatility.</p>	<p>Currency Risk Analysis</p> <p>Over 25,000 tariff mentions in 2025 reflect global trade tension, weighing on USD amid weak PMI data and credit risk. Sluggish imports (~4,200 TEUs/day) limit SGD upside, while stable CNY and diverging fundamentals shift investor preference toward SGD and yuan.</p>	<p>SGD Currency Picks</p> <p>CNY offers low-volatility yield stability for SGD investors, while CAD and MXN benefit from 85–92% USMCA protection. EUR faces downside from trade retaliation, JPY holds safe haven appeal despite trade exposure, and weakening USD fundamentals favor SGD or hedged positions.</p>
Commodities	<p>Gold & Commodity Trends</p> <p>Gold is outperforming amid trade disruptions, with Switzerland (35.3% of U.S. exports) key to pricing, and tariff-sensitive sectors like electronics (China ~26%) and aerospace (77% covered) reinforcing gold's appeal. Weak trade flows (~4,200 TEUs/day) and soft PMI support gold's role as a stable hedge for SGD portfolios.</p>	<p>Commodity Pressure Factors</p> <p>With 25,000+ tariff mentions and rising U.S. credit risk (~2.4–7.0% PD), gold is increasingly favored as an inflation hedge. China's 1.5% PD and India's macro fragility support ongoing gold demand, while weak April discretionary recovery further boosts gold's safe-haven status.</p>	<p>Gold Investment Picks</p> <p>Switzerland (35.3% of U.S. gold exports) anchors global gold liquidity, making Swiss ETFs ideal for SGD investors. EU industrials face high volatility, while exposed sectors like aluminum (71–79%) further favor gold's stability; strong demand from China and India supports Asia-focused bullion funds.</p>

Reference:

S&P Global Market Intelligence. (2025). Tariffs and Supply Chain Dynamics: Assessing Customer and Supplier Risk in a Global Market.

Equity markets face tariff-driven volatility, weak sentiment, and sector-specific risks, with selective opportunities in resilient regions and durable goods

Tariff-driven volatility is shaking global equities, led by shocks in consumer sectors

Tariff-induced volatility has gripped equity markets, with consumer-facing categories suffering disproportionately.

Toys (23% tariff, 98% affected), clothing (12%, 95%), and smartphones (15%, 92%) are among the hardest hit, highlighting the high vulnerability of consumer electronics and apparel.

This triggered the highest-ever volume of corporate tariff mentions—over 25,000 in April 2025 alone—reflecting intensified investor scrutiny and sentiment-driven volatility across global equities.

The 2025 peak shipping season recovery was slower than in prior years, with April imports only modestly rebounding to ~4,200 TEUs/day.

This indicates weak demand in retail, discretionary goods, and logistics, further constraining equity liquidity.

Rising credit risk and weak sentiment weigh heavily on equity outlook

Credit risk continues to mount in the U.S., with sectoral probability of default (PD) climbing to ~7.0% in Healthcare, ~2.4% in Consumer Staples, and ~2.2% in Materials—red flags for equity performance in these segments.

Companies tied to Southeast Asian supply chains, including those sourcing from Vietnam (~33% tariff impact, ~28% U.S. share) and Cambodia (~36%, ~27%), are particularly exposed to supply chain concentration risks.

Tariff rates of 30% on Chinese imports and 10% on other countries are inflating input costs and squeezing operating margins, especially in manufacturing.

Negative corporate sentiment remains persistent, with net positivity in earnings calls dropping below -10% in late 2024 and rebounding only modestly in Q2 2025.

U.S. Manufacturing PMI data shows purchase inventories often remained below 50, indicating manufacturers are not stockpiling and are instead exercising capital expenditure restraint amid slowing revenue visibility.

Selective equity opportunities emerge in resilient geographies and sectors

Chinese equities demonstrate relative resilience, with PDs improving from ~1.7% to ~1.5% despite tariff pressure, backed by policy buffers and diversified demand.

Consumer durables such as furniture, electronics, and appliances show stronger fundamentals, with low inventory-to-sales ratios (~1.5) indicating tight control and demand matching.

North American auto firms, benefiting from 85%+ duty-free eligibility under USMCA, appear relatively insulated from new tariff risks.

Healthcare remains the only sector with positive net tariff sentiment in Q2 2025 (+2%), suggesting selective opportunities in globally diversified firms with exemptions or scale efficiencies—even as U.S. healthcare credit risk remains elevated (~7.0% PD).

In contrast, electronics imports remain China-heavy (~26%), exposing tech firms with concentrated supply chains to greater equity risk, while apparel stocks—burdened by bloated inventory-to-sales ratios (~2.4)—should be avoided due to margin compression and inventory drag.

Bond markets are under pressure from inflation and trade shocks, but strategic positioning in Chinese, USMCA, and short-duration Asian credits offers relative stability.

Bond markets respond to inflation risk with rising yields and valuation stress

Bond markets are experiencing sharp repricing in response to inflationary pressure from tariffs—30% on China and 10% on other economies.

This is driving up real yields and duration risk, especially in long-dated debt.

U.S. and UK credit stress has risen markedly post-April 2025, with PDs in Consumer Staples (~2.4%) and Healthcare (~7.0%) widening credit spreads and depressing bond valuations.

The U.S. healthcare sector, with PDs well above 6%, stands out as the most stressed across geographies.

UK bonds are also under scrutiny, with median PDs rising from ~1.6% to ~1.9%, then easing slightly, especially in sectors with high U.S. trade exposure.

Slower growth and trade risk flatten yield curves across key markets

Tariff-induced inflation is lifting real yields, placing pressure on bond valuations across the curve.

April 2025 demand recovery was significantly slower than the sharp rebound in 2024, pointing to softening global growth.

This, combined with policy rate uncertainty, introduces duration risk to medium-term bonds.

Corporate sentiment dropped below -10% in late 2024, before rebounding only modestly in Q2 2025, reflecting persistent risk aversion.

U.S. PMI data shows both inventory indices remaining below 50, indicating weak capital expenditure and deflationary pressure, reinforcing the flattening of the yield curve.

EU industrials—particularly in pharmaceuticals, autos, and aerospace—remain strategically sensitive, with ~50% of trade exposed under Section 232, raising the risk of bond repricing.

Resilient issuers and regional alignment offer safer bond strategies

Chinese sovereign and state-owned enterprise bonds appear resilient, with default probability decreasing from ~1.7% to ~1.5% even amid rising tariffs.

This supports the case for yield stability and geopolitical insulation in diversified bond portfolios.

Firms in consumer durables such as furniture, electronics, and appliances maintain low inventory-to-sales ratios (~1.5), indicating strong cash flow management and potential for stable investment-grade bond performance.

USMCA-aligned sectors—particularly North American auto parts and logistics, with 70%+ duty-free eligibility (Canada 75%)—offer lower exposure to tariff escalation and safer credit profiles.

In contrast, electronics remain China-heavy (~26% of U.S. imports), suggesting that long-duration tech supply chain bonds are highly vulnerable.

Shorter-term Asian IG corporates with diversified sourcing are preferable.

Despite registering +2% sentiment in Q2 2025, U.S. healthcare remains the most stressed debt segment, and should be avoided in favor of EU healthcare corporates, which offer lower PDs and more stable demand.

Diverging monetary and trade fundamentals are driving FX volatility, with SGD and CNY gaining favour over USD, EUR, and other trade-exposed currencies

FX volatility reveals diverging currency paths amid geopolitical shocks

FX markets have bifurcated in response to escalating geopolitical uncertainty. The U.S. dollar and British pound are under pressure due to rising credit risk, with deterioration in April 2025 coinciding with tariff-related actions.

The Chinese yuan has appreciated in relative terms, supported by a strengthening credit profile (~1.5% PD), declining from ~1.7%, and strong policy buffers. This contrasts with South Korea and Vietnam, whose high trade exposure—62% and 33% respectively—has heightened FX volatility and depreciation risk.

The euro remains vulnerable due to export concentration in pharmaceuticals (~25.2%) and aerospace (~40%), increasing exposure to tariff retaliation and trade shocks.

Defensive flows favour CNY and SGD as USD and EUR falter

Over 25,000 tariff mentions in early 2025—an all-time high—underscore elevated trade policy uncertainty, a major driver of FX volatility in export-dependent markets like the UK, EU, and China.

The U.S. dollar faces downward pressure from sectoral credit risks—Healthcare (~7.0% PD) and Consumer Staples (~2.4%)—and structural weakness in manufacturing, as indicated by PMI inventory indices consistently below 50.

Slower April import recovery (~4,200 TEUs/day) also limits the near-term upside for SGD, despite regional capital inflows. Still, China's improving credit profile and trade resilience enhance the yuan's FX stability.

SGD strengthens as a regional safe haven amid trade fragmentation

SGD has emerged as a stable anchor alongside CNY, bolstered by Singapore's consistent trade surplus and cautious monetary stance.

Canada and Mexico, with 85–92% duty-free eligibility under USMCA, are positioned for relative strength in CAD and MXN due to stable trade dynamics.

The euro faces added headwinds from its role as a top buyer of U.S. semiconductors and vaccines, exposing it to potential strategic retaliation.

JPY, despite 58% exposure to U.S. auto and critical mineral categories, retains safe haven appeal, especially in risk-off environments.

U.S. structural slowdown, compounded by weakening PMI data and looming rate cuts, supports SGD or SGD-hedged instruments as preferable alternatives to USD.

Gold is outperforming as a defensive asset amid supply chain risks and tariff volatility, supported by strong liquidity, regional demand, and macro uncertainty

Gold outperforms as global hedge amid tariff and supply chain stress

Gold has reasserted its role as the preferred hedge in an environment defined by supply chain fragility, inflation threats, and geopolitical friction.

Switzerland's dominance—accounting for 35.3% of U.S. gold export value—positions it as a global pricing and liquidity hub, making CHF and USD currency shifts particularly relevant for SGD-denominated gold valuations.

For SGD-based investors, Swiss gold ETFs or refiners represent liquid, FX-stable vehicles aligned with global trade benchmarks.

Electronics (~26%) and critical minerals (~10%) remain highly China-dependent, reinforcing gold's appeal as a safe-haven hedge amid commodity supply chain fragility and trade disruptions.

Gold demand typically rises during times of extreme trade and geopolitical tension—underscored by over 25,000 tariff mentions in Q2 2025.

Rising U.S. sector credit risk—particularly in Consumer Staples (~2.4%) and Healthcare (~7.0%)—further enhances gold's attractiveness as an unleveraged, inflation-hedging portfolio anchor.

Strong Chinese policy support and a declining PD (~1.5%) have stabilized regional trade corridors, indirectly supporting SGD-linked gold investments.

India's ~30% Section 232 exposure and dependency on pharma and electronics increase macro sensitivity, suggesting that INR weakness could amplify global gold demand and favor SGD-aligned assets.

Strategic metals volatility drives rotation into liquid hard assets

Strategic sectors like aerospace (77% tariff-exposed under Section 232) and metals like aluminum (71–79%) are increasingly vulnerable to geopolitical and trade risks.

These dynamics push investors toward liquid, globally fungible assets like gold and copper ETFs.

Forestry products and aluminum, highly regional and politically exposed, carry high volatility and limited liquidity.

April's muted shipping rebound (~4,200 TEUs/day) and PMI inventory indices staying near or below 50 reflect weak accumulation of raw inputs and subdued base metal demand.

At the same time, elevated apparel inventory-to-sales ratios (~2.4) signal margin pressure and weak textile-linked commodity demand.

In contrast, gold—decoupled from production cycles—continues to gain strength from inflation hedging and risk-off behavior.

Gold-backed instruments and Asia demand support SGD portfolios

Gold offers strong investment potential for SGD portfolios due to its liquidity, inflation protection, and resilience across macro conditions.

Asia-focused bullion funds are well-positioned to benefit from robust, structurally intact gold demand in China and India, both of which show improving macro stability and limited exposure to Section 232 tariffs.

Switzerland's 35.3% share in U.S. gold exports enhances its role as the top liquidity source, reinforcing the value of Swiss-backed ETFs for SGD-based strategies.

With EU industrial commodities facing high volatility—such as pharmaceuticals (60%) and critical minerals (33%)—and sectors like aerospace and apparel experiencing margin stress, gold stands out as a stable, reliable store of value in uncertain markets.