



# Monthly Market Video: May

Commentary by Monica Defend

Trump's unpredictable tariff policies have increased market uncertainty, triggering extreme market movements in equities and a sharp fall and resurgence in Treasury yields as investors reassess the roles of US government bonds and the dollar as safe havens.

## **Investors should now monitor these 4 main themes:**

- First, higher import prices could feed through to consumer spending and dampen US growth, although household balance sheets are sounder than in past downturns;
- Second, tariffs are putting pressure on US corporate earnings. Many large firms are already warning about the risk of a recession;
- Third, the Federal Reserve's timing of policy cuts will be important to carefully manage consumer inflation expectations;
- Finally, China will have to find a way to rely more on domestic consumption for growth, as exports face new barriers.

While the medium-term economic outlook is deteriorating, as US tariffs disrupt markets, investors will have to diversify\* tactically across asset classes to manage bouts of uncertainty.

\*Diversification does not guarantee a profit or protect against a loss.