

Panic Is Not A Strategy

Markets and the financial media are in panic mode. Trump hasn't backed down from his "reciprocal tariffs", and China said on Friday that it would slap an additional 34% on all US imports—the trade war has escalated.

Decades of globalisation have allowed developed countries to improve their living standards by importing lower-priced goods from emerging economies. The counterargument—that this has caused the deindustrialisation of Western countries (i.e. the destruction of factory jobs)—is also valid and has resonated among MAGA supporters.

For a long time, investors have become accustomed to having the government and the Fed on their side. However, priorities have now shifted, and authorities are willing to accept "a necessary period of detox"—meaning lower growth, lower asset prices, and, possibly, higher inflation.

As such, these reciprocal tariffs are the highest US tariffs in over 100 years and, according to JP Morgan, the biggest US tax rise since 1968. Because don't forget: tariffs are paid by the US consumer—not by the

countries that export their products into the US.

Some market commentators suggest that a self-inflicted economic slowdown could lead to lower borrowing costs—thereby reducing the debt burden for the US government. Indeed, investors are now expecting as many as five rate cuts before the end of the year, with a roughly 50-50 chance that the Fed will move as early as May.

Trump has made his move; the ball is now in the Fed's court.

While tariffs will naturally push inflation higher, markets aren't really focused on that yet—right now, it's all about recession fears. This has weighed on equities and commodities, while favouring bonds, which have continued to offer downside protection to portfolios.

That's the whole point of diversification: **building portfolios that remain resilient—even when caution seems redundant.**

We'd also like to remind our clients of some basic investment principles:

- This is when bad decisions are made—before making any knee-jerk reactions, sleep on it.
- The worst-performing days in market history are often followed by some of the best. Stepping out of the market can cause investors to miss a swift rebound in sentiment.
- Investing during periods of drawdown—after significant market declines—has historically delivered strong returns for long-term investors.
- Drawdowns of more than 10% are common. For example, the S&P 500 has fallen by over 10% in 18 of the last 30 years—and in 12 of those cases, it still finished the year in positive territory.

This is a sentiment-driven market, and much of the pain so far has been self-inflicted. That means the narrative can shift quickly—whether through a softer stance on tariffs, easing up on spending cuts, or lower interest rates from the Fed. There's still some room to manoeuvre.

At TAM, we've been adjusting portfolios to stay ahead of changing market conditions.

We've reduced exposure to US cap-weighted indices, which are heavily concentrated in tech, and shifted towards equal-weight strategies to spread risk more evenly across sectors.

We've kept a modest overweight to Europe, where valuations are still attractive, and added to global equity strategies to further diversify our US exposure. We also favour areas less exposed to global trade tensions, like the UK, where we hold a slight overweight.

While a recession isn't our base case, we've taken steps to protect portfolios by trimming high-yield bonds and increasing our allocation to global government bonds.

If market sentiment weakens further, we're prepared to reduce equity exposure more meaningfully—but

only if supported by a clear shift in the long-term outlook. We're also prepared to take advantage of opportunities where market activity becomes indiscriminate.

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