

**CIO Lens****10 APRIL 2025****Dr. Carlos Mejia**

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Pause for breath

Markets and investors are finally catching their breath after days of turbulence

On the afternoon of Wednesday, April 9, President Trump announced a 90-day pause on reciprocal tariffs for countries not engaging in retaliatory measures, along with the temporary implementation of a 10% “baseline” tariff applied broadly.

There are, however, key exceptions. China will not benefit from this pause. In fact, the steep 125% tariff on Chinese goods remains in place and takes effect immediately, marking a significant escalation in trade tensions. The Director-General of the World Trade Organisation, Dr. Ngozi Okonjo-Iweala, warned that such measures could cause US-China trade to plunge by as much as 80%, raising alarm over the broader implications for global commerce. In the case of Mexico and Canada, the 25% tariff on goods not covered by their formerly USMCA trade agreement remains in place.

As highlighted in the latest CIO Lens, [“Staying the course”](#), markets are notoriously averse to uncertainty and can overreact—both to the upside and to the downside. The announced 90-day pause triggered a wave of relief and resulted in a sharp resurgence of market optimism: the S&P 500 surged by more than 9%, led by strong gains in technology stocks, marking its best performance since October 2008 but also the third-largest gain for the index in the post-World War II era, according to FactSet.

This is not the end of it, just a pause

Overall, the price action underlines a key theme: markets crave clarity. In its absence, volatility surges—and while short-term reactions may seem exaggerated, they reflect how investors are trying to price in a very uncertain and fast-moving macro backdrop.

As we’ve noted before, we should brace ourselves for a wave of sensational headlines in the near term—and indeed, they’ve now become a daily occurrence. In the wake of vaguely calculated reciprocal tariffs, a universal 10% rate might appear reasonable by comparison. However, it’s important to underscore that even this so-called “baseline” represents a substantial increase for most countries.

A repricing of risk, not fundamentals

Given the recent market moves, it seems clear that the market reaction is more driven by a repricing of geopolitical and policy risk than by any reassessment of earnings or macroeconomic fundamentals. Political risk has not gone away, and we expect many more headlines with the potential to move markets in either direction. At the same time, investment analysts who had been assessing the impact of tariffs on corporate earnings must now revisit their forecasts and growth assumptions – once again – amid a continued lack of clarity in the months ahead.

Steady hands in unsteady markets

Since President Trump's announcement, we've adopted an "actively waiting" approach—navigating market volatility while remaining strategically positioned with a neutral allocation to equities, regions, and most sectors. This positioning allows our portfolios to participate in the rally while maintaining flexibility. In the meantime, we took advantage of sharp market declines by partially monetising one of the put options on global equities that we had held as a form of insurance. In parallel, we seized the opportunity to invest in income-enhancing structured products, securing extremely attractive yields across all major currencies.

It would be naïve to assume that the situation is now resolved. We expect continued turbulence and market volatility in the weeks and months ahead. The current level of market noise is a daily test of our ability to remain focused and disciplined. In times like these, it's more important than ever to stay the course—resisting distractions and short-term swings, while keeping our sights firmly set on long-term objectives.

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