

## TEMP TARIFF REVERSAL, ST ETF STRATEGY

### Quick comments:

- ❖ **Unexpectedly good news for the markets as high-level US & China trade talks yielded substantial tariffs reversal for the next 90 days (US tariffs on China from 145% to 30%, China on US from 125% to 10%).**
- ❖ In the near term: this announcement is expected to drive capital markets recovery for the next few weeks:
  - (i) risk-on momentum after excessive market discount since 2-Apr-25 announcement (circa -12% in mkt cap)
  - (ii) significant (another) front-loading ahead of 90-day reversal period.

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**Significant uncertainty remains, for short term trade we propose investors adopt ETF strategy (fig 1) or long 90day calls to participate in current US market rally.**

**Unless Trump permanently revokes all the tariffs, we maintain our longer term SELL INTO THE RALLY (11-Apr-25).**

**Figure 1: Current trade recommendations**

ETFs	Current Price (vs 9-May-25)	
i. SPDR S&P 500 ETF (SPY)	\$578.25	[+2.46%]
ii. QQQ ETF	\$502.81	[+3.07%]

Source: NYSE, SSRE

Trump has surprised the markets yet again. In a major de-escalation of the US-China trade war, the US & China have both announced it has reduced tariffs on imports for a period of 90 days.

**Figure 2: Next 90 days [up to 10-August-25]**

Selected events	Date
FOMC	17-18 June
Trump's initial 90 days Tariff dateline from 2-Apr-25	1 <sup>st</sup> July
FOMC	29-30 July

Source: US Feds, Bloomberg

There are 2 FOMCs over the next 90 days and Fed chairman Powell said at last week's May FOMC that he is not in a hurry to cut. Powell is waiting to see the impact of the tariffs on both inflation and growth. Powell indicated that the Fed is in a bind as the Trump tariffs threaten to push up inflation while raising unemployment and slowing growth in 2025.

This would make it impossible for the Fed to achieve its dual mandate of 2% inflation and full employment.

Markets were already looking past the 0.3% contraction in 1Q US GDP because it was due to a surge in imports as US businesses front loaded orders in anticipation of the tariffs. The US is probably not one quarter away from a technical recession. The **April US jobs report was strong. The Atlanta Fed GDP model currently has US GDP rebounding by 2.3% in 2Q.**

**We are inclined to believe Powell will therefore not cut in June but will wait until July despite the pressure from Trump to cut rates.**

While this means the Fed may fall behind the curve on cutting rates US policy uncertainty remains high. **What happens after 90days?** On China imports, rest of the world?

**So near term Risk On for now and a 90 day reprieve for overvalued US\$ and US assets.**

**Figure 3: SSRE Non-Tariff stocks recommendations**

<b>Equities<sup>a</sup></b>	<b>Mkt Cap US bn</b>	<b>Last Price\$</b>
Palantir	276.8	117.49
TKO	31.9	161.57
SCI	10.9	76.32
GEO Group	3.6	25.77

*Entry & Exit Strategies / Valuation<sup>a</sup> only available for clients*

*Source: 6Σ Research, CNBC*

As we expect market volatility to ebb & flow with Trump's administration Tariff changes, SSRE recommends accumulating the above non-tariff plays.