April 2025 | Investment perspectives

Tariffs return: what they mean for investors

New US tariffs have unsettled markets and raised concerns about global growth. While short-term volatility is likely, staying focused on your long-term investment goals remains key. Here's our perspective.

What's happened?

US President Donald Trump has announced sweeping new tariffs on imports. A baseline 10% tariff on all goods will take effect from 5 April, with significantly higher 'reciprocal' tariffs following on 9 April. These include a 34% tariff on goods from China, 20% on the EU and 24% on Japan.

Markets have reacted sharply. Asian markets fell overnight, and European and US markets have followed suit. Investors are concerned about higher inflation, weaker consumer spending and a broader slowdown in global trade. There's also uncertainty about how other countries will respond – particularly whether they retaliate or pursue trade negotiations.

In short, tariffs are going up, inflation risks are rising and global trade may slow – but there's still a wide range of possible outcomes depending on how countries respond.

A view from Andrew Summers, Omnis Chief Investment Officer

Markets were braced for some form of tariff announcement, but the detail and severity were more than expected. Our base case is that these measures will modestly reduce global growth and slightly increase inflation. Central banks are more likely to support growth than fight inflation at this stage, and market pricing is reflecting that.

There are a number of risks on both sides. A full-scale trade war would be a clear negative for risk assets, such as equities, and could delay or reverse expected rate cuts. But it's also possible this becomes a market-clearing moment – where uncertainty begins to fade, tax cuts or stimulus follow, and markets recover.

At Omnis, we're maintaining a slightly defensive stance, with a modest preference for government bonds over equities. We're monitoring developments closely and remain ready to adjust as the picture evolves.

What our fund managers are saying

To give you a broader perspective, here's how some of the managers behind the Omnis funds are interpreting the situation in their regions and markets.

View from emerging markets: Fidelity International

Omnis Global Emerging Markets Equity Leaders Fund

The tariffs are more far-reaching than we had anticipated, especially across Asia. China faces the steepest hike, but countries such as Vietnam, Cambodia, Korea and Taiwan have also been caught in the crossfire.

That said, the fund is well-positioned. We focus on companies that serve domestic markets in China and India, which are less exposed to global trade flows. Our exposure to the most vulnerable export-driven economies is limited, and we hold high-quality positions in relatively insulated regions like Mexico and Brazil.

View from Japan: Schroders

Omnis Japanese Equity Fund

Japan's 24% tariff rate is a negative surprise and will likely weigh on economic growth and earnings forecasts for key exporters, especially in automotive, machinery and tech.

However, Japan's domestic economy remains in relatively good shape, supported by wage growth and increased IT investment. We're currently tilted towards domestic demand-focused sectors, which we expect to be more resilient.

We also note that Japanese equity valuations have fallen to the lower end of their historical range, suggesting that much of the negative news may already be priced in. Over the medium term, any easing by the Bank of Japan or additional government stimulus could also support market sentiment.

View from Europe: Fidelity International

Omnis European Equity Leaders Fund

The blanket 20% tariff on EU goods is worse than markets expected and comes on top of existing levies on cars and metals. This raises the risk of recession, but Europe is not without tools. Fiscal support is increasing, and the European Central Bank (ECB) still has room to cut rates if needed.

We remain focused on quality businesses with strong pricing power. Our portfolio avoids the most exposed sectors, such as autos and spirits, and we continue to favour resilient companies in areas like luxury, where demand tends to hold up well even in uncertain times.

View from the UK: Franklin Templeton

Omnis UK All Companies Fund and Omnis UK Smaller Companies Fund

The UK faces a 10% tariff, which is modest compared with other regions and has helped support sterling and UK equities. In fact, UK markets have outperformed other regions during the recent volatility, particularly among mid-cap and domestic-facing stocks.

Our fund is seeing strength in areas like utilities and consumer names. Defensive sectors are benefiting from lower bond yields, while names like Diageo – with diversified supply chains and strong brands – are proving more resilient than anticipated.

The second-order effects on growth are likely to take time to play out, but we believe UK smaller companies could benefit if interest rates are cut sooner in response to slowing global momentum.

View from the US: T. Rowe Price

Omnis US Equity Leaders Fund

The new tariffs are higher and more complex than expected, particularly for Asian economies with close trade links to the US. The methodology used to calculate them is also unclear, adding further uncertainty for companies and investors alike.

Markets are likely to remain volatile while governments decide how to respond. There's scope for negotiations, but any escalation could lead to more countermeasures or currency moves. Our focus remains on high-quality US companies with strong fundamentals and the ability to adapt to a changing trade landscape.

Why staying invested through volatility makes sense

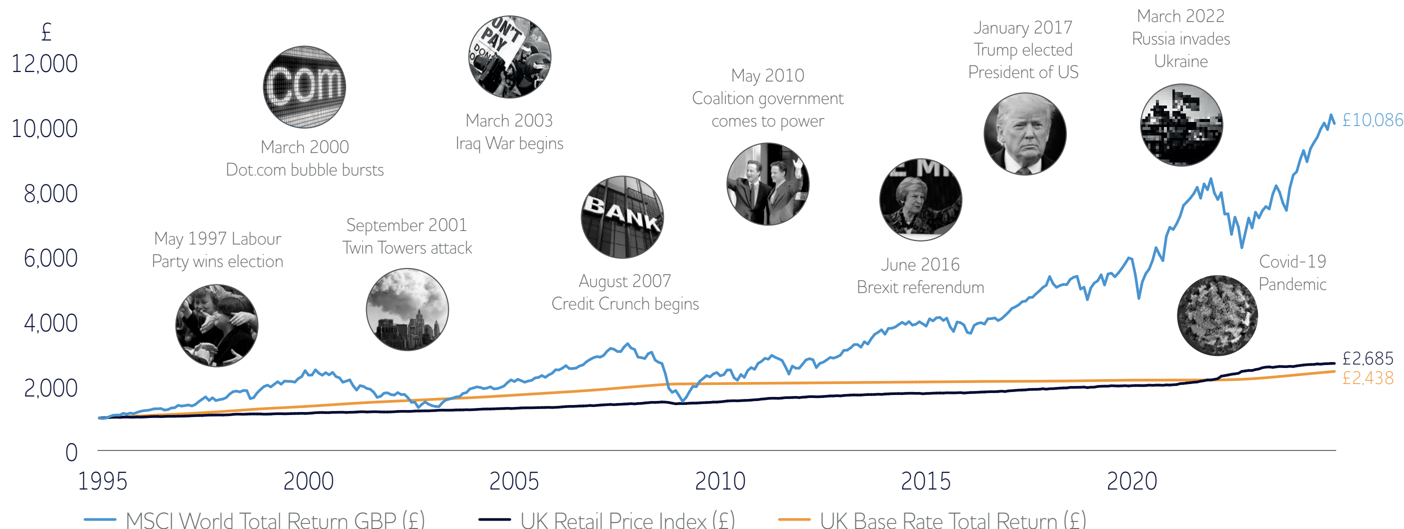
Periods like this can feel unsettling – but they're not new. Markets have experienced pandemics, wars, political upheavals and trade disputes before, and they've always recovered in time.

It's important to resist the urge to react to short-term volatility. If you sell after markets fall, you risk locking in losses and missing out on the recovery. History shows that missing just a few of the best days in the market can significantly affect long-term returns.

That's why we believe in staying focused on your long-term goals. Our active managers are closely monitoring developments and can adjust portfolios where needed, helping your investments remain resilient through uncertainty.

Figure 1: The power of investing over the long term

This chart compares the growth of £1,000 invested in global equities with leaving money in a cash deposit account over the past 30 years, as well as the impact of inflation. Despite a number of stock market crashes, equities have outperformed significantly over the long term.
December 1994 = 100



Source: Bloomberg.

Need support?

If you have any questions or concerns, speak to your financial adviser. They can help you understand what this means for your individual portfolio and make sure you stay on track.

You can also find regular updates at www.omnisinvestments.com, including our weekly podcast, which is available through our website or your favourite podcast app.

The value of your investment and any income from it can go down as well as up and you may get back less than you invested.

www.omnisinvestments.com

Issued by Omnis Investments Limited. This update reflects the views of Omnis at the time of writing and is subject to change. The document is for informational purposes only and is not investment advice. We recommend you discuss any investment decisions with your financial adviser. Omnis is unable to provide investment advice. Every effort is made to ensure the accuracy of the information but no assurance or warranties are given. Past performance should not be considered as a guide to future performance.

The Omnis Managed Investments ICVC and the Omnis Portfolio Investments ICVC are authorised Investment Companies with Variable Capital. The authorised corporate director of the Omnis Managed Investments ICVC and the Omnis Portfolio Investments ICVC is Omnis Investments Limited (Registered Address: Washington House, Lydiard Fields, Swindon SN5 8UB) which is authorised and regulated by the Financial Conduct Authority.

Approved by Omnis Investments on 3 April 2025