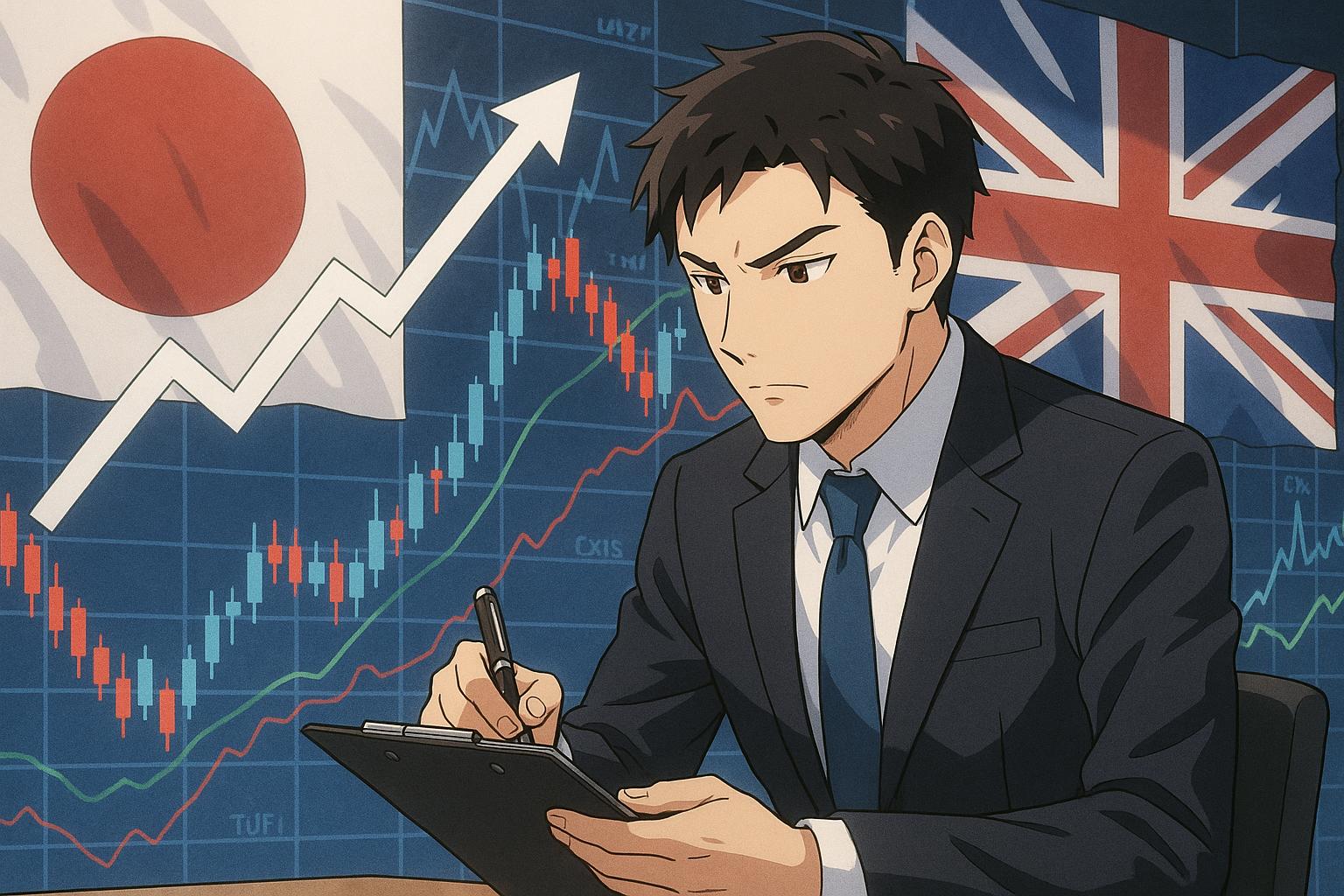
# Investors seize UK and Japanese equities amid tariff-driven market turmoil



Last month saw a dramatic shift in the investment landscape prompted by comments from former President Donald Trump regarding tariffs, which some observers are now referring to as a “tariff-induced crisis.” Interestingly enough, while this crisis sent stock markets tumbling—making equities far more affordable—it also sparked a spirited debate about the underlying fundamentals and potential buying opportunities within the equity space.

Many investors, like the former portfolio manager who shared his experiences on Reddit, interpreted the market dip as an obvious opportunity. Amid panic selling, he identified UK and Japanese shares as particularly undervalued in the context of the tariffs’ effect on long-term cash flows. His swift actions after the market drop proved to be both timely and beneficial; he sold his small energy fund and a short-dated Treasury ETF, reallocating £132,000 toward Japanese equities and using proceeds from his energy fund to invest in UK mid-cap companies.

This approach is emblematic of a broader market trend where periods of turmoil often lead to potential buying opportunities for savvy investors. After this latest round of market volatility, the former portfolio manager reported a 23 per cent nominal return since the previous November, indicating a healthy climb towards his retirement goal of £1 million—an ambition that necessitates an annualised return of 9 per cent.

As markets displayed a semblance of recovery, global economic indicators such as corporate earnings remained in focus. Recent developments reflect a temporary reprieve from trade tensions following a 90-day suspension of tariffs between the U.S. and China, allowing Asian markets, particularly in Japan, to regain some momentum. Yet, persistent volatility surrounding Trump’s pricing policies in pharmaceuticals highlighted the fragility of this rebound, exposing weaknesses that could impact investor sentiment.

Furthermore, UK equities are navigating a complex landscape influenced not only by U.S. tariff policies but also by domestic economic performance. UK Chancellor Rachel Reeves has been actively addressing investor concerns, insisting that a trade war is in no one's interest and emphasising the government's commitment to negotiating new trade deals aimed at reducing global trade barriers. These efforts are crucial as they aim to stabilise markets amid fluctuating sectoral performances, evident in the mixed responses from Asia and the subdued performances of UK pharmaceuticals.

Ironically, while many see equities as the clear winner from recent market turmoil, the bond market offers a contrasting narrative fraught with uncertainty. The former portfolio manager expressed caution about reinvesting in bonds, pointing out their erratic behaviour since the onset of trade tensions. His observations highlight a growing concern that fixed income may not deliver the same robust returns seen over past decades, primarily due to rising public debt, inflationary pressures, and shifting demographic trends. This uncertainty has led him to hold a significant portion of his portfolio—over 80 per cent—in UK and Japanese equities, underscoring a conviction that these markets present the best relative value.

Nevertheless, the interconnectedness of global markets poses potential risks. Should U.S. equities face a setback, it could trigger a cascading effect across international bourses, raising critical questions about the sustainability of his position. Reflecting on these dynamics, there lies a palpable anxiety that the recent equity rally might merely represent a temporary ‘dead cat bounce’ rather than a sustained recovery.

As uncertainty looms, the future will hinge on various external factors, from geopolitical developments to upcoming economic data releases. With all this in mind, the investment psyche appears to be shifting towards a wait-and-see approach, prioritising stability and careful re-evaluation over immediate action, as the investment community braces for the next act in this unfolding drama.

In a world where crises often yield unexpected opportunities, navigating the complexities of today’s markets requires both insight and adaptability.

**Reference Map**

1. Paragraphs 1, 2, 5, 6
2. Paragraphs 2, 4, 7
3. Paragraphs 3, 5
4. Paragraph 3
5. Paragraphs 5, 6
6. Paragraphs 5, 6
7. Paragraph 5

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://www.ft.com/content/88eeee0b-71c4-4aca-886e-2cad112623c7> - Please view link - unable to able to access data
2. <https://www.ft.com/content/88eeee0b-71c4-4aca-886e-2cad112623c7> - In this article, former portfolio manager Stuart Kirk describes how he capitalized on a market dip triggered by then-President Donald Trump's tariff-related rhetoric. Amidst panicked selling, Kirk identified a significant buying opportunity, particularly in undervalued UK mid-cap and Japanese equities. He sold his small energy fund and short-dated Treasury ETF to free up capital, allocating £132,000 into Japanese stocks and using the energy fund proceeds for UK equities. His timely move paid off handsomely, adding a significant £100,000 gain to his portfolio, which now totals £538,330—up 23% since November 2022, equating to an annualized 8.7% return. This progress keeps him on track to reach his retirement goal of £1 million. Reflecting on the bond market's volatility and the underperformance of his previously held fixed income assets, Kirk remains cautious about reinvesting in bonds amid ongoing economic uncertainty. Nevertheless, with over 80% of his portfolio now in UK and Japanese equities, he feels confident about their relative value despite the inherent risks of global market interdependence.
3. <https://www.reuters.com/markets/europe/global-markets-view-europe-2025-05-13/> - Global markets are experiencing a temporary reprieve from trade tensions following a 90-day suspension of tariffs between the U.S. and China, leading to a positive response in Asian equity markets, particularly in Japan. This shift allows investors to refocus on key economic indicators and corporate earnings. While U.S. President Trump's comments about high drug prices triggered a temporary sell-off in Japanese pharma shares, the actual policy focus on overseas pricing led to a recovery, especially in healthcare stocks. European pharmaceutical firms, such as Bayer, are under scrutiny as they release results and navigate the potential pricing pressures both in the U.S. and Europe stemming from Trump’s remarks on injectable obesity treatments by Novo Nordisk and Eli Lilly. Market sentiment remains cautious, with the U.S. dollar retaining recent gains and equity futures indicating a subdued opening. Upcoming economic data, including Germany’s ZEW investor sentiment and U.S. April CPI inflation figures, as well as earnings reports from firms like Bayer and Under Armour, are closely watched for signals on economic recovery and potential interest rate cuts by the U.S. Federal Reserve. Expectations for Fed rate cuts have softened, with traders now anticipating 57 basis points of easing for the year.
4. <https://moneyweek.com/investments/trump-tariffs-winners-losers> - Following Donald Trump’s re-election and institution of sweeping tariffs on April 2, 2025—dubbed 'Liberation Day'—financial markets plunged, with the S&P 500 experiencing a sharp 12% drop at its worst on April 8. The tariffs included a 10% blanket duty on all imports and increased 'reciprocal' tariffs targeting countries with U.S. trade surpluses. A partial recovery followed a 90-day pause on reciprocal tariffs and a temporary trade deal with China on April 12, leading to a market rebound. Gold and defense stocks emerged as major beneficiaries, with Newmont, Endeavour Mining, and Lockheed Martin gaining significantly. In contrast, tech giants such as Apple and Tesla, and trade-dependent companies like Bunzl and Intertek, were severely impacted. Overall, the greatest economic casualty may be the U.S. itself, with analysts warning of a potential recession. UK sectors, particularly pharmaceuticals and oil—exemplified by AstraZeneca and BP—also suffered from market uncertainty despite subsequent trade agreements with the U.S. By mid-May, indices like the FTSE 100 remained largely flat, indicating ongoing investor caution.
5. <https://londondaily.com/market-responses-to-trade-tariffs-uk-chancellor-addresses-investor-concerns> - In response to recent trade tensions, UK Chancellor Rachel Reeves addressed investor concerns, emphasizing that a trade war 'is in nobody's interest' and highlighting the government's efforts to negotiate a new trade deal with the U.S. Reeves mentioned discussions with counterparts from Canada, Australia, Ireland, France, Spain, and the European Commission, aiming to reduce global trade barriers. While some market indicators showed signs of stabilization, responses in Asia were mixed. Tokyo's Nikkei index recovered by 5.6%, and Hong Kong's Hang Seng index increased by 1.6% following a significant drop earlier in the week. Conversely, South Korea’s Kospi index closed up 0.5%, while Taiwan’s TWII index fell by 5%, marking its worst daily decline on record due to heavy reliance on chip exports, which faced a 32% U.S. duty.
6. <https://www.morningstar.co.uk/uk/news/AN_1740733029272133700/london-market-open-tariff-bombshell-sends-european-stocks-lower-.aspx> - European stocks declined following the U.S. imposition of tariffs on Mexico, Canada, and China. The FTSE 100 Index in London fell by 2%, Germany’s DAX index decreased by 1.5%, and France’s CAC index dropped by 1.4%. In response to these developments, UK Chancellor Rachel Reeves reiterated that a trade war 'is in nobody's interest' and indicated that the UK government is actively pursuing negotiations for a new trade deal with the U.S. She is scheduled to meet with U.S. Treasury Secretary Janet Yellen and mentioned recent discussions with counterparts from Canada, Australia, Ireland, France, Spain, and the European Commission, emphasizing efforts to reduce global trade barriers. Reeves is also set to engage with the Indian government to further these discussions. While some market indicators showed signs of stabilization, responses in Asia were mixed. Tokyo's Nikkei index recovered by 5.6%, and Hong Kong's Hang Seng index increased by 1.6% following a significant drop earlier in the week. Conversely, South Korea’s Kospi index closed up 0.5%, while Taiwan’s TWII index fell by 5%, marking its worst daily decline on record due to heavy reliance on chip exports, which faced a 32% U.S. duty.
7. <https://www.bloomberg.com/news/live-blog/2025-03-04/ftse-100-trump-tariffs-china-pound-gbp-what-s-moving-uk-markets-right-now-markets-today> - European stocks slid, led by Germany and France, following a rally in the previous session, after the U.S. imposed tariffs on Mexico, Canada, and China. The pound and euro climbed against the dollar. The renewed worries about tariff policy in the U.S. sparked a selloff in equities late on Monday and a slide in Treasury yields, which is feeding into European bond markets. In London, the FTSE 100 Index declined by 2%, Germany’s DAX index decreased by 1.5%, and France’s CAC index dropped by 1.4%. The renewed worries about tariff policy in the U.S. sparked a selloff in equities late on Monday and a slide in Treasury yields, which is feeding into European bond markets.