



Multi-asset market outlook
Tariffs retaliation – the markets fight back

May 2025

General overview

Gold is top of the pile, other commodities struggle with macro downgrades

MULTI ASSET	1mo	3mo	YTD	1YR	3YR	5YR
Gold (USD)	5.7%	17.2%	25.0%	42.6%	19.3%	13.1%
Global Gov Bonds (H, EUR)	0.9%	1.5%	1.6%	4.3%	-0.7%	-2.6%
Cash (EUR)	0.2%	0.6%	0.9%	3.4%	2.8%	1.5%
Global inflation-linked bonds (H, EUR)	0.2%	0.5%	1.4%	2.1%	-4.4%	-2.1%
Global investment grade bonds (H, EUR)	0.2%	1.1%	1.6%	6.0%	1.3%	-0.6%
Global high yield (H, EUR)	-0.2%	-0.6%	0.6%	8.1%	5.1%	4.7%
Emerging Markets (LC)	-0.2%	0.8%	2.4%	9.4%	5.9%	7.7%
MSCI World local currency	-0.4%	-6.3%	-3.0%	10.2%	10.9%	14.1%
MSCI World (H, EUR)	-0.5%	-6.5%	-3.3%	9.1%	9.3%	12.5%
EMD local currency (UH, EUR)	-1.7%	-3.9%	-2.3%	3.5%	2.7%	1.3%
Emerging Markets (UH, EUR)	-3.7%	-6.3%	-5.0%	2.6%	1.3%	5.6%
MSCI World (UH, EUR)	-4.1%	-12.5%	-9.7%	5.5%	8.3%	13.1%
EMD hard currency (UH, EUR)	-4.3%	-6.4%	-5.9%	3.2%	2.7%	1.7%
Global real estate (UH, EUR)	-5.0%	-8.3%	-5.9%	7.5%	-2.5%	5.1%
GSCI Commodities (USD)	-13.0%	-15.0%	-12.5%	11.6%	-5.7%	20.2%
Oil Index (USD)	-17.6%	-17.6%	-15.4%	-18.0%	-7.0%	31.2%

Source: Robeco, Bloomberg. Note Returns in Euros

2 All market data to 30 April 2025 unless mentioned otherwise

US 'Liberation day' roils markets until tariffs postponed

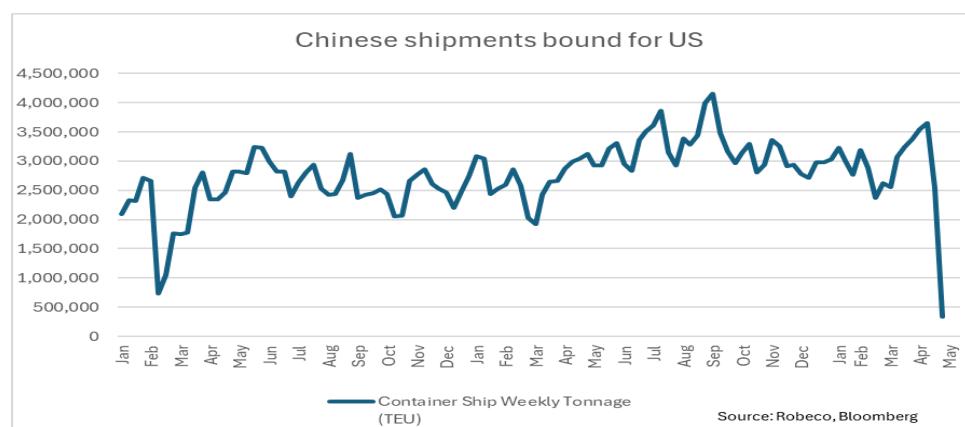
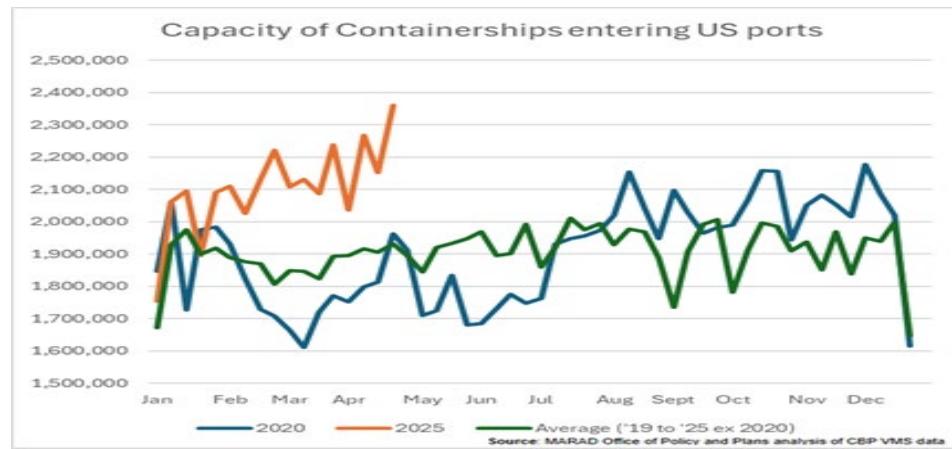
President Trump's 'Liberation day' tariff announcements at the start of the month were much more severe than expected. The rollercoaster ride that followed ended with equites recovering most of their losses, but US stocks still materially underperformed other developed markets. Earnings announcements were solid, but we are seeing companies revise down their future revenue expectations or withdrawing guidance altogether.

Rising confidence about the prospect of lower interest rates supported returns for developed European government bonds. Despite the likelihood of tariffs pushing US inflation higher, markets have now also priced in four US rate cuts this year.

In the alternatives space, gold was the big beneficiary of the uncertainty and hit a new all-time high of USD 3,500 an ounce. Oil prices sunk over recession fears and the decision from OPEC members to increase supply.

Theme of the month: Tariffs retaliation

The unseen impact of uncertainty



Front-running tariffs

Shipping volumes arriving in US have been strong in 2025, running ahead of previous years (orange line in chart 1), as importers build inventories and as exporters try to avoid extra costs of tariffs.

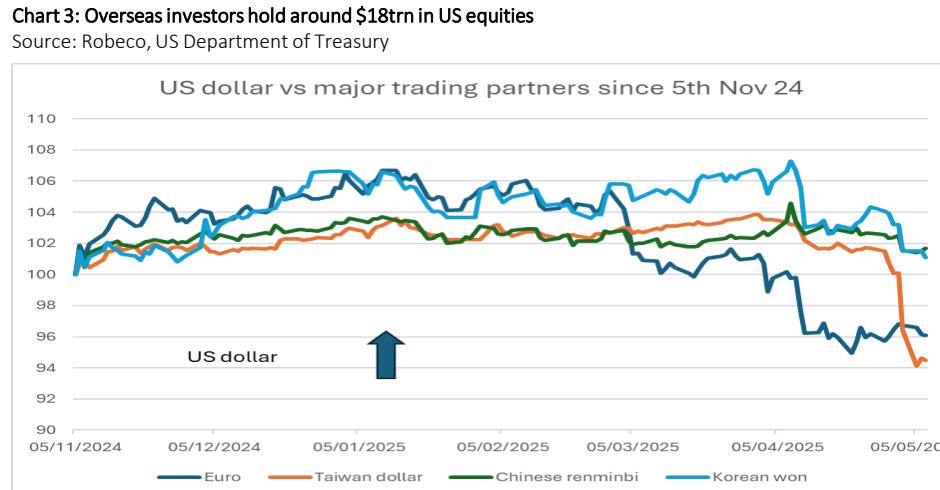
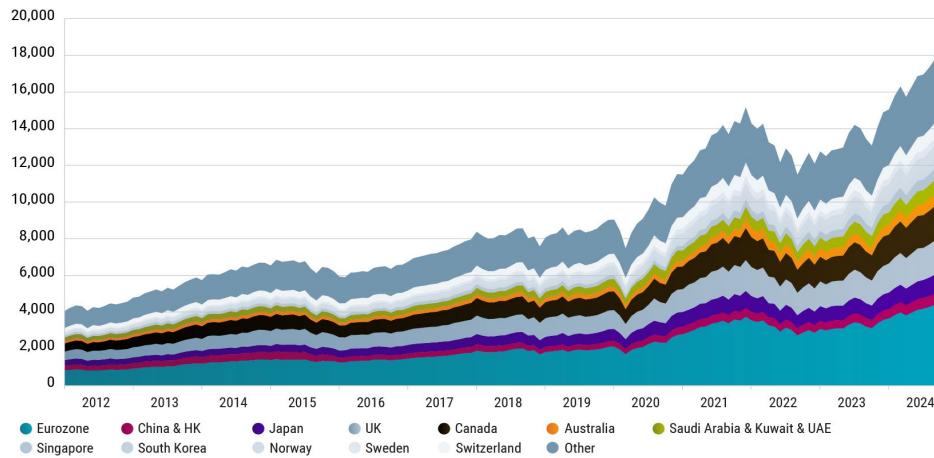
Mind the gap

However, the tariff announcements have caused Chinese exporters to hold back shipments to the US as tariff rates could change in the middle of the Pacific Ocean (see chart 2).

Tariffs and the supply chain hiccup have echoes of the pandemic supply shock. While this supply chain air pocket will not be as severe, the already sticky inflation will not get relief from lower consumer prices.

Theme of the month: Tariffs retaliation

Is the weaker dollar an explicit policy goal of tariffs?



US dollar - no longer a safe haven?

Since the tariff announcements, the US dollar and Treasuries have not provided non-US investors with a performance cushion; generally, the values of both rise during risk-off episodes. There will be a reassessment of 'overweight' US asset positions, especially in Europe, which could drive hedging ratios higher and/or lead to a reduction in US assets.

Tariffs could lead to weaker dollar

We would conclude that an intended consequence of the tariff announcements is to weaken the greenback, a modern-day Plaza Accord. Major exporters to the US except China appear to have included FX in the tariff discussion orbit, moving away from artificially low currency rates against the greenback. The consequences of this would be to make US goods cheaper in these countries but also reducing the need for FX reserves to hold US dollars and Treasuries as part of the trade surplus with the US.

The law of unintended consequences keeps us cautious on tariff euphoria

Still lots of green in our recession dashboard

US recession probability dashboard	
1	US yield curve 2-10s inversion
2	Sahm Rule is triggered (3m MA > 0.5% above past 12m low)
3	Ratio of involuntary part time workers to overall part-time workers rises by 1.5% from cyclical trough
4	Our proprietary business cycle model (van Vliet et al.) signals slowdown or recession
5	HY spreads widen by at least 500 bps from cycle low
6	The adjusted national Financial Conditions index rises above 0.9
7	A consistent decline in US NIPA profit margins for 6 consecutive quarters
8	3M MA initial jobless claims above 260K
9	US new housing starts decline by > 20% y-o-y
10	US national financial conditions nonfinancial leverage index above 0.1
#positives	3
Current US recession probability	30%

Tariff talks begin

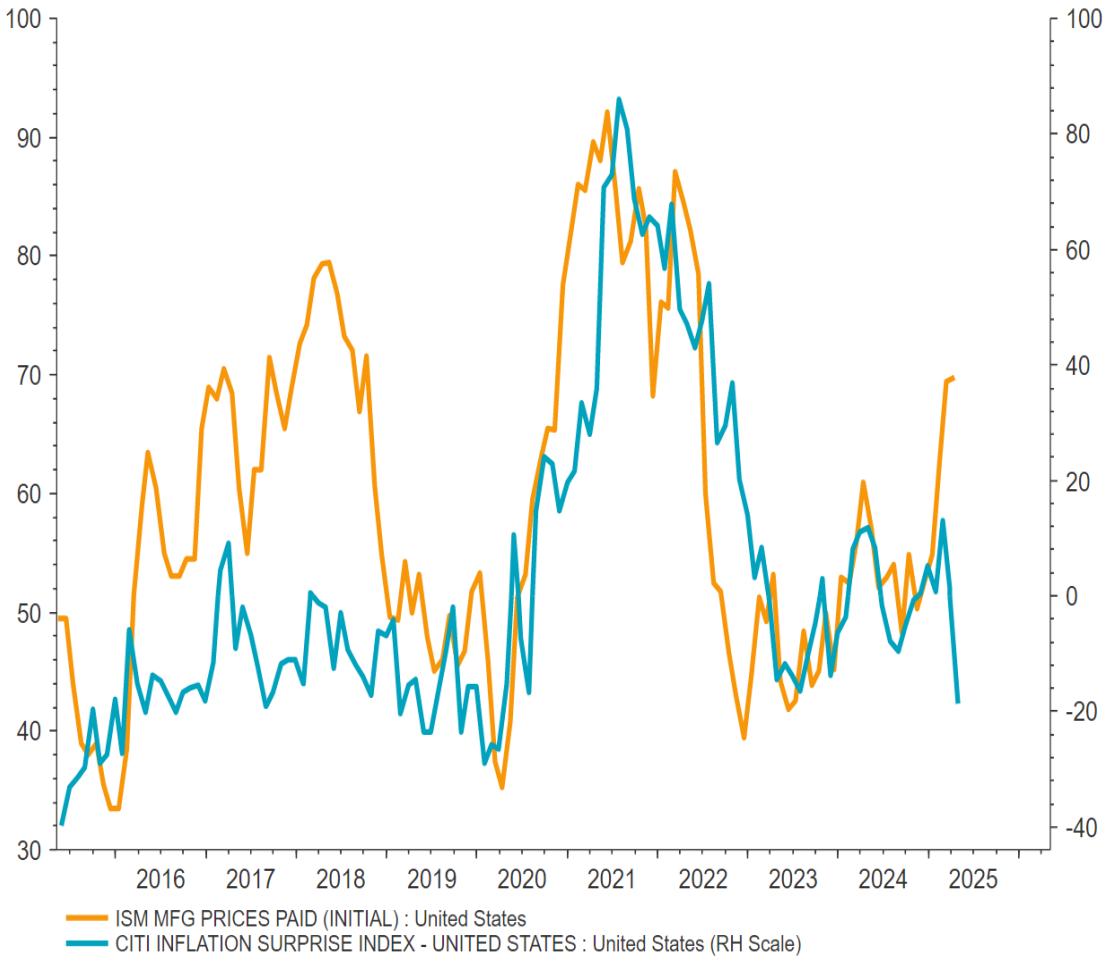
The first round of tariff discussions between China and the US have started, and a US trade deal with the UK has been announced. While US trade policy uncertainty metrics have not rolled over from record high levels as of yet, it feels like we are on the path towards de-escalation and past the maximum uncertainty on tariffs.

"This is not a landing"

In our base case of "this is not a landing" in our one-year outlook published in November, we said we expected the macro environment to feel very much like a landing into 2025. Yet the underlying resilience of the US economy, notably the labor market, would buffer the tariff shock.

At the time of writing, it is almost a coin flip whether or not we will avert a US hard landing in the next 12 months. The probability of our bear case, where the tariff shock breaks instead of bends into the US economy, remains at 45%.

Oil price slump more than offsets tariff frontloading boost



Hard data is holding up

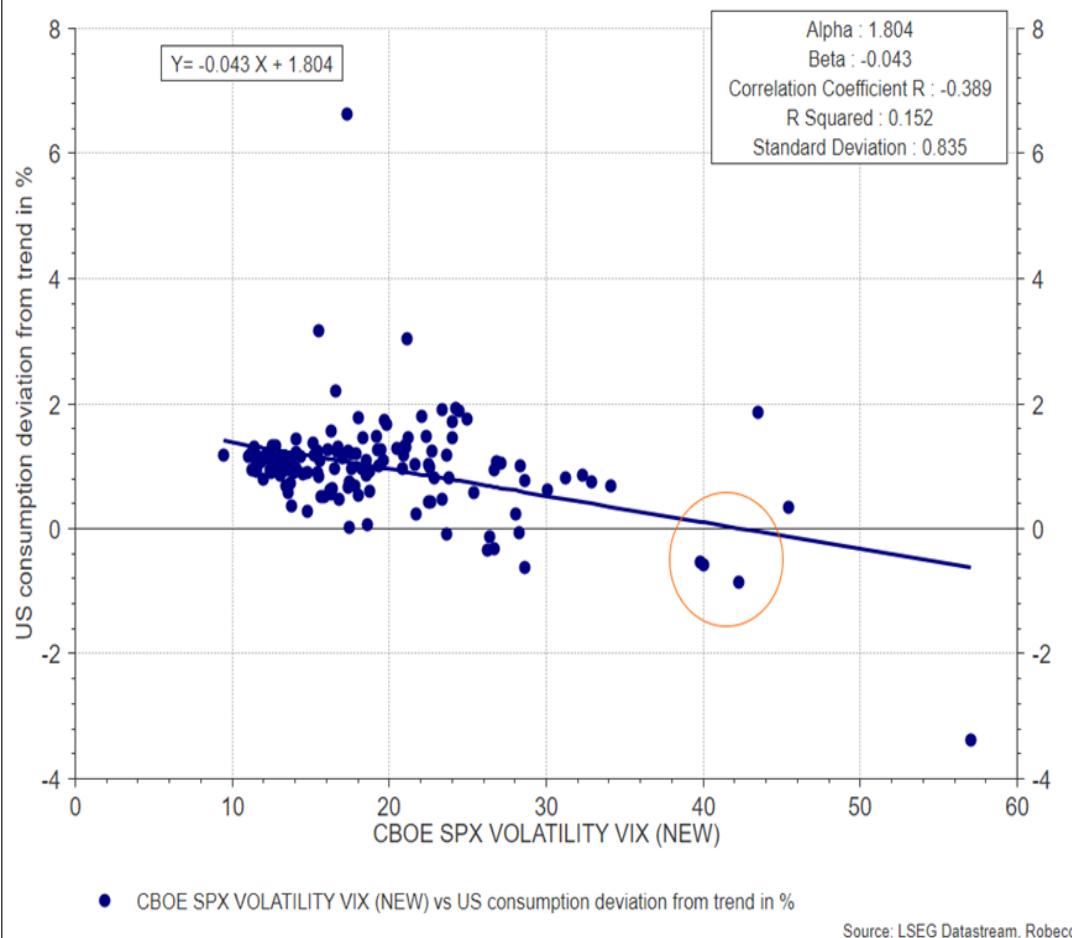
Starting with the positives: the hard data seems to be holding up, with US weekly jobless claims remaining below the recession level of 260,000 that we are monitoring. Resilience in consumer spending is confirmed from timely data from Chase credit card spending, which is up 2.2% (y-o-y) in early May.

The April non-farm payroll number at 177,000 also shows employment growth is running above the levels needed to absorb labor supply. While Q1 GDP data confirmed a slowdown in US consumption growth from a very strong Q4, consumption was still up 1.8% (y-o-y).

Oil price boost for consumers

Oil prices have declined by almost 20% YTD, creating a boost to real purchasing power for the US consumer. On the back of this, inflation surprises in the US turned negative despite a pick-up of manufacturing prices paid on the back of tariff frontloading (see chart).

Slowdown ahead... a VIX above 40 and then US consumption growth below 2% (y-o-y)



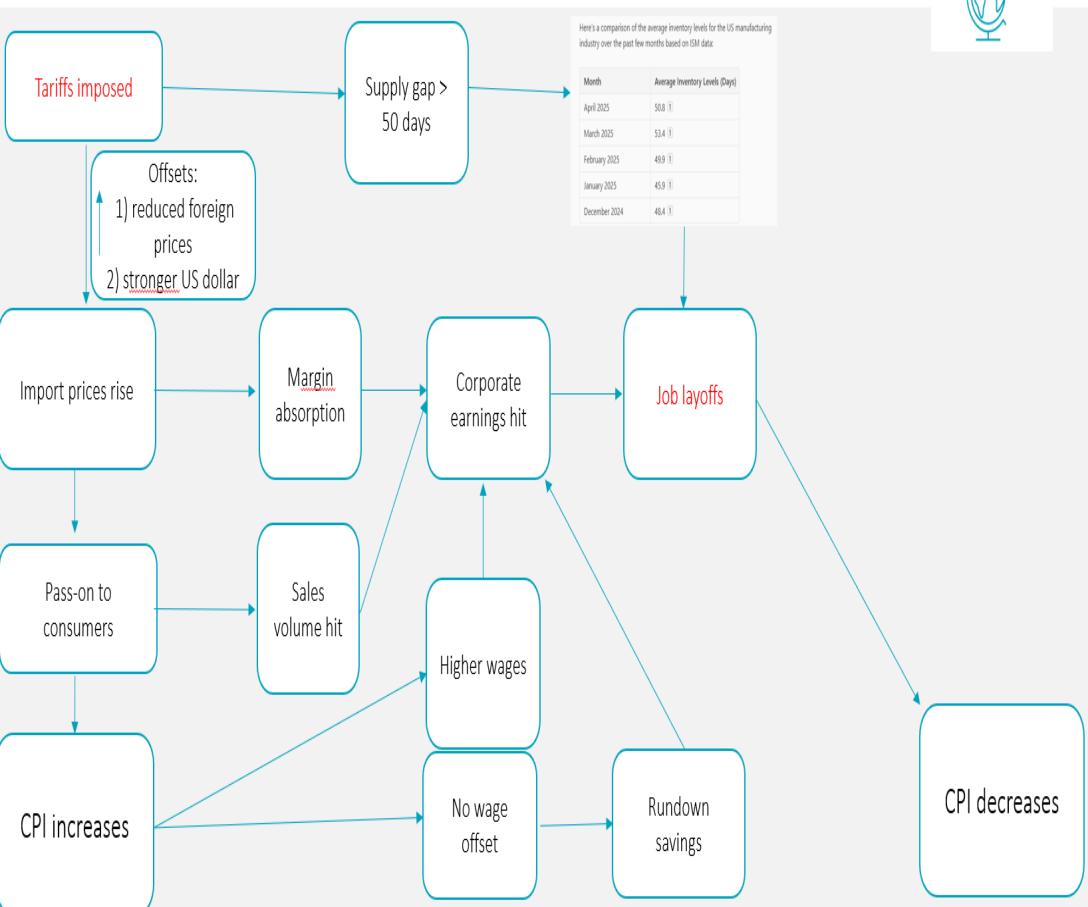
Confidence data is gloomier

However, soft data paints a gloomy picture, with consumer confidence plummeting to recessionary lows. The latest ISM manufacturing producer confidence data also declined in April, with a notable drop in the output subcomponent. A similar phenomenon also happened around the supply chain disruptions during the pandemic.

Short term compromise needed to avert supply gap

With US manufacturing inventories lasting only another 50 days, some compromise on trade between the US and China is needed in the coming six weeks to prevent a supply shortage. Cargo volumes from Chinese ports heading to US ports have collapsed after US tariffs on China became effective in April. It takes between 19 to 36 days for a VLCC to travel from Shanghai to Los Angeles.

Watching for supply gaps, price level shifts in inflation, layoffs



Source: Robeco, April 2025

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All market data to 30 April 2025 unless mentioned otherwise

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What we are watching

The Covid-induced negative supply shock proved to be deep but short lived. Likewise, if US Treasury Secretary Bessent fails to achieve a short-term comprise with China in the next few months, the drop in US activity may still be steep but short lived if both countries firmly keep on a path of de-escalation with the aim of settling on a compromise.

Recessions typically happen because of prior excesses in the economic system that require a system reset, a process which is damaging for the average worker. While credit card delinquencies have increased, the average US consumer has deleveraged compared to the global financial crisis and has much higher net wealth.

Deregulation and tax cuts

Next to a stronger starting position heading into the tariff shock, forthcoming deregulation and tax cuts could also provide powerful offsets to layoffs that will be resulting from the potential supply shock that is about to hit the US in coming months. A narrow escape from the consequences of an otherwise disastrous tariff policy is still a possibility.

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