

## **Subject: Tariff News is Chaotic. How to Handle Without Worries?**

### **Video highlights:**

- The market continues to interpret large-scale tariff policy in various ways. In the short term, it may still be driven by sentiment, while long-term trends will continue to depend on fundamentals. On April 3-4, 2025, the S&P 500 index fell by a total of 10.5% over two days, marking the fifth-largest two-day decline since the 1950s, as of April 17, 2025. Historical data showed that after such a significant two-day drop, the S&P 500 index has averaged over a 30% return in the following year. Additionally, in the subsequent three and five years, the S&P 500 index has also yielded good returns (averaging +50% and +122% respectively). Past performance does not guarantee future results, but the point is that quality assets with lower valuations, after a sharp adjustment, still have the potential for recovery.
- Although U.S. stock valuations have indeed fallen from high levels, certain sectors, such as technology, still have relatively high valuations. It is believed that more investment opportunities are present, as these sectors continue to maintain attractive fundamentals and long-term prospects. In terms of overall market strategy, it's beneficial to combine growth stocks and value stocks. For example, the healthcare industry has embraced AI technology, enhancing its profitability and also benefiting from an aging population. However, investors should be more cautious about pharmaceutical companies, as the latest tariff measures may impact the tax avoidance strategies of some firms. Additionally, the automotive industry will be more significantly affected by tariffs.
- In addition to equities, it is also necessary to increase fixed income to control volatility. Defensive sectors such as utilities and financials are advisable among corporate bonds. Additionally, bonds from the communications and insurance sectors can also be considered. Overall, bond market positioning should remain flexible; traditional income assets, such as investment-grade bonds, high-yield corporate bonds, and global dividend stocks, are backed by fundamentally sound companies with strong dividend-paying capabilities. Non-traditional income assets, such as real estate investment trusts (REITs) and preferred securities, typically have lower correlation with traditional assets but usually offer higher yields.
- Moreover, using covered call selling can effectively reduce downside risk. Throughout 2022 and by the end of October 2023, investing in the S&P 500 index combined with covered calls has effectively lowered downside risk compared to a single investment in the stock market.

**Full version is only available in Chinese language.**

**Important Note and Risk Disclosure Statement**

This document is issued by China CITIC Bank International Limited ("the Bank") and used for reference purpose only. The information or opinion herein is not to be construed as professional investment advice or any offer of, or invitation by or on behalf of the Bank to any person to purchase or sell or acquire or invest in any investment products. The information or opinion presented has been developed internally and/or taken from sources believed to be reliable, but the Bank makes no warranties or representation as to the accuracy, correctness, reliabilities or otherwise with respect to such information or opinion, and assume no responsibility for any omissions or errors in the content of this document. For information which is provided by the Information Provider and other companies such as fund houses, it is being re-transmitted by the Bank in the ordinary course of business to you for general information and reference purposes only. The Bank makes no warranties or representation as to the accuracy. This document is not intended to provide any investment advice. Investors should not make investment decisions solely based on the content of this document, nor should they consider any content in this document as guidance for determining whether individual markets are suitable for investment. Before making any investment decision, investors should carefully consider the risk factors relating to an investment product in light of their own financial circumstances, investment objectives and experiences and other personal circumstances, and should seek appropriate professional advice if necessary. The Bank accepts no liability for any direct, special, indirect, consequential, incidental damages or other loss or damages of any kind arising from any use of or reliance on the information or opinion herein.

Investment involves risks, investment value and return may go down as well as up. Past performance of each investment product is not indicative of its future performance. Losses may be incurred but may not necessarily result in profits as a result of buying and selling investment product. Investment in emerging markets involves above average investment risks, such as possible fluctuations in foreign exchange rates, political and economic uncertainties. The price of securities fluctuates, sometimes dramatically. The price of securities may move down or up and may become valueless. It is as likely that losses will be incurred rather than profits made as a result of buying or selling securities.

When investing in high-yield or unrated bonds or related products, investors face higher default risk, credit risk or liquidity risk, and are more susceptible to the impact of economic cycles. During economic downturns, their value typically declines more as (i) investors become more risk-averse and (ii) default risk increases. Foreign currency investments are subject to exchange rate risk which may result in gain or loss. The fluctuation in the exchange rate of foreign currency may result in losses in the event that customer converts the foreign currency into HKD or other foreign currencies. Renminbi is not freely convertible at present. The actual conversion arrangement will depend on the restrictions prevailing at the relevant time.

China CITIC Bank International Limited is an authorized institution under the Banking Ordinance and is regulated by the Hong Kong Monetary Authority

This document is issued by the China CITIC Bank International Limited and has not been reviewed by the Securities and Futures Commission ("SFC") or any regulatory authority in Hong Kong.

No part of this document may be reproduced or transmitted in any form or by any means without the prior written permission of the Bank.