中信银行(国际)
CHINA CITIC BANK INTERNATIONAL

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 be 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