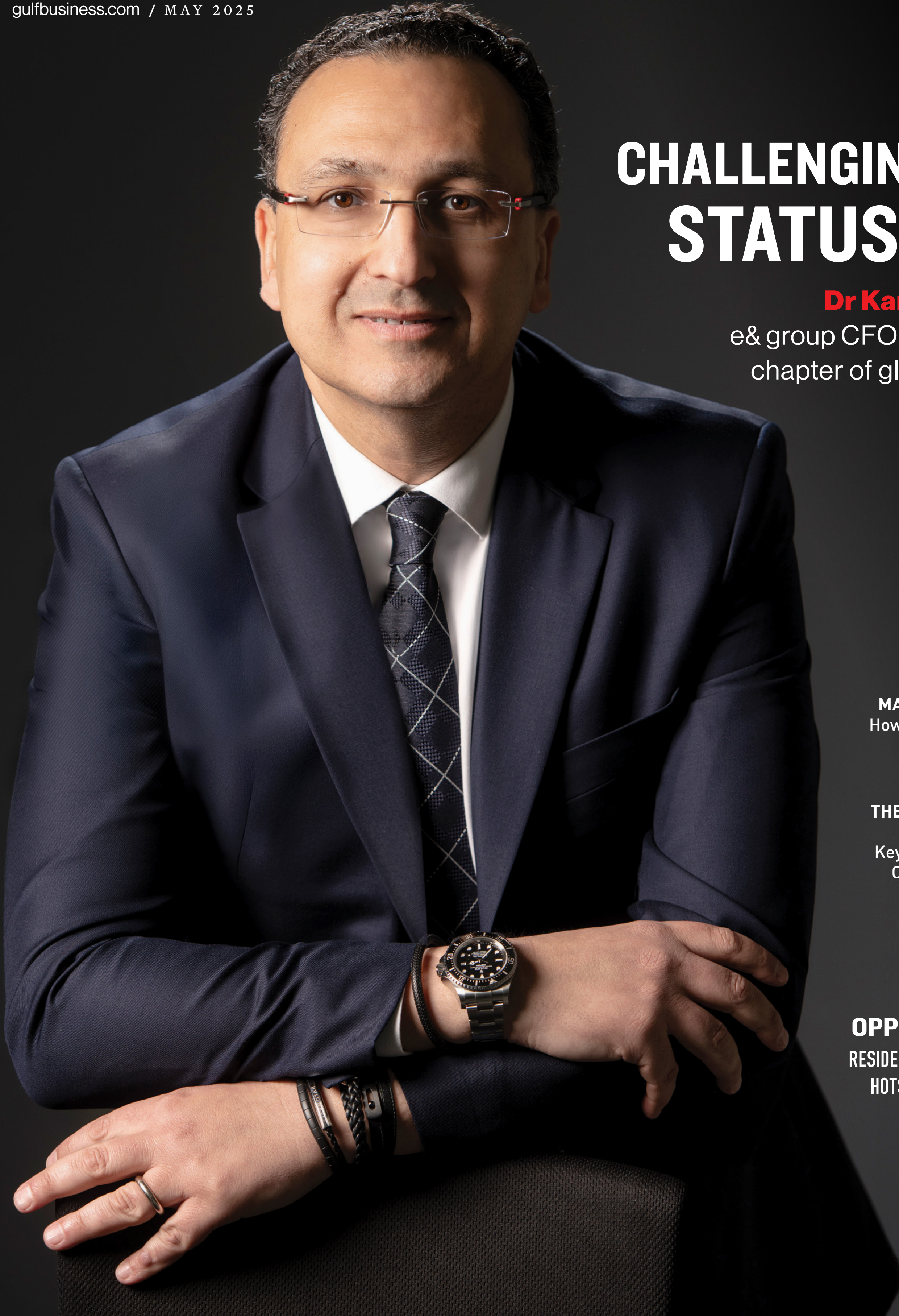
# Gulf Business

gulfbusiness.com / MAY 2025

BD 2.10 KD 1.70 RO 2.10
SR 20 DHS 20



## CHALLENGING THE STATUS QUO

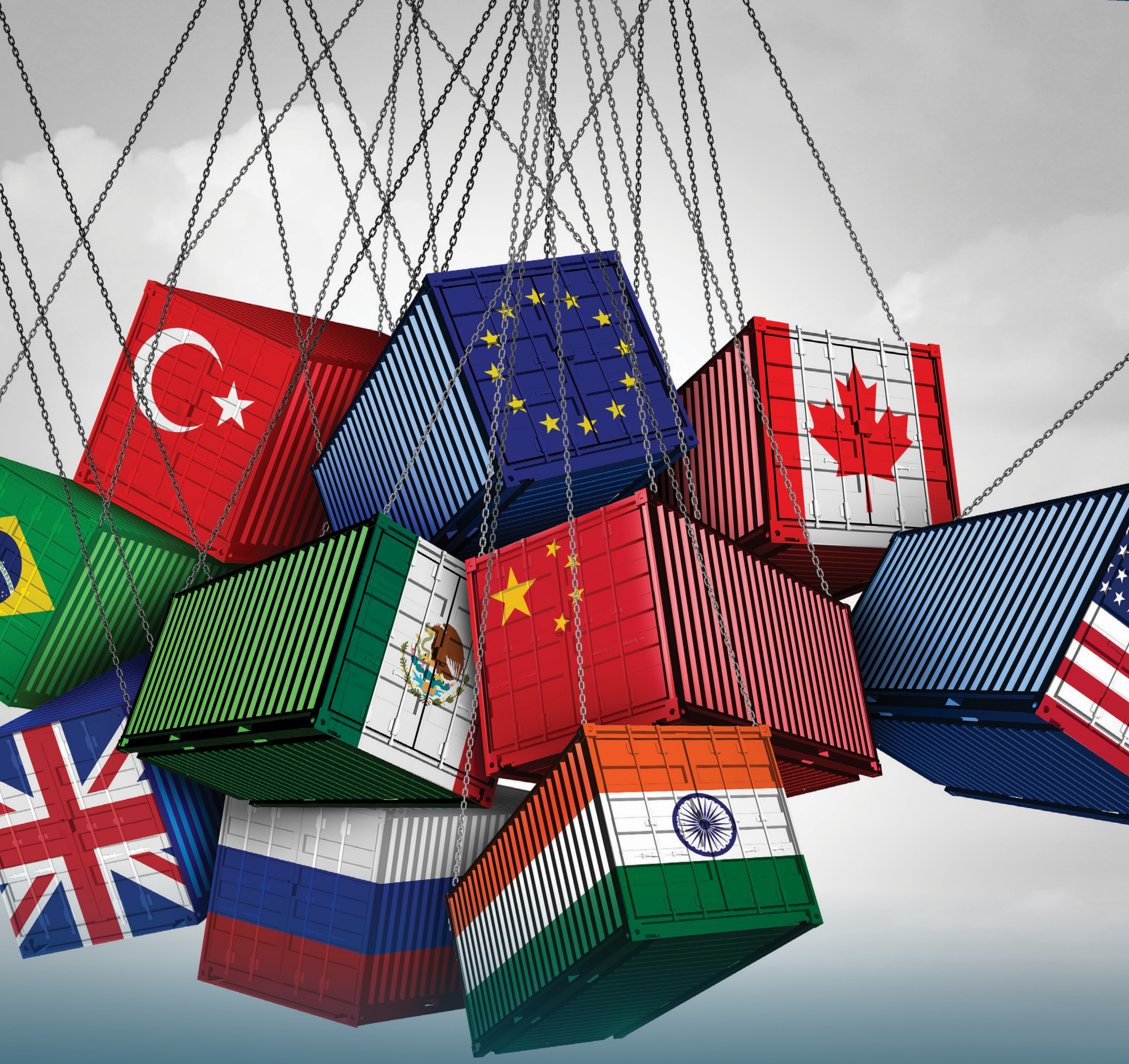
**Dr Karim Bennis,** e& group CFO, on the next chapter of global growth

P.32
**MARKET MOVES:** How to tariff-proof your portfolio

P.44
**THE LEADERSHIP TRANSITION:** Key strategies for CEOs unpacked

**GOLDEN OPPORTUNITIES**

RESIDENCE BY INVESTMENT HOTSPOTS REVEALED



## GLOBAL MARKETS AT A CROSSROADS:

# HOW US TARIFFS ARE RESHAPING INVESTMENT STRATEGY

# TARIFFS ON STRATEGIC SECTORS ARE RESHAPING GLOBAL MARKETS. HERE, EXPERTS DISCUSS THEIR IMPACT ON INFLATION, SUPPLY CHAINS, AND GEOPOLITICAL ALLIANCES. INVESTMENT STRATEGIES ARE EVOLVING, WITH A FOCUS ON DIVERSIFICATION AND ADAPTATION TO NAVIGATE THE CHANGING ECONOMIC LANDSCAPE

**CURATED BY** NEESHA SALIAN

## MANOJ MAHADEV

HEAD OF INVESTMENTS, **ADITUM INVESTMENT MANAGEMENT**

The ongoing situation remains fluid with US tariffs, particularly those related to China, showing diminishing effectiveness as market reactions to recent escalations have been muted. While the impact on risk sentiment appears limited, the potential for extending tariffs to other countries introduces significant risks to global economic stability, particularly regarding globalisation, cross-border capital flows and geopolitical uncertainty.

Considering these challenges, the market faces ongoing ambiguity, which complicates economic outlooks and investment strategies. Short-term effects of tariffs could include higher input costs, disrupted supply chains and inflationary pressures, potentially leading to a cyclical downturn or recession.

Given this environment, active management is critical. Defensive sectors such as utilities, healthcare and consumer staples are expected to outperform, benefiting from stable domestic demand and less sensitivity to global trade disruptions. In equity markets, we are now underweight on US sectors with high tariff exposure, like technology and materials, and focusing on small-cap, domestic-focused stocks. Additionally, investors may wish to increase allocations to short-term treasuries, investment-grade municipal bonds, and gold, which offer safe-haven protection in times of uncertainty.

Internationally, selective exposure to regions such as India, Vietnam, and Thailand, which benefit from supply chain shifts and domestic-driven economies, can present attractive opportunities. With volatility expected to persist, tactical strategies, such as global macro and market-neutral funds, can provide diversification and hedge against market dislocations.

In conclusion, while the tariff situation remains uncertain, a diversified and actively managed portfolio can help mitigate risk and capitalise on emerging opportunities.

> **Considering these challenges, the market faces ongoing ambiguity, which complicates economic outlooks and investment strategies. Short-term effects of tariffs could include higher input costs, disrupted supply chains and inflationary pressures, potentially leading to a cyclical downturn or recession.”**

# SUNIL GARG

CHIEF INVESTMENT OFFICER, **LIGHTHOUSE CANTON**

The recently announced Trump tariffs threaten to reverse globalisation, which has been a major force in global economic growth over many decades, especially post China's entry into the WTO. We see two major areas of concern.

The first: Deficits are a result of consumption demand, rather than trade policies. So, any attempts to intervene in trade policy via tariffs, a form of taxation on consumers, will threaten consumption demand. While there are concerns that tariffs will be inflationary, and this may be true in the short-term, but that relies on the assumption that demand is inelastic, which it rarely is. Eventually, tariffs are and will be deflationary — and a threat not just for US economic growth, but with global implications.

Secondly, adding to the woes of weaker demand, will be weaker investment flows — businesses need policy certainty to have the confidence to invest for the long-term. A slowdown in investments has implications for the jobs market, which in turn threatens consumption as well.

Given our negative view on economic growth, and the US Federal Reserve likely to eventually cut rates aggressively, fixed income, in particular private credit, non-correlated, is attractive. Equally attractive are selected bonds. Growth equities have more risk than upside and we are of the view that any counter-trend rallies are selling opportunities. Outside of the US, we see China and India as attractively positioned, although for different reasons.

In summary, we see tariffs as a catalyst for a deeper global slowdown and investment opportunities need to be aligned with likely recessionary conditions.

# NICOLO BOCCHIN

GLOBAL HEAD OF FIXED INCOME, **AZIMUT**

Since Donald's Trump's presidency, debt management has been a key focus. The pandemic pushed US debt to $29tn (135 per cent of GDP). About $13tn securities will mature by December 2026, amid rising deficit pressures, and all the efforts from the current administration seem to focus on facilitating the refinancing of that wall of maturities. Tariffs, DOGE, lower rates and a weaker dollar, are all part of the scheme. They combine with the need to challenge the increasing Chinese superpower and AI supremacy. Tariffs are central to the new administration's strategy, highlighted by Liberation Day's surprise hike; the temporary suspension simply postpones the global issue, while leaving only China under pressure.

Financial markets, grappling with these tensions, have been driven by uncertainty, with volatility spiking across asset classes. This hasn't had any major impact on our allocation, which still relies on the main source of protection: broad diversification among assets and geographies.

Specifically for fixed income, there are the pillars: subordinated debt, emerging markets and convertible bonds. Subordinated debt is peculiar for Europe, and sectors represented are mainly financials, utilities and communication, remotely exposed to tariffs or slowdowns. Emerging markets, with a bias for frontier debt and sukuk bonds, can benefit from a refocus of flows away from US. Convertibles tend to optimise returns while lowering volatility in balanced portfolios.

On the equity side, companies tied to domestic spending in both China and the US could still outperform. European assets may also continue to benefit, bolstered by anticipated government spending, especially in Germany.

# ARJUN MITTAL

FOUNDER AND CHIEF INVESTMENT OFFICER,
**ABBEY ROAD INVESTMENT GROUP**

US tariffs have shifted the narrative around US equity markets, with the uncertainty for company profits causing markets to possibly price in lower earnings and a reduced overall valuation for these earnings. The result could be a tough six to 12 months ahead.

In contrast, and for the first time in a while, the impact of tariffs could see other major markets de-couple from the US and form their own path. Europe is set to spend close to a trillion euros in the coming years on defence and infrastructure, which in theory should be good for European companies. China needs to push greater domestic consumption to offset the likelihood of slower exports to the US, so it's worth keeping a watch on Chinese equities.

We don't expect much from emerging markets in 2025 as tight liquidity conditions and tariffs will keep sentiment subdued and markets prone to bouts of panic. It is worth keeping bonds in mind, as long as credit spreads stay calm. Gold is proving itself to be a relatively stable asset. And if more central banks decide to diversify away from their US dollar holdings, gold seems likely to be a clear beneficiary.

Some may advocate for safe haven currencies like the Swiss Franc and Japanese Yen. And also crypto. We prefer to stay away given these investments are prone to outsized standard deviation movements when you least expect, and which can result in large losses unless probably hedged or risk managed.

To summarise, US equities overall will struggle but there will always be specific opportunities given the size of the economy, Europe and China have a chance to plot their own path, gold is good to have and bonds also worth a look as long as credit spreads are under control.

**It is worth keeping bonds in mind, as long as credit spreads stay calm. Gold is proving itself to be a relatively stable asset."**

# YVES BONZON

CHIEF INVESTMENT OFFICER, **JULIUS BAER**

US President Donald Trump's approach to addressing US macroeconomic imbalances focuses on symptoms rather than root causes. The country's persistent trade deficits are driven by a combination of factors, including the dollar's reserve status and mercantilist policies abroad, but also domestic issues like loose fiscal policy and lack of industrial policy. Imposing punitive tariffs may kill the patient rather than cure the disease.

Should the suggested tariffs come into effect at some point, the estimated average tariff will jump to the 20 per cent range, the highest in a century. We tend to believe 10 per cent is the new floor, and the escalation with China is likely to continue. As a result, global growth prospects are damaged. The combined impact of the negative fiscal impulse, the cost to US households of more expensive imported goods, and the negative wealth effect of falling asset values has increased the probability of a US recession.

The only certainty we have right now is volatility. Diversifying portfolios away from the US into China and Europe, including Switzerland, but also gold, can provide protection. Caution doesn't mean hiding cash, which carries its own risks, like currency debasement, capital controls, and financial repression. A well-diversified portfolio provides better protection against these risks and ensures that investors do not miss out on bear market rallies or even the first leg of the next equity bull cycle.

US President Donald Trump didn't just reignite tariffs — he reignited a structural shift. What began as a negotiation tactic has morphed into something more enduring: a new era of protectionism, where economic policy is shaped not by global cooperation, but by national interest.

The message to investors? We're no longer in the world of frictionless trade and global supply chains. We're in a new regime — and portfolios must adapt.

Even with carve-outs and pauses, the effective tariff rate is now higher than at any point since the 1930s. Beyond the immediate earnings drag, markets are beginning to question the credibility of US institutions and the long-standing "safe haven" status of US assets. When trust wobbles, volatility spikes — and traditional anchors no longer hold.

How should investors navigate this? My recommendation: Use two "eyes".

One for the short term: Hedge volatility. The playbook is no longer "buy the future", but "own the fundamentals". Focus on companies with domestic revenue, pricing power, and stable demand — waste management, telcos, insurance, and big-box retailers. These sectors may not trend on social media, but they're resilient.

The other for the long term: Reduce US-centricity. While US dominance won't disappear overnight, it will dilute and its role as the sole anchor of global markets is fading. Regional diversification is no longer optional — it's essential. Europe, Japan, China, and India offer access to alternative growth engines and secular trends like AI, robotics, healthcare innovation, and rising EM consumption.

And then there's gold. The precious metal is politically neutral, universally recognised, and entirely unlinked to any single country's creditworthiness. That's a major reason why it remains a core component of central bank reserves globally — and why it deserves consideration as a long-term strategic asset in portfolios navigating policy unpredictability.

It's one thing to know what to do, but it is equally important to understand what not to do when markets get wild. Avoid the common traps: panic selling, market timing, overtrading, ignoring risk management, and neglecting long-term goals.

In a rewired world, portfolio resilience starts with a rewired mindset.

## CHARU CHANANA

CHIEF INVESTMENT STRATEGIST, **SAXO BANK**

**"The message to investors? We're no longer in the world of frictionless trade and global supply chains. We're in a new regime — and portfolios must adapt."**

## NICOLETA REMMLINGER

DIRECTOR, **4MOST**

The recent economic uncertainties and trade disruptions have indirect effects that might challenge the banking sector in the UAE and wider Middle East region. It is expected that banks will further enhance compliance systems and review legal obligations with their corporate customers (especially from aluminum and manufacturing industries) and their suppliers.

The disruption in global markets also necessitated a re-evaluation of traditional asset allocation strategies. Investors have started to explore assets like gold, industrial metals, or high-quality equities. To that, we have seen that the Dubai gold rate for a 22K per gram was Dh381.5 on April 22, which was just over Dh10 higher than what it was on April 20.

As usual, the UAE turns each challenge into an opportunity. We are still seeing a high interest from global investors in UAE in industries such as consumer staples, healthcare, energy and AI implementation across sectors.