

FUNDAMENTAL FLASH

Liberation Day Tariff Tremors

Prepared by: AHAM Asset Management Berhad



Global markets winced as the US announced a new wave of tariffs on 2 April (*April 3 – Malaysia Time*), imposing a 10% baseline duty across a broad range of imports.

Dubbed “Liberation Day” by President Donald Trump, the sweeping measures are seen as part of his administration’s broader economic agenda to reshore manufacturing and address trade imbalances. However, they also risk reigniting trade tensions and fuelling fresh market volatility.

Read our latest Fundamental Flash for key insights on the potential ripple effects to markets.

Initial Observations

Countries with sizable trade surpluses with the US could bear the brunt of the new wave of tariffs. Though, the degree of disruption will depend on each country’s economic structure and policy responses.

Here’s our initial assessment of the key trading partners affected at the time of writing:



CHINA

On the surface, China appears to be most impacted by the tariffs. However, markets had largely anticipated these developments, and Beijing may counteract through targeted stimulus measures. Any decisive policy action by Beijing could create an opportunity to increase exposure to China equities.



TAIWAN

While Taiwan faces a significant tariff burden, semiconductors have been largely spared this round. Still, a potential slowdown in US consumer demand poses a risk, particularly to the technology supply chain. Given these uncertainties, we are taking a more cautious stance.



INDIA

India’s economy and equity market are predominantly domestically driven, making it more insulated from trade disruptions. While tariffs are a headwind, they are unlikely to materially derail India’s growth trajectory.



KOREA

As a heavily export-driven economy, Korea faces added pressure from trade restrictions. We remain selective on domestically focused sectors that are less exposed.



MALAYSIA

Sensitive sectors such as semiconductors have been excluded from the current round of tariffs. This is reassuring for Malaysia, as the local technology sector, which forms the bulk of our exports remains unaffected for now. Additionally, there remains scope for lower tariff rates if individual countries successfully negotiate concessions with US counterparts.



ASEAN

For other ASEAN countries, Singapore and Indonesia seems relatively better positioned due to a lower direct tariff exposure. In particular, Indonesia is seen as less vulnerable due to its commodity-driven exports.

In contrast, Vietnam and Thailand, which previously benefited from supply chain diversification, could see some of these gains diminish if global MNCs seek other alternatives.

What's Next?

A key concern is whether other economies will respond with countermeasures. Larger economies like the EU and China may seek to retaliate, but smaller economies are more likely to absorb the impact and seek negotiated concessions.

So far, China has responded with restraint, having navigated past tariff escalations before during Trump's first term in 2018. Initial expectations are that Beijing would maintain the same measured approach.

For Malaysia, while it remains too early to assess the full economic impact, the Ministry of Investment, Trade & Industry (MITI) has signalled its intention to engage proactively with US authorities. Steps to address the trade imbalance are already in motion, as reflected in Malaysia Airlines' (MAS) recent purchase of Boeing aircraft. We are closely watching further developments on this front.

Portfolio Positioning

The situation remains fluid, with tariffs seen as a key bargaining tool by Trump in broader trade negotiations. Given the range of possible concessions and outcomes, we are closely tracking policy responses from key markets.

For our Asian portfolios, we would consider increasing exposure in China if government stimulus measures provide further support. Similarly, we may consider adding weight to India which is seen as more defensive due to its strong domestic-driven economy, which insulates it from external trade disruptions.

For our Malaysia portfolios, we have raised cash holdings to 10-15% as a safeguard amid prevailing uncertainty. At this stage, we remain defensively positioned, concentrating on high-quality, domestically driven large-cap stocks. Beyond the tariff impact, as previously highlighted, a potential domestic liquidity injection in the coming months will be key in supporting market recovery.

Flashpoints

- On 2 April, the US imposed a 10% baseline tariff on a wide range of imports across multiple countries, potentially reigniting global trade tensions and adding volatility to markets.
- Despite being a major target of the tariffs, China is expected to respond with targeted stimulus measures, which could present opportunities to increase exposure to Chinese equities.
- Malaysia's semiconductor sector was excluded from the current round of tariffs, providing short-term relief. The government is taking steps to engage with US authorities to manage trade risks.
- India is seen as more resilient due to its domestic-driven economy, while Indonesia is less vulnerable thanks to its commodity-heavy exports. However, Vietnam and Thailand may lose some supply chain advantages.
- The situation remains fluid with tariffs as a key bargaining tool in trade negotiations. We are closely tracking policy responses from key markets. We remain defensively positioned, focusing on high-quality, domestically driven large-cap stocks for our Malaysia portfolios.

Disclaimer: This material has been prepared by AHAM Asset Management Berhad (hereinafter referred to as "AHAM Capital") specific for its use, a specific target audience, and for discussion purposes only. All information contained within this presentation belongs to AHAM Capital and may not be copied, distributed or otherwise disseminated in whole or in part without written consent of AHAM Capital. The information contained in this presentation may include, but is not limited to opinions, analysis, forecasts, projections and expectations (collectively referred to as "Opinions"). Such information has been obtained from various sources including those in the public domain, are merely expressions of belief. Although this presentation has been prepared on the basis of information and/or Opinions that are believed to be correct at the time the presentation was prepared, AHAM Capital makes no expressed or implied warranty as to the accuracy and completeness of any such information and/or Opinions. As with any forms of financial products, the financial product mentioned herein (if any) carries with it various risks. Although attempts have been made to disclose all possible risks involved, the financial product may still be subject to inherent risk that may arise beyond our reasonable contemplation. The financial product may be wholly unsuited for you, if you are adverse to the risk arising out of and/or in connection with the financial product. AHAM Capital is not acting as an advisor or agent to any person to whom this presentation is directed. Such persons must make their own independent assessments of the contents of this presentation, should not treat such content as advice relating to legal, accounting, taxation or investment matters and should consult their own advisers. AHAM Capital and its affiliates may act as a principal and agent in any transaction contemplated by this presentation, or any other transaction connected with any such transaction, and may as a result earn brokerage, commission or other income. Nothing in this presentation is intended to be, or should be construed as an offer to buy or sell, or invitation to subscribe for, any securities. Neither AHAM Capital nor any of its directors, employees or representatives are to have any liability (including liability to any person by reason of negligence or negligent misstatement) from any statement, opinion, information or matter (expressed or implied) arising out of, contained in or derived from or any omission from this presentation, except liability under statute that cannot be excluded.