

'Tariff Man' Trump strikes again

President Trump's threat to impose tariffs up to 25% on all Mexican imports shows he has few qualms about using trade as a weapon to force through his policy goals



President Donald Trump at the White House, May 9th

President Trump has said that the equity market is the barometer of his success. But when it comes to trade, he seems less concerned about the response of investors. Despite negative market responses to his actions in the recent past, like the tariff hike on Chinese goods at the beginning of May, he continues to deploy his favourite policy tool. By threatening Mexico to increase import tariffs if it doesn't stop the flow of illegal immigrants to the US, he has rattled equity markets once again.

The fact that the equity market responses do not restrain Trump shows that the President, at least for now, is living up more to his self-declared nickname 'The Tariff Man', than to being 'a Dow Jones Man'.

This doesn't bode well for the trade negotiations with Japan and the European Union. Trump's latest move shows he is not afraid of fighting multiple trade wars at the same time. So we expect that he will threaten to hike tariffs again if the EU and Japan don't sufficiently acquiesce to his demands to grant the US better terms of trade.