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Trump's madness: birth pangs of a new world order

It's not easy to describe in a few words what has happened in the last few days. On April 2, Trump announced tariffs that were not expected to this extent by the market (or even by the US Federal Reserve). The level of the respective country-specific tariffs was derived from an almost surreal formula, which ultimately implies that the size of the US trade deficit is solely a function of the difference in tariff rates. The US President categorizes US trade deficits as if they were comparable to the loss on a company's profit and loss statement. This is, of course, completely wrong. Trade surpluses or deficits are the result of highly complex global value chains and specializations. Tariffs certainly play a role, but they are definitely not dominant.

Furthermore, it should not be overlooked that, from a balance-mechanical perspective, the US trade deficit cannot simply disappear. This is because the US invests a great deal (actually good) and saves very little (not good); the gap between the two determines the current account balance, which is largely determined by the trade balance. This is first-semester economics. So the US can turn itself upside down or do anything else – as long as the savings rate doesn't rise, the trade deficit won't disappear.

Perhaps an advisor to Trump explained precisely this connection yesterday; that would certainly explain why Trump spontaneously did a 180-degree turn and initially put the tariff increases (except for China!!) on hold for 90 days. Is everything back to normal now? We're not entirely sure.

The reason for our skepticism lies in the fact that Trump's economic policy was not born out of a whim. It may not be believed, but there exists a certain intellectual and even academic superstructure on the topics of trade policy and tariffs in Trump's circle. And even if one may occasionally doubt that the considerations expressed there will always stand up to intellectual scrutiny, it must be accepted that there is a broad concept that many people in the administration seem to believe in. And this concept goes far beyond simply wanting to save US industry with high tariffs. Rather, one can discern (at least vaguely) a sympathy for a kind of new world order in which the US breaks with previous "beliefs" and convictions.

To better understand this, we need to take a few steps back and look at the broad picture of the global situation from a distance. Between 1950 and 2010, the number of industrial jobs in the USA fell by about two-thirds, despite a massive increase in population. Since 2010, however, the number has roughly stabilized. While this may be viewed as a success, one must not forget that, given its low levies and taxes, business-friendly government agencies, and, not least, very low energy costs, the USA should actually be an El Dorado for industrial companies. It is therefore not surprising that many observers continue to view the development of US industry with skepticism. This is all the more true given that, in light of China's increasing dominance, the USA faces the challenge of striving for industrial independence from China. It is often pointed out that the First and Second World Wars were won not least because the country was able to rely on a powerful, autonomously operating industry. In fact, this is far from the case today. US shipyards, for example, are barely capable of building warships at a sufficiently high speed, and there is a warrelevant capability gap in many electronic components. The US has also lost capabilities in the production of very high-quality steel and many basic materials for the pharmaceutical industry, which it now wants to regain at almost any cost.

Two areas are cited as the reason for this loss of capability. First, many countries (especially China) have isolated themselves with unfairly high tariffs and supplemented these tariff trade barriers with an arsenal of insidiously constructed non-tariff trade barriers. Second, the US dollar is simply structurally overvalued. This structural overvaluation, so the argument goes, has its origins in the US dollar's function as a reserve currency. Since central banks and other institutions around the globe have no choice but to buy US dollar-denominated assets due to the US dollar's status as the global reserve currency, there is a constant "artificial" excess demand for US dollars. US industry suffers as a result.

Both arguments taken together cannot be completely dismissed. Admittedly, the weakness of US industry is also related to the sometimes suboptimal quality of US industrial products, and of course, an economy benefits enormously from having the planet's reserve currency at its disposal. On the other hand, unfair trade practices undoubtedly exist, and the US should, of course, have an interest in not being vulnerable to blackmail by China because of its own inadequate industrial capabilities. Furthermore, any tourist who has visited the US in recent years will readily admit that something seems to be wrong with the exchange rate. So the problem is not so much in the analysis – the problem lies rather in the proposed approaches to solving these problems.

The problems begin with the tariffs that have now been (temporarily) reinstated. The "reciprocal" tariffs on EU imports alone make no sense. While it is entirely true that the EU imposes marginally higher tariffs on US imports than the US does on EU goods, this cannot possibly explain the enormous scale of the trade deficit. Moreover, the EU has learned significantly in recent years and would no longer allow a comprehensive trade agreement to fail (as it did in the past) because of US chlorine-treated chicken. Consequently, the EU has proposed a kind of free trade agreement for industrial goods with the US, and from today's perspective, it is not even out of the question that it will actually be concluded. In fact, in several respects, China represents the real problem for the USA, and it was a complete crazy idea from the very beginning for Donald Trump to irritate his own partners and allies to such an extent, to throw away all previous agreements and thereby squander a trust that may not be rebuilt even in many years.

In our view, however, even greater trouble threatens if the second problem is addressed: namely, the devaluation of the US dollar. Viewed soberly, this can only succeed if the US currency is dismantled as a reserve currency or at least weakened. The instruments proposed for this purpose now read like tools from an economic torture chamber. There are serious proposals to introduce "user fees" for US Treasuries or to convert existing US Treasuries into very long-term bonds.

Such ideas can only be conceived if one breaks with all the customs of the past decades and dispenses with reliability and adherence to rules. We must be aware that we are witnessing, as contemporary witnesses, how we seem to be drifting into a new world order, which historians may one day call autocratic mercantilistism. And this world order will no longer be just about high tariffs and favorable exchange rates. It is about the much more fundamental question of how countries that have recently lived beyond their means (for example, the USA) can decouple themselves without enormous friction from those that financed this excess (for example, China). This experiment has an uncertain outcome, but the end result of this process could (!) be a global economic order that differs from the previous one. When you consider that many democracies have not covered themselves in glory in recent years when it comes to effectively addressing existential challenges such as migration and climate change, and, to make matters worse, that advances in AI will trigger a massive new economic revolution, one can certainly speak of a serious turning point. The trick will be to allocate capital efficiently, even in such a world. But there's no reason to worry: As long as there is a demand for debt and equity, investors will always be able to participate in economic success!

Dr. Christian Jasperneite

Market data

Stock marktes	As of 11.04.2025 10:15	Change versus 04.04.2025 -1 week	10.03.2025 -1 month	10.01.2025 -3 months	10.04.2024 -1 year	31.12.2024 YTD
Dow Jones	39594	3,3%	-5,5%	-5,6%	2,9%	-6,9%
S&P 500	5303	4,5%	-5,5%	-9,0%	2,8%	-9,8%
Nasdaq	16387	5,1%	-6,2%	-14,5%	1,3%	-15,1%
DAX	20518	-0,6%	-9,3%	1,5%	13,4%	3,1%
MDAX	25767	1,4%	-11,2%	1,6%	-4,4%	0,7%
TecDAX	3317	0,0%	-10,8%	-5,2%	-2,0%	-2,9%
EuroStoxx 50	4805	-1,5%	-10,8%	-3,5%	-3,9%	-1,9%
Stoxx 50	4097	-3,1%	-11,6%	-6,5%	-6,5%	-4,9%
SMI (Swiss Market Index)	11192	-3,9%	-14,0%	-5,1%	-2,6%	-3,5%
Nikkei 225	33586	-0,6%	-9,3%	-14,3%	-15,1%	-15,8%
Brasilien BOVESPA	126355	-0,7%	1,5%	6,3%	-1,3%	5,0%
Indien BSE 30	75304	-0,1%	1,6%	-2,7%	0,4%	-3,6%
China CSI 300	3751	-2,9%	-4,5%	0,5%	7,0%	-4,7%
MSCI Welt	3422	2,9%	-6,3%	-7,0%	1,2%	-7,7%
MSCI Emerging Markets	1029	-5,4%	-7,6%	-2,7%	-2,7%	-4,3%
Bond markets						
Bund-Future	130,36	-16	253	-76	-158	-308
Bobl-Future	118,94	-2	194	229	149	108
Schatz-Future	107,46	8	82	90	202	47
3 Monats Euribor	2,30	-2	-25	-47	-161	-41
3M Euribor Future, Dec 2025	1,79	0	-30	-34	-78	-11
3 Monats $ Libor	4,34	6	1	-2	-111	-3
Fed Funds Future, Dec 2025	3,42	5	-13	-65	-106	-49
10 year US Treasuries	4,44	42	21	-33	-11	-13
10 year Bunds	2,60	6	-21	3	19	23
10 year JGB	1,30	15	-25	13	53	22
10 year Swiss Government	0,49	3	-24	6	-22	22
US Treas 10Y Performance	606,88	-3,0%	-1,1%	4,0%	5,4%	2,6%
Bund 10Y Performance	558,77	-0,1%	2,3%	0,6%	1,4%	-1,0%
REX Performance Index	455,30	-0,4%	1,4%	1,4%	2,9%	0,6%
IBOXX AA, €	3,17	-3	-5	-3	-17	13
IBOXX BBB, €	3,71	4	9	6	-18	25
ML US High Yield	8,65	18	107	94	49	99
Commodities						
MG Base Metal Index	397,58	-0,5%	-7,9%	-3,7%	-6,6%	-2,0%
Crude oil Brent	63,47	-4,1%	-8,7%	-19,5%	-29,1%	-15,1%
Gold	3215,80	5,7%	10,7%	19,5%	37,9%	22,5%
Silver	30,85	3,8%	-4,3%	0,9%	10,1%	3,9%
Aluminium	2331,98	-0,6%	-13,9%	-8,8%	-3,0%	-7,7%
Copper	9003,54	3,3%	-5,3%	0,1%	-2,6%	4,1%
Iron ore	99,89	-2,7%	-1,1%	1,8%	-4,0%	-3,6%
Freight rates Baltic Dry Index	1269	-14,8%	-10,9%	21,1%	-20,0%	27,3%
Currencies						
EUR/ USD	1,1364	2,8%	4,8%	10,3%	4,6%	9,4%
EUR/ GBP	0,8701	2,5%	3,6%	3,8%	1,7%	5,2%
EUR/ JPY	162,54	1,2%	2,0%	-0,2%	-1,4%	-0,3%
EUR/ CHF	0,9276	-1,4%	-2,5%	-1,5%	-5,4%	-1,4%
USD/ CNY	7,3204	0,5%	0,8%	-0,2%	1,1%	0,2%
USD/ JPY	144,46	-1,7%	-1,9%	-8,4%	-5,7%	-8,1%
USD/ GBP	0,77	-0,9%	-1,2%	-6,3%	-3,8%	-4,1%

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