Market Views: How will the US-China tariff rollback impact Asia investment?

Heather Ng
15 hours ago

AsianInvestor surveyed top asset managers to assess the impact of US-China tariff reductions on institutional investment strategies.

Since US President Donald Trump took office in January, his administration has imposed tariffs on multiple countries, reshaping global trade. While most nations faced a baseline 10% tariff, China was hardest hit with the highest tariff rate among all US trading partners. Last month, the US raised tariffs to 145%, citing China's role in America's fentanyl crisis and trade imbalances. China retaliated by imposing 125% tariffs, deepening tensions between the world's two biggest economies.

After negotiations in Geneva on Monday, both nations agreed to roll back most of the levies, cutting US tariffs on Chinese imports to 30% and China's tariffs on US goods to 10%, with a 90-day pause on additional trade measures.

Beyond the cuts, China agreed to suspend non-tariff countermeasures introduced since April, including export restrictions on rare earth elements and regulatory investigations of US firms. The new deal also establishes a working mechanism for future trade consultations, led by US Treasury Secretary Scott Bessent, US Trade Representative Jamieson Greer and Chinese Vice Premier He Lifeng.

While the agreements ease market concerns, long-term uncertainty still lingers over US-China relations.

AsianInvestor surveyed leading asset managers to assess how this development impacts institutional investment strategies across Asia, including allocation shifts, sector trends and their economic outlook.

Claire Huang, senior emerging markets macro strategist
Amundi Investment Institute


Claire Huang

Outcomes of the US-China trade talks in Geneva exceeded expectations: of the three main elements within the 145% tariffs, 91% pure retaliations are fully removed.

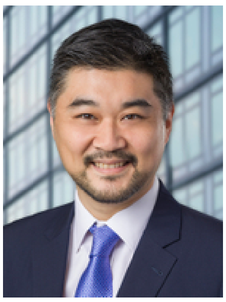
This prompts an upgrade to our China growth forecasts to 4.3% in 2025. However, persistent trade policy uncertainty and irreversible economic damage might continue to undermine private sector confidence and drives supply chain adjustments, necessitating caution for global institutional investors.

The 90-day negotiation pause reduces the likelihood of a Q3 fiscal stimulus in China, altering expectations for growth-dependent sectors. The PBoC adopts a cautious monetary stance to manage decoupling from the US and deflationary pressures regardless of trade talk outcomes, and we keep our forecasts of two additional 10bp rate cuts in July and September.

For the A-share market, valuations nearing pre-Liberation Day levels signal limited upside, pushing investors to consider opportunities elsewhere in Asia. The resilience of EM assets, supported by a weaker dollar and Fed easing bias, makes them attractive for diversification. While we hold a long-term positive view on China, near-term caution is warranted amid tariff uncertainty. In currency markets, the RMB's range-bound outlook indicates a rally in near-term, yet a potential reversal of the USD's recent sell-off could complicate the landscape.

Tai Hui, APAC Chief Market Strategist
JP Morgan Asset Management

The U.S and China have agreed to significantly reduce their bilateral tariffs for a 90-day period. U.S. exports to China will see tariffs reduced to 10% from 125%, while tariffs on Chinese exports to the U.S. will be reduced from 145% to 30%.


Tai Hui

The magnitude of this tariff reduction is larger than expected. This reflects both sides recognizing the economic reality that tariffs will hit global growth and negotiation is a better option going forward. The 90-day period may not be sufficient for the two sides to reach a detailed agreement, but it keeps the pressure on the negotiation process. We are still waiting for further details on other terms of this agreement, for example, whether China would relax on rare earth export restrictions.

Immediate market reaction has been positive, with Hong Kong stock indices and US equities futures both rising, alongside with UST yields and the USD index. Overall, we expect the market to get back on to a risk-on sentiment in the near term. Pressure on the Fed to cut rates may also ease for the time being.

Mark Coppell, head of institutional sales, Asia ex-Japan
Federated Hermes

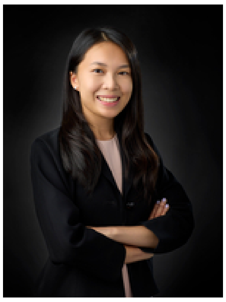

Mark Coppell

The latest US-China tariff reduction will offer more comfort for institutional investors allocating to both China and the US but what we are hearing and what we are seeing are two different things. The US policies under the Trump administration have led to significant volatility which has led to institutional investors stating they are looking to allocate away from the US. Asian institutional investors are considering options looking closer to home instead of the one-way US allocation we have seen over the previous years.

However, this has not yet materialised. We are still seeing very significant demand for US equities from investors in the region, implying that the US is still an attractive allocation. Year to date we have seen strong interest in our quantitative US equities franchise, MDT. Even though the Trump administration's policies have had a large impact on volatility, it appears investors are still looking to make significant allocations to US equities.

The noise around the US has been loud and consistent but for long term investors, we expect US markets should always be an important allocation, and it will take a lot more than a tariff escalation to stop that trend.

Elizabeth Kwik, investment director of Asian equities
Aberdeen Investments


Elizabeth Kwik

The US-China trade talks have resulted in an agreement to significantly lower tariffs for 90 days. The US's sector-specific tariffs still hold, as do the previously reduced electronics tariffs of 20%, and tariffs from Trump's first term.

Our global macro research team's initial estimate is that all this takes the average US tariff on China down to 27% (with only 11% up from the start of Trump's second term). Like the wider reciprocal tariff pause, it is probably too soon to say whether the pause is a permanent reduction. We expect that negotiations will be a protracted process and our global macro research team expect that US-China tariffs will settle at around 60%, as Trump promised on the campaign trail. That said, the sudden pause – and the potential for deal making – suggest risks could be skewed to a lower end-point.

At present. high-quality companies are the most attractive part of the Chinese market, offering excellent value, resilient earnings, but also delta to any improvement in sentiment. While both countries have been willing to de-escalate the trade tension, some level of uncertainty remains given the low visibility about the likelihood of reaching a long-lasting deal. We continue to favour companies with defensive characteristics, including strong balance sheets. We believe the rotation back to quality is on-going and should continue with more good news, as international confidence swings more on tariff related news.

As investors increasingly reappraise quality companies and the Chinese authorities sustain their economic support, we remain confident that high-quality, consumption-driven companies will capitalise on forthcoming policy tailwinds.

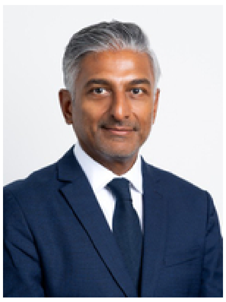
Guan Yi Low, head of Asia fixed income
M&G Investments


Guan Yi Low

Asian risk assets have reacted positively with equities and corporate bonds moving higher, while Asian currencies slightly weaker in line with EUR and JPY. Anecdotally, the range of expectations for US tariff reductions was around 50-60% going into the weekend. Hence, the lowering of US tariffs on China to 30% from 145% and lowering of China tariffs on the US to 10% from 125% were arguably better than many expected, albeit for a 90-day period.

That said, we see the tariff suspension to be a temporary reprieve. While the latest development bought time for the two countries to manage their domestic challenges, it only marks the beginning of further negotiations for which the outcome remains uncertain. A broader agreement on achieving what Treasury Secretary Bessent calls "balanced trade" position is not likely to be easily reached given the competing priorities of the two countries. China is also in a stronger position compared to its trade negotiation with Trump in his first term, having diversified its import sources and the "offshoring" of Chinese businesses. Investors will still need to confront the new reality of elevated trade uncertainties and costs with the US, even if the US and China do not go back to the same stratospheric level of tariffs. As such, the move out of USD and US assets following liberation day tariffs may still resume after a bout of position unwind triggered by this weekend's developments.

Vis Nayar, chief investment officer
Eastspring Investments

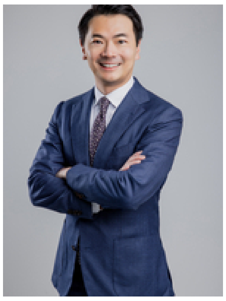

Vis Nayar

Our central view heading into 2025 was that markets would struggle with a much higher degree of uncertainty and this would likely manifest itself in much higher volatility across asset classes. The strong period of US exceptionalism looked to be increasingly challenged and this would naturally lead institutional investors, especially those in Asia, to consider alternatives to maximise their returns over time.

Whilst headlines of tariff reductions between US-China will likely have soothed markets, indeed we see equities comfortably back above 'Liberation Day' levels. However, this downplays that tariffs are now meaningfully higher than when we started the year. This may not lead to the more dramatic recession many feared with tariffs at highly elevated levels, but it still means that supply chains, prices, inflation and economies may suffer shocks, making policy certainty based on 90-day extension difficult.

We retain our view that the outlook in 2025 continues to be uncertain. For institutional investors looking longer term-while US assets may see short term rebounds following trade deal announcements, we believe that Asia and EMs are well-positioned to benefit as investors seek greater diversification. Within these markets, China, India and Japan, all have some great companies that are likely to be supported by domestic policies, the broader economic backdrop and the desire of investors to allocate capital. In our view, remaining active is key.

Andrew Tan, APAC CEO and APAC head of credit
Muzinich & Co


Andrew Tan

The reduction in US-China tariffs marks a very welcome change in tone for Asian institutional investors after months of escalating tensions. At the same time, it does not completely remove uncertainty or change what is becoming an investor imperative to recalibrate their international exposures.

Many of our clients have adopted a "wait and see" stance in recent months. However, sentiment is changing. In our conversations, we're seeing growing interest in diversification—both within Asia-Pacific and internationally. Europe is drawing increased attention, particularly in terms of private markets. While the region faces short-term economic impacts from tariffs, these could be offset by falling interest rates and higher fiscal spending, especially in Germany.

Investors in public markets are also looking beyond traditional hubs, targeting emerging markets with robust domestic economies and limited exposure to US trade.

It may be premature to predict a full rotation of investor capital, but the direction is becoming clearer. As policy visibility improves, we expect cash still on the sidelines to be redeployed, but in a way that prioritises capital preservation. Direct lending strategies from managers who have proven underwriting discipline and an ability to consistently deliver attractive returns through market cycles; as well as parallel lending strategies, where managers co-lend on equal terms with banks, could emerge as beneficiaries of this more 'risk-aware' approach.

Eli Lee, chief investment strategist
Bank of Singapore


Eli Lee

After the announcement, the US 10-year Treasury yield moved higher, US equities rallied, and the US dollar strengthened, in line with what one will expect to see with firmer US growth expectations.

The trade de-escalation was deeper and faster than widely expected by the market and will serve as a positive near-term catalyst for risk assets as recession and earnings risks are reduced at the margin. In particular, the valuations of sectors and companies most exposed to the US-China tariff war, such as the consumer and technology sectors, have reacted positively to this development, and could further enjoy tailwinds in the event of more positive trade headlines ahead.

That said, as we have learnt from Trump's first term, there is a high bar for both sides achieving a lasting trade agreement, especially given the lack of trust and the structural factors in their respective economies driving the trade imbalance. In any case, this negotiation process will likely take months, if not years, and there is a risk of re-escalation as we reach the end of the 90-day period if talks flounder.

Steve Alain Lawrence
CIO, Balfour Capital Group

Steve Alain Lawrence

The recent US-China tariff reductions—lowering US tariffs on Chinese goods from 145% to 30% and China's tariffs on US goods from 125% to 10% for 90 days—offer a temporary reprieve that institutional investors in Asia can leverage strategically.

Major Asian apparel manufacturers stand to benefit from the tariff reductions. For instance, Vietnam's TNG Investment and Trading JSC supplies to global retailers like H&M and Zara. Bangladesh's DBL Group is a key supplier for brands such as H&M and Puma. In electronics, Indonesia's PT. Yamaha Electronics Manufacturing Indonesia produces audio equipment for global markets. These companies may see increased orders as US retailers replenish inventories ahead of key shopping seasons.

Japanese and South Korean automakers could experience improved export conditions. Toyota Motor Corporation and Hyundai Motor Company, for example, may benefit from eased trade tensions. Chinese EV manufacturer BYD has recently surpassed Toyota in Singapore's vehicle sales, capturing 20% of the market in early 2025, highlighting its growing international presence.

The tariff pause has spurred a rebound in cargo volumes, benefiting ports and shipping companies across Asia. COSCO Shipping, a global leader in maritime logistics, dominates routes between Asia, Europe, and North America. Mitsui O.S.K. Lines (MOL), a Japanese shipping company, is also poised to benefit from increased trade activity.

While the tariff rollback has spurred a rally in Asian equities, with significant inflows into markets like Taiwan and India, the temporary nature of the agreement necessitates caution. Investors should monitor ongoing negotiations and be prepared for potential volatility.

At the end of the day China and US are doing a deal- that's truly the bottom line.