Market Views: How will renewed US–China trade tensions affect investors?

Heather Ng
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With tariffs back on the table, markets may pivot toward safe havens, while Asia braces for volatility and recalibrates its investment playbook.

The latest escalation in US–China trade tensions, sparked by US President Donald Trump announcing a 100% tariff on Chinese imports starting November 1, sent shockwaves through global markets.

The move, a direct response to China's expanded export controls on rare earth minerals vital to the US tech and defence sectors, prompted Chinese exporters to rush shipments ahead of the deadline, anticipating prolonged disruption.

Markets reacted swiftly with the S&P 500 falling 2.7% and the tech-heavy Nasdaq dropping nearly 4%, reflecting investor anxiety over a deepening economic rift between the world's two biggest economies. But sentiment rebounded after Trump said the tariffs weren't intended to harm China and signalled a willingness to negotiate. On October 13, US stock futures rose as both Trump and Vice President JD Vance expressed openness to dialogue with Beijing.

AsianInvestor asked industry experts how this renewed tension could reshape investment strategies across Asia.

Wei Li, head of multi-asset investments
BNP Paribas Securities (China)


Wei Li

The renewed US-China trade tensions have triggered dual impacts on global investors and Asia's markets – short-term volatility and long-term structural shifts.

For global investors, near-term risk aversion has surged. Safe-haven assets dominate allocations: gold prices topped $4,000/oz, with Q3 global gold ETF inflows hitting $26 billion, while 10-year US Treasury yields fell to 4.03% amid Fed rate-cut expectations.

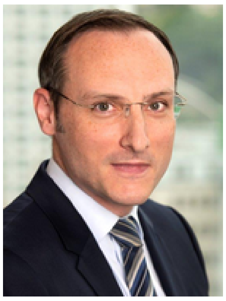
Emerging market flows have split: non-China ETFs saw $2.6 billion weekly outflows, but China-focused ETFs gained $1.77 billion as investors bet on policy stimulus.

Asia's markets navigate uncertainty with stark divergence. Export-reliant Japan faces high volatility due to auto sector exposure and supply chain risks. In contrast, Southeast Asia acts as a 'trade haven'-MSCI Southeast Asia Index volatility is just 7.00% during the last three months, supported by 60% GDP from domestic consumption.

Currency markets reflect policy buffers: Hong Kong's peg keeps HKD stable, while China's central bank uses reserves and macro-prudential tools to manage CNY swings.

Long-term, investors eye supply chain regionalisation and domestic demand-driven plays—China's 'new quality productive forces' firms and Japan's zero-volatility consumer staples. Thus, investors balance short-term safe havens with long-term structural opportunities in Asia's resilient markets.

Martin Hennecke, head of Asia and Middle East investment advisory
St. James's Place


Martin Hennecke

The swift softening of rhetoric from the Trump administration in the face of a significant market rout triggered by the 100% tariff threat could be due to a realisation of vulnerability to supply chain dependencies, and the benefits for both sides of avoiding a full-blown trade war.

It should be noteworthy for investors that the global economy, including Asia, may be generally less dependent on US trade than assumed by many, since over two-thirds of the world's countries conduct more commerce with China than the United States now — as demonstrated by China's strong 8.3% overall overseas shipments growth in September, despite a 27% plunge in trade with the US.

This does not mean, however, that investors should be complacent about risks and challenges, as rapid changes in tariffs and other restrictions inevitably trigger some supply chain disruptions.

Ultimately, though, what we find is that quality businesses, particularly those with a more diversified footprint of international operations, typically find ways to overcome such challenges, in some cases finding opportunities in change as well.

We do highly recommend regional diversification as well as balancing exposure to growth sectors with value exposure, to enhance portfolio resilience and benefit from potentially undervalued market segments.

Xin-Yao Ng, senior investment director of Asian equities
Aberdeen Investments


Xin-Yao Ng

US-China is in a structural competition that potentially might never resolve itself, until one side is weakened to the extent that they back down from competition – we might need decades to get there.

That overarching theme is important: under this backdrop, we should expect constant conflicts in the US-China relationship, often looking ugly. And fights between the two biggest superpowers in the world must create volatility for global markets – it'll be an unwelcome norm but unfortunately something we just got to constantly bear in mind. The current episode is thus merely another of many more to come.

On the brighter side, I think both parties are still sane enough to know they cannot completely decouple, yet. For as long as this prevails, we might expect every round of conflict to end with some temporary compromise, though never a full agreement, whereby the unresolved gaps remain seeds for the next round of conflict. And there'll be many gaps.

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continue and a meeting between the two presidents will take place. Thus, a very volatile October, but hopefully a calmer November to then be able to properly enjoy Christmas!

Even if that happens – which might not be correct, the tail risk of no-agreement is real, but I just think the odds are lower – we still must bear in mind that conflict will surely return in future.

From an investment perspective thus, in short, (1) I keep my head firmly on the structural investment themes that we like – AI, electrification, China localisation, booming emerging markets like India and Vietnam, for example; (2) I don't subscribe to the doomsday views, thus will typically take sharp declines occurring due to US-China conflicts to seek bargains in line with these themes.

Eli Lee, chief investment strategist
Bank of Singapore

While the situation remains highly fluid, our assessment of forward scenarios at this juncture leans towards sabre rattling or a moderate intensification of US-China tensions, instead of a sharp re-escalation of the US-China conflict.

Eli Lee

Over the long term, we believe the overall risk environment remains constructive, especially given that the Fed and global central banks continue to cut rates in a non-recessionary environment. But we caution that portfolios should be sufficiently diversified and robust to withstand heightened volatility and/or a short-term correction if US-China uncertainties further intensify.

Within equities, we continue to favour the defensive characteristics of consumer staples and utilities; while there could be a shake-out in tech after a sharp rally, the long-term structural AI theme remains broadly intact.

The latest US-China developments are likely to benefit non-China companies with exposure to REE and critical metals, while we could see a negative impact on US critical software names and non-China industrials that require critical REE inputs. Within fixed income, we remain neutral on duration with an underweight stance in developed market high yield and emerging market sovereign bonds.

While the USD could benefit from near-term developments, we believe its long-term downtrend remains intact. Gold will continue to be a beneficiary of heightened geopolitical uncertainties and debasement fears.

Steve Alain Lawrence, CIO
Balfour Capital Group

Steve Alain Lawrence

The latest US–China tariff escalation is a reminder that geopolitics can unsettle markets, yet history suggests both sides ultimately return to the table when economic pragmatism prevails.

We've seen this before: TikTok shifted from the brink of a ban to a regulated compromise; Huawei, despite sanctions, remains a key player in global telecom supply chains; and semiconductor export curbs in 2022 led to selective licensing after intense negotiations. Even the 2019 Phase One Agreement underscored that rhetoric eventually gives way to realism.

At Balfour Capital Group, we view this as cyclical noise rather than structural rupture. Markets will fluctuate, but deep interdependence between the world's two largest economies endures. We remain constructive and selectively bullish on Asia – particularly India, Indonesia, and Japan, where domestic demand and policy flexibility offer resilience. Long-term investment themes such as AI infrastructure, renewables, and supply-chain localisation continue to draw capital.

Historically, every flare-up in US–China tensions has created not just volatility, but opportunity – for investors willing to stay disciplined when others retreat.

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