

Most Asian markets drop, dollar gains as Trump fires tariff warning

AFP – Asian markets fell and the dollar rallied Tuesday after Donald Trump warned he would impose huge new tariffs on China, Mexico and Canada on his first day in office, dealing a blow to hopes of a more moderate approach to trade policy.

The former and next president said on his Truth Social account that he would hammer the United States' largest trading partners in response to the illegal drug trade and immigration.

The news dampened optimism that his pick to lead the Treasury, Scott Bessent, could temper the tycoon's assertiveness, with fears now of another trade war with China and warnings that the move – along with promised tax cuts – will reignite US inflation.

"On January 20th, as one of my many first Executive Orders, I will sign all necessary documents to charge Mexico and Canada a 25 percent tariff on ALL products coming into the United States, and its ridiculous Open Borders," he wrote.

In another post, he added that he would hit China with a 10 percent tariff "above any additional Tariffs" on all of its products entering the US, citing Beijing's failure to tackle fentanyl smuggling.

The announcement fuelled a sell-off across most Asian markets, though Hong Kong and Shanghai advanced in early exchanges.

The dollar surged more than one percent against its Canadian equivalent and Mexico's peso as well as the Chinese yuan. However, the yen strengthened thanks to its safe haven status.

"In a striking return to hardline policies, President-elect

Trump has dramatically escalated tensions with a brash promise to impose a sweeping 25 percent tariff on all imports from Canada and Mexico the moment he reassumes office," said SPI Asset Management's Stephen Innes.

He said the declaration "shatters any lingering hopes that.. Scott Bessent might usher in an era of moderation".

"Initially hailed as a beacon of stability, Bessent's influence now seems overshadowed by a resurgence of Trump's uncompromising 'America First' doctrine, which starkly excludes even the closest of allies from its protective embrace."

Asia's struggles came after another up day on Wall Street, where the Dow ended at a second successive record, helped by the choice of Bessent, though US futures were down Tuesday.

Bitcoin struggled below \$95,000 after dropping to a six-day low of around \$92,600 Monday as the Trump-fuelled rally that had seen it surge around 50 percent to within a whisker of \$100,000 ran out of steam.

Oil prices extended Monday's losses of around three percent that came after an official said Israel's security cabinet was to decide Tuesday on whether to accept a ceasefire in its war with Hezbollah in Lebanon. The stronger dollar was also depressing the commodity.

The United States, European Union and United Nations have all pushed in recent days for a truce in the long-running hostilities between Israel and Hezbollah, which flared into all-out war in late September.

– Key figures around 0230 GMT –

Tokyo – Nikkei 225: DOWN 1.3 percent at 38,260.38 (break)

Hong Kong – Hang Seng Index: UP 0.7 percent at 19,276.74

Shanghai – Composite: UP 0.4 percent at 3,266.88

Euro/dollar: DOWN at \$1.0454 from \$1.0495 on Monday

Pound/dollar: DOWN at \$1.2527 from \$1.2564

Dollar/yen: DOWN at 154.07 yen from 154.23 yen

Euro/pound: DOWN at 83.46 pence from 83.51 pence

West Texas Intermediate: DOWN 0.1 percent at \$68.85 per barrel

Brent North Sea Crude: DOWN 0.1 percent at \$72.95 per barrel

New York – Dow: UP 1.0 percent at 44,736.57 (close)

London – FTSE 100: UP 0.4 percent at 8,291.68 (close)

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