

Equities resume selloff as Trump cranks up trade war

AFP – Equities and oil plunged Wednesday after Donald Trump ramped up his trade war by hitting China with tariffs of more than 100 percent as sweeping measures against the United States' dozens of partners came into effect.

After a brief respite Tuesday from the panic-selling at the start of the week, investors were once again scurrying for the hills amid fears that the US president's hammer blow to global commerce will plunge the economy into a recession.

The two economic superpowers were headed for a vicious standoff after Trump said China would be hit with another 50 percent levy in response to its retaliation in kind to his initial 34 percent duty announced last week.

With Beijing already subject to a 20 percent toll, its exporters are now facing tariffs of up to 104 percent.

China has blasted what it called US blackmail and vowed to "fight it to the end", fanning worries the crisis could spiral out of control.

Forex traders were on edge – Beijing has allowed the yuan to weaken to a record low against the dollar, while the Indonesian rupiah was also at an all-time nadir. The South Korean won also hit its weakest since 2009 during the global financial crisis.

Meanwhile, the European Union could unveil its response next week, with French President Emmanuel Macron calling for Washington to reconsider but adding that if the bloc was forced to respond "so be it".

In response to steel and aluminium levies that took effect last month, Brussels is planning measures of up to 25 percent on US goods ranging from soybeans to motorcycles, according to

a document seen by AFP.

Chinese Premier Li Qiang told EU chief Ursula von der Leyen that Beijing had the “tools” to handle headwinds, according to state news agency Xinhua.

On Wednesday, South Korea unveiled a \$2 billion emergency support package for its crucial export-focused carmakers, warning that Trump’s 25 percent tariffs on the sector could deal it a terrible blow.

And the Association of Southeast Asian Nations (ASEAN) said it must “act boldly” to accelerate regional integration.

The 10-member bloc – which counts the United States as their main export market – were among those slapped with the toughest levies by Trump.

– 50% chance of recession –

“Any illusion of calm in Asia just got nuked. Trump’s latest tariff tantrum hits like a macro wrecking ball, torching what was left of risk appetite and plunging markets back into full-blown panic mode,” said Stephen Innes at SPI Asset Management.

“The only question on every desk this morning is: Is he really willing to light a global recession match just to redraw the trade map?”

The US president believes his policy will revive America’s lost manufacturing base by forcing companies to relocate to the United States, saying Tuesday that countries were “dying to make a deal”.

Earlier he said the country was “taking in almost \$2 billion a day” from tariffs but the measures have sent shockwaves through markets and wiped trillions of dollars off company valuations.

Jack Ablin of Cresset Capital estimated that the market now

sees a greater than 50 percent chance of a US recession.

The gains in Asia and Europe on Tuesday came on optimism that the White House could be open to compromise.

But a lack of movement and Trump's confirmation of the 50 percent duties on China took the air out of investor sentiment.

That saw Wall Street reverse healthy opening gains to end deep in the red – the S&P 500 finished below 5,000 points for the first time in almost a year.

Asia resumed its retreat Wednesday, though some markets pared some early big losses and Shanghai edged up amid speculation state-backed funds were propping the market up. Jakarta also rose.

Tokyo fell five percent as the safe-haven yen rose more than one percent, while Singapore fell more than two percent and Taipei tumbled more than five percent.

Hong Kong, Sydney and Seoul were all off more than one percent.

Wellington's losses were tempered by news that New Zealand's central bank had cut interest rates.

Thailand and Vietnam – hit by tariffs of 36 percent and 46 percent respectively – suffered less volatility in their markets, with both down less than one percent.

Oil prices briefly tanked more than four percent, with both main contracts hitting their lowest levels since 2021 during Covid amid growing fears that the hit to economies will batter demand.

– Key figures around 0405 GMT –

Tokyo – Nikkei 225: DOWN 5.0 percent at 31,366.06

Hong Kong – Hang Seng Index: DOWN 1.6 percent at 19,815.24 (break)

Shanghai – Composite: UP 0.2 percent at 3,152.96 (break)

Dollar/yen: DOWN at 144.63 yen from 146.23 yen on Tuesday

Euro/dollar: UP at \$1.1031 from \$1.0959

Pound/dollar: UP at \$1.2832 from \$1.2766

Euro/pound: UP at 85.95 pence from 85.78 pence

West Texas Intermediate: DOWN 3.4 percent at \$57.55 per barrel

Brent North Sea Crude: DOWN 3.1 percent at \$60.90 per barrel

New York – Dow: DOWN 0.8 percent at 37,645.59 (close)

London – FTSE 100: UP 2.7 percent at 7,910.53 (close)

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