

US RECIPROCAL TARIFF POLICY AND THE CHALLENGES

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- The Trump administration has officially announced a series of new tariffs, marking a significant shift in US trade policy with the rest of the world. Financial markets reacted negatively to the announcement of these new tariffs.
- Vietnam is among the countries facing the highest reciprocal tariffs from the US (46%). However, certain products from other countries will be exempt from these tariffs, including aluminum, steel, automobiles, auto parts, gold, copper, pharmaceuticals, semiconductors, lumber, and specific energy and mineral resources unavailable in the US. As a result, the textile & garment and seafood industries are currently expected to bear the greatest pressure from the new US tariff policy.
- The upcoming visit of Deputy Prime Minister Hồ Đức Phúc and a delegation of Vietnamese businesses to the US. this weekend is expected to find solutions to resolve tariff-related issues between the two countries.
- Our biggest concern regarding the US. imposing heavy tariffs on Vietnam is not export growth, but rather the impact on FDI flows. In the short term, the USDVND exchange rate has surged, currently hovering around 25,800 (+0.62% d/d & +1.37% YTD). We believe the exchange rate will remain under pressure and could approach 26,000.
- The stock market is likely to face significant short-term pressure, at least until the tariffs officially take effect on April 9. However, we remain optimistic that Vietnam's strong diplomatic efforts and proactive government actions will help the country secure a better deal.

New US Reciprocal Tariff Policy

On April 2, after much anticipation from the market, President Donald Trump officially announced a series of new tariffs, marking a significant shift in US trade policy with the rest of the world. This policy includes a minimum 10% tariff on all imports, along with additional "reciprocal" tariffs targeting countries that the US considers to have unfair trade practices. The minimum import tariff will take effect after midnight on April 5, while the higher tariff rates will be officially implemented on the morning of April 9. President Trump stated that these measures are a response to decades of trade exploitation by US. trade partners, aiming to restore domestic manufacturing and address trade imbalances.

Financial markets reacted negatively to the announcement, with sharp declines in stock markets and the global US dollar index (DXY). Meanwhile, US Treasury yields fell, and gold prices surged as investors sought safe-haven assets.

Table 1: Global financial market reactions.

Financial markets	Day on day (%)
Stocks	
Dow Jones	-1.9%
S&P 500	-2.8%
Nasdaq-100	-3.4%
Hang Seng	-1.9%
Shanghai	-1.7%
Nikkei 225	-2.8%
Kospi	-1.1%
DXY	-0.4%
UST (10Y)	-2.1% (-9 bps)
Gold	+2.5% (3,200)

Sources: PHS compiled