

STRATEGIES FOR PERSISTENT POLICY-DRIVEN VOLATILITY

STAYING DISCIPLINED – AND NOT REACTIVE – CAN TURN VOLATILITY INTO AN ADVANTAGE.

The investment climate of 2025 is characterized by a series of rapid, policy-driven swings that have made volatility a defining feature of today's markets. Stock indices, bond yields, and currencies have moved not just on economic data, but in response to a constant flow of government actions involving tariffs, trade negotiations, and regulatory changes.

WHAT'S DRIVING THE VOLATILITY?

A key factor in this pattern is the increasing frequency of headline-generating policy announcements from Washington, Brussels, Beijing, and other power centers. Just in the past quarter, U.S. trade tariffs on Asian and European goods were lifted,

then partially reinstated, then debated anew. Meanwhile, ongoing international negotiations can dramatically shift prospects for entire sectors, as seen when sudden tariff waivers boosted technology stocks and then left them exposed as talks stalled.

Traditional economic cycles are being overridden by headline risks. One morning, markets rally on news of a big infrastructure bill. Hours later, sentiment reverses with a tweet about new import restrictions. The speed and magnitude of these policy shocks have increased, making passive investing and traditional diversification strategies less potent.

RE-FRAMING RISK AND OPPORTUNITY

Helping clients manage emotional

responses is as important as asset allocation. That is why regular reviews of risk tolerance and investment objectives are important, ensuring they remain realistic in volatile times. Instead of trying to time markets based on unpredictable announcements, one should emphasize:

- **Maintaining a diversified asset mix** – including exposure to sectors and geographies less affected by U.S. government action.
- **Using volatility as an opportunity** – to rebalance portfolios and selectively add to quality positions that have been oversold.
- **Stress-testing portfolios** – with scenario analyses reflecting both policy and economic uncertainties.

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PRACTICAL PORTFOLIO ACTIONS

- **Tilt toward resilient sectors:**
Consider quality companies in healthcare, utilities, and consumer staples less sensitive to trade policy shocks.
- **Manage duration in fixed income:**
Shorter duration bonds or floating-rate instruments can better handle rate volatility.
- **Hedge currency exposure:**
Especially as dollar swings disproportionately affect international investments.

Staying disciplined – rather than reactive – can turn today's volatility into a source of long-term advantage.

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