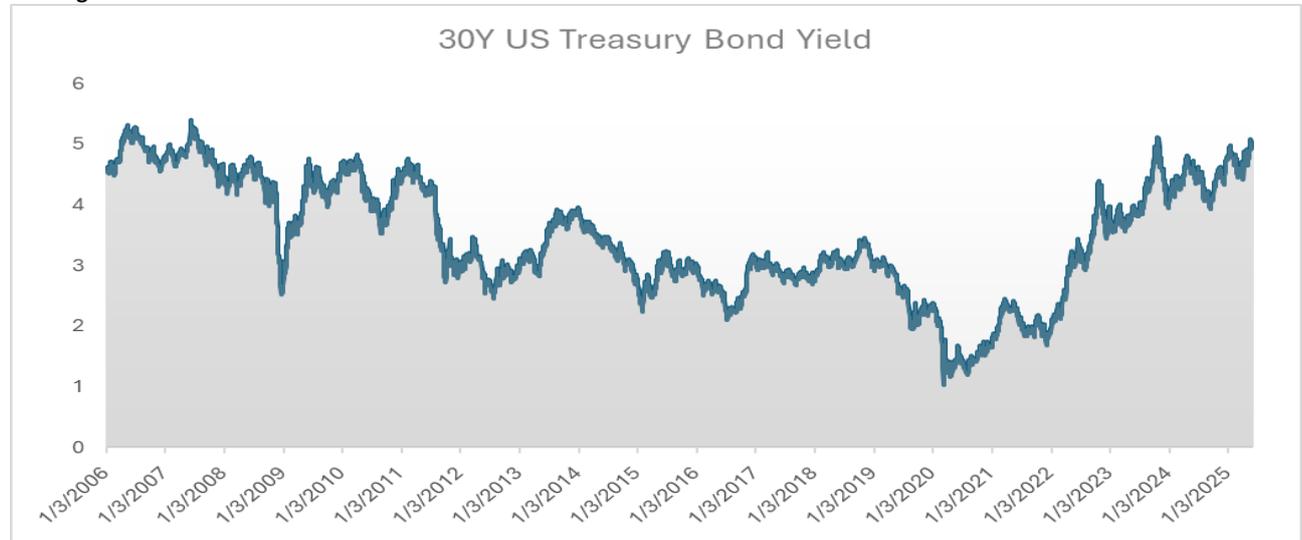


It's Trump's world, we're just living in it...

2025 has been all about the US President. In the latest episode of *The Trump show*, two plot twists took center stage: soaring Treasury yields tied to President Trump's signature fiscal package, and a courtroom showdown over his tariffs.

One Big Beautiful Bill Yield



The 30-year Treasury yield surged past 5.0% this month after the House passed President Trump's "One Big Beautiful Bill", which now moves to the Senate for approval. Analysts estimate the legislation could add between \$2.58-3.4Trn to the federal deficit over the next decade. If certain provisions become permanent, the cost could rise to \$5Trn.

The bill was passed just days after Moody's downgraded the U.S. credit outlook to AA1, citing persistent deficits and growing interest costs. Moody's projects that interest payments could consume 30% of federal revenue by 2035; far above the sub-5% average for other AA1-rated countries. Currently, only countries such as Brazil, Egypt, Ghana, India and Sri Lanka face similar debt service burdens.

From a fiscal standpoint, markets viewed the bill as irresponsible, further eroding confidence in the administration's economic stewardship. Rising yields now pose a serious refinancing challenge: the U.S. must roll over about \$7Trn of its \$9.2Trn in maturing debt this year—at higher rates, adding further pressure to the budget.

Tariffs on Trial

Adding to fiscal strain, the U.S. Court of International Trade ruled that President Trump's fentanyl and reciprocal-related tariffs, enacted under the IEEPA statute, exceeded presidential authority. While the administration appealed and secured a temporary stay, the next hearing is set for June 5th.

Regardless of the court's decision, President Trump still has tools at his disposal. Under Section 122 of the Trade Act of 1974, he can impose universal tariffs of up to 15% for 150 days in response to balance of payments deficits. He may also pursue Section 301 investigations to justify targeted retaliatory tariffs. And under Section 338, the President can apply duties of up to 50% on imports from countries deemed to discriminate against the U.S.

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To be continued...

As we close out May, the uncertainty surrounding U.S. fiscal and trade policy remains front and centre. The court battle over tariffs continues into June, Treasury yields remain elevated, and the long-term implications of deficit-driven stimulus are weighing on market confidence. At this point, only one thing is certain, we need to strap on for more volatility.

30th May 2025

