



A Mar-a-Lago Accord?

The intersection of trade, currency, and security

Market Watch

Equity Market Indices ¹	2/28/25 Price	3/31/25 Price	MTD Change	YTD Change
MSCI All Country World	863	827	-4.15%	-1.69%
S&P 500	5955	5612	-5.75%	-4.59%
MSCI EAFE	2423	2401	-0.90%	6.15%
Russell 2000 ^{®2}	2163	2012	-6.99%	-9.79%
NASDAQ	18847	17299	-8.21%	-10.42%
TOPIX	2682	2659	-0.87%	-4.53%
KOSPI	2533	2481	-2.04%	3.40%
Emerging Markets	1097	1101	0.38%	2.41%

Fixed Income

2-Year U.S. Treasury Note	3.99%	3.89%	-11	-36
10-Year U.S. Treasury Note	4.21%	4.21%	0	-37
BBG U.S. Agg Corp Spread	0.87%	0.94%	7	14
BBG U.S. HY Corp Spread	2.80%	3.47%	67	60

Currencies

Chinese Renminbi (CNY/\$)	7.28	7.26	-0.30%	-0.58%
Brazilian Real (Real)	5.88	5.71	-3.04%	-7.64%
British Pound (\$/GBP)	1.26	1.29	-2.64%	-3.12%
Euro (\$/Euro)	1.04	1.08	-4.08%	-4.29%
Japanese Yen (Yen/\$)	150.63	149.96	-0.44%	-4.61%
Korean Won (KRW/\$)	1460.25	1472.90	0.87%	0.06%
U.S. Dollar Index (DXY)	107.61	104.21	-3.16%	-3.94%

Commodities

Gold	2858	3124	9.30%	19.02%
Oil	69.76	71.48	2.47%	-0.33%
Natural Gas, Henry Hub	3.83	4.12	7.43%	13.38%
Copper (cents/lb)	451	503	11.51%	25.02%
CRB Index	302	309	2.47%	4.24%
Baltic Dry Index	1229	1598	30.02%	60.28%

INTRODUCTION

During this period of heightened uncertainty and volatility for the market, investors have been fixated on the on and off tariff threats and the Fed's "to ease or not to ease" refrain. The S&P 500 Index experienced a 10% correction from its February 19 all-time high but bounced off the psychologically important 5,500 level. Investor sentiment indicators dropped to levels usually seen during troughs of bear markets, yet equity inflows have been strong as many investors have been conditioned to buy on the dip. In response to the increasingly speculative mindset of the market – focusing more on short-term trading than long-term investing – both the New York Stock Exchange and NASDAQ are working on offering round-the-clock trading for five or even seven days a week.

Fundamentally, investors have come to accept that President Trump's policy agenda involves some short-term pain – what Treasury Secretary Bessent called a "detox period." It has taken a toll on the economy as well as consumer and business confidence. According to the LSEG I/B/E/S database, the market's S&P 500 earnings growth expectation for 1Q25 declined from 12.2% at the start of the year to 8%. With double-digit earnings growth still expected for the remainder of the year, there appears to be room for further downward earnings revisions in the upcoming earnings reporting season beginning in April.

Outside the U.S., equities have done well year-to-date due to the emergence of several new themes: greater fiscal stimulus in Europe and China, and the latter's breakthroughs in AI. While the U.S. remains secularly better positioned than most of its allies and geostrategic competitors, the rechanneling of fund flow back to non-U.S. stocks may still be at an early stage after several years of strong inflows into the U.S.

With the Trump administration's cost cutting and trade negotiations unlikely concluding anytime soon, and immigration policy becoming potentially even more restrictive, it is hard to build a bullish case for U.S. equities over the near term unless the Fed decides to risk higher inflation to resume rate cuts in order to forestall a material economic slowdown. Unlike the last couple of years when the economy and markets benefited from ample liquidity and deficit-fueled stimulus, investors will look to the private sector to do the heavy-lifting, much of which will depend on the restoration of business confidence predicated on predictable and consistent policies.



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Kauffmann's Defiance

It was 4:00 am on April 9, 1940, when Peter Munch was awoken by a phone call from German Ambassador Cecil von Renthe-Fink, who demanded an immediate meeting. The seventy-year-old Munch, who had been Denmark's Foreign Minister since 1929, had a sense of foreboding as he got dressed. At 4:20 am, Renthe-Fink entered Munch's residence and handed him a note from German Foreign Minister Joachim von Ribbentrop, who demanded that the Kingdom of Denmark accept the German government's military protection against imminent attacks from Britain and France. The note warned that any resistance would lead to unnecessary bloodshed.

After Renthe-Fink left, Munch immediately phoned King Christian X and Prime Minister Thorvald Stauning. As top officials rushed to the Amalienborg Palace to confer with Christian X and General William Wain Prior, the Chief of the Royal Danish Army, the German army was already on the move and several Luftwaffe bombers were dropping leaflets over Copenhagen.

Christian X's ministers all advocated an immediate surrender as Munch had long cautioned that Denmark was no match for its much larger neighbor to the south. General Prior was the only one who called for resistance, but the King feared that Copenhagen would be bombarded by the Luftwaffe like Warsaw had been eight months earlier. At 6:00 am, the Danish government surrendered in exchange for autonomy in domestic governance, thus ending Germany's shortest WWII military campaign.

1,800 miles northwest of Denmark, the inhabitants of Greenland – 18,000 Inuit and 400 Danes – suddenly found themselves without a rudder. As a distant colony of the kingdom largely shut off to the rest of the world for centuries, Greenland was left defenseless with Great Britain, Canada, and Germany all maneuvering to fill the power vacuum.

Europeans first became aware of the island's existence in the late 9th century after Norwegian settlers in Iceland sighted it when their ship was blown off course. In 982, Erik the Red, a Norse explorer, reached the southwest coast of the island and named it "Greenland." He persuaded a group of Icelanders to establish a settlement there in 985. The Catholic Church founded a diocese on Greenland in 1126, and the settlers accepted the overlordship of the King of Norway in 1261.

The Norse settlements seemed to have disappeared by the 15th century, which left the Inuit as the only inhabitants of the island for several centuries. Some theorized that the Norsemen, who never learned the kayaking and seal hunting techniques of the Inuit, were unable to survive the "Little Ice Age" which cooled temperatures and made Greenland less hospitable.

In 1721, King Frederick IV of Denmark permitted various expeditions to reestablish a royal colony in Greenland and by 1776, Denmark's Royal Greenland Trading Company was given a monopoly on Greenland's commerce, with the coast of the island closed off to foreign ships. The isolation of Greenland would continue until 1940, after Germany invaded Denmark.



International Coast Guard expedition among icebergs in Greenland in 1946.

Henrik Kauffmann, the Danish ambassador to the U.S. and seasoned diplomat with an American wife, was the first envoy who declared that he would not act on orders from the Nazi-occupied government in Copenhagen. He defied Christian X and reached out to the U.S. State Department and Greenland's two governors – Denmark had split the administration of Greenland into the North and South – to craft a contingency plan. The governors declared Greenland a self-ruling territory to shield them from the Nazis, and Kauffman tried to convince the U.S. to offer assistance and protection. At the time, the U.S.

was still technically a neutral country, and its immediate strategic interest was the cryolite mine at the tip of Greenland, which was the sole source of the mineral used in the manufacturing of aircraft.

President Roosevelt had to quickly make decisions about assisting Greenland as Canada, which was building airplanes for Britain, was mobilizing to invade the island to seize the cryolite mine. Simultaneously, Great Britain was planning an invasion of Iceland and Greenland to prevent Germany

❁ KAUFFMANN'S DEFIANCE

from taking over these strategically important islands that could choke off maritime shipping in the North Atlantic. In late April, Roosevelt warned them all to leave Greenland alone as the U.S. would support the island's neutrality. On May 3, 1940, at the behest of Kauffmann, Greenland formally requested American assistance and invited it to establish a consulate.

On May 10, the winds of war intensified on multiple fronts. Germany launched its blitzkrieg invasion of Belgium, the Netherlands, and France. Winston Churchill became the Prime Minister of Great Britain, and the British Royal Marines seized Iceland. On America's side of the Atlantic, U.S. Coast Guard Cutter Comanche sailed out of New York for Greenland to establish a consulate in Godthaab; it was the first American ship to make a port call on the vast island.

After the consulate was established, the U.S. began shipping arms and "private" guards to the island to protect the cryolite mine from sabotage. American military planners also started scouting potential airfield sites as they foresaw the use of the island as a refueling base between the U.S. and Britain.

On April 9, 1941, exactly a year after Denmark's surrender, Kauffmann, acting as a government-in-exile, signed the Defense of Greenland Agreement to make the island a de facto protectorate of the U.S., for which he was charged with high treason by the Danish government. The agreement allowed the U.S. to build Greenland's first airbase, which served as headquarters for the U.S. Army Air Corps' "Greenland Base Command."

After the U.S. declared war on Germany on December 11, 1941, Greenland technically entered the war and broke off all contact with Denmark. The U.S. provided Greenland with massive aid and made the island a strategic base for the Air Force and Coast Guards, as well as anti-submarine warfare. Thousands of U.S. servicemen and contractors were stationed on the island, which led to significant infrastructure development and economic activity.

On May 5, 1945, the Allied forces liberated Denmark, which led Greenland's two Danish governors to relinquish their emergency power and return all authority back to Copenhagen. Kauffmann, then nicknamed "the King of Greenland," returned home a hero – the government dropped the treason charge and Parliament retroactively ratified his treaty with the U.S. He continued to play an important diplomatic role during the early years of the Cold War.

In 1991, based on previously undisclosed documents from the National Archives, the Associated Press reported that in 1946, President Truman, recognizing Greenland's strategic value to the U.S., had offered to buy the island from Denmark for about \$100 million in gold and the rights of any oil discovered in the Point Barrow district of Alaska. The offer was turned down, but it led to the 1951 Greenland Defense Agreement which allowed the U.S. to expand its military bases on the island within the framework of the North Atlantic Treaty Organization (NATO).

Make Greenland Strategic Again



The Pituffik Space Base (formerly Thule Air Base) is pictured in northern Greenland, on October 4, 2023.

In April 2024, a group of NASA scientists were surveying polar ice sheets aboard a Gulfstream III aircraft equipped with high-precision 3-D radar instruments in northwestern Greenland. As the plane flew over the shuttered U.S. military scientific research base in Camp Century, 125 miles east of the Pituffik Space Base – the northernmost installation of the U.S. Armed Forces – the instrument panel suddenly displayed an intricate underground city buried under roughly 100 feet of ice.

The image turned out to be the site of an abandoned top-secret Cold War era project known as Project Iceworm, which sought to build a vast underground network of mobile nuclear missile launch sites. Launched in 1959, the project was cancelled in 1966 due to unstable ice

conditions. The remnants of this abandoned project are a reminder of Greenland's strategic importance.

The Arctic has long been viewed as a region of great power competition by the U.S., some NATO allies, Russia, and increasingly China. About two-thirds of Greenland lies above the Arctic Circle, which enables the U.S. ballistic missile early warning system to track projectiles from Russia. The GIUK gap – the sea lanes between Greenland, Iceland, and the United Kingdom – is an important maritime supply line between the U.S. and Europe, and strategic naval chokepoints through which Russian submarines need to pass to patrol the North Atlantic and beyond.

❁ MAKE GREENLAND STRATEGIC AGAIN

In recent years, Russia has invested heavily in its air and naval presence in the Arctic with access to more than fifty airfields and ports in the region. It boasts the world's largest fleet of icebreakers – around thirty diesel-powered and four nuclear-powered. China is by no means an Arctic nation, but as a self-proclaimed “near-Arctic state,” has developed a comprehensive Arctic strategy by advancing its influence and interests in four areas: political, economic, scientific, and military. China possesses four icebreakers – double the size of the U.S. fleet – and has reportedly accelerated the construction of a next-generation heavy-duty research icebreaker.

Greenland is a key part of China's Arctic strategy as it offers rich natural resources – it is estimated to hold 25 of the 34 critical raw material elements – and is envisioned as a port in the “Polar Silk Road” that parallels the country's expansive Belt and Road Initiatives. In 2016, due to security concerns, then Danish Prime Minister Lars Løkke Rasmussen, had to personally intervene to stop Greenland's self-ruling authority from selling an abandoned U.S. naval base to a Chinese mining company, General Nice Group.

These strategic issues have not been lost on President Trump, who floated the idea of acquiring the island with politicians in Denmark and Greenland in 2019. He abruptly cancelled a state visit to Denmark in August 2019 after Prime Minister Mette Frederiksen publicly called his proposal “an absurd discussion.” In June 2020, seizing on Denmark's effort to mend the fence with the U.S., the Trump administration reopened the consulate in Nuuk, the capital of Greenland, that was closed in 1953.

On December 22, 2024, roughly a month before his second inauguration as the President of the United States, Trump wrote on Truth Social, “For purposes of National Security and Freedom throughout the World, the United States of America feels that the ownership and control of Greenland is an absolute necessity.”

The Trump administration is serious about bringing Greenland much closer into America's economic and security orbit, which could result in a Compact of Free Association (COFA) agreement that grants the U.S. military bases and resource access in Greenland in exchange for various aids. Greenland currently depends on an annual block grant from Denmark that accounts for 20% of the island's GDP and more than half of its public budget. Local inhabitants could benefit from an arrangement similar to the Alaska Permanent Fund that grants them shared surplus revenue from the island's natural resources.

Such an agreement would relieve Denmark of the roughly \$800 million of annual financial assistance to Greenland. Putting aside its history as an erstwhile colonial power, Denmark could potentially negotiate a deal to maintain relevance in Greenland – such as sharing future mineral and tourism revenue – while forming a closer partnership with the U.S. In short, this arrangement could potentially benefit all parties involved, along with possible new investment opportunities, from tourism to mining.

Pax Americana No Más?

A few weeks after his return to the White House, it was reported that President Trump called House Speaker Mike Johnson for a trade – he would exchange one of the White House’s portraits of Thomas Jefferson for that of James Polk hanging in the U.S. Capitol. President Trump said he admired Polk, who was the most expansionist president in U.S. history, having annexed Texas, California, the Oregon Territory, and vast territories in the American Southwest. Trump has made clear his ambition to expand U.S. territory – calling on Canada to become the 51st state, offering to acquire Greenland from Denmark, and threatening to retake control of the Panama Canal.

While Trump is focused on creating a “Fortress America” to enhance the country’s economic and national security, he appears to be backing away from Pax Americana by scaling back America’s commitment and assistance to its allies around the globe. Much of America’s foreign assistance, including funding for decades-old non-government organizations (NGOs) to promote democracy and civil society, has been cancelled. This reduction in America’s soft power is happening at a time when the West is competing against China’s Belt and Road Initiative as well as propaganda from Russia and various extremist entities. Many European countries are also concerned about the administration’s intention to ease sanctions against Russia without extracting sufficient concessions.

Some would argue that there is a clever strategy behind Trump’s unconventional foreign policy approach – to create a sense of urgency among European countries to share a greater burden of their own defense, and to prevent Russia from becoming an even closer ally of China, America’s main geostrategic rival. One can also

argue that lifting sanctions on Russian energy would help drive down global energy prices to ease inflationary pressure.

While the payoff on Trump’s Russia approach will likely remain questionable, the pressure on Europe seems to have worked. Faced with America’s threat to pivot away from the eight-decade-old transatlantic security arrangement, European countries have pledged to spend up to €1 trillion over the next decade to fund increases in defense spending and transform Europe’s industrial base.

In recent months, French President Emmanuel Macron suggested that France could join the U.K. in extending its nuclear umbrella to protect other European countries. Germany’s incoming Chancellor Friedrich Merz has convinced the Bundestag to relax the country’s tradition of fiscal austerity by exempting defense spending from Germany’s constitutional debt brake and creating a €500 billion fund for infrastructure projects.



Germany's "Big Bang" Moment

In addition to the €500 billion infrastructure fund, Merz said he would do "whatever it takes" on defense to "protect freedom and peace." This new attitude is viewed as a "Big Bang" moment for Germany's fiscal philosophy, which has long been frugal and anti-inflation. Indeed, when measured against the size of the country's GDP (€4.3 trillion in 2024), the €500 billion infrastructure fund alone is greater than the 2021 Infrastructure Investment & Jobs Act and 2022's Inflation Reduction Act combined.

The Walter Eucken Institute in Freiburg estimates that €1 trillion of new debt over the next ten years – assuming €500 billion of extra defense spending in addition to the infrastructure fund – would increase Germany's debt-to-GDP ratio from the current 62% to roughly 90%. The bond market reacted quickly by driving up government bond yields across Europe and the U.K. The 10-year Bund yield surged from 2.41% at the end of February to as high as 2.9% in March. Higher bond yields in the

The leader and top candidate for Chancellor of Germany's Christian Democratic Union (CDU) Friedrich Merz gestures as he delivers his speech during a campaign event at the Ostra-Dome in Dresden, eastern Germany, on January 30, 2025.



eurozone also boosted the value of its currency – the euro rallied 4% versus the greenback in March, rising from \$1.04 per euro to \$1.08 during the month.

This “Big Bang” moment could have a lasting impact on international fund flows. The rise in European bond issuance in the years ahead may create more competition for U.S. government bonds; that is, global investors will have more fixed income investment alternatives. It could potentially drive up the U.S. government’s funding cost, *ceteris paribus*.

The expected fiscal stimulus in the form of increased spending on European defense and infrastructure has already led European stocks to outperform the U.S. so far in 2025. With many investors around the world having overallocated to the U.S. markets over the last couple of years, the reallocation of capital to non-U.S. markets may still be at an early stage.

In short, Europe’s geostrategic crisis created by a seemingly less committed U.S. has created new investment opportunities in the Old World. While Europe’s long-term prospects remain challenged – the continent is beset by overregulation, a lack of innovation, and serious demographic issues – its “Big Bang” moment will likely attract some capital that would otherwise flow to the U.S.

A Mar-a-Lago Accord?

One of the reasons that President Trump has empowered DOGE (the Department of Government Efficiency) to aggressively cut federal spending, including foreign aid supporting America’s soft power, is that the structurally high U.S. deficit has become a threat to national security. Ray Dalio, one of the most respected hedge fund managers, recently warned that the U.S. is on the brink of an “economic heart attack” within the next three years if the administration is not committed to reducing the deficit.

In addition to cost cutting, the deficit can be narrowed with increased tax revenue. President Trump has long viewed tariffs as a tool to boost tax revenue and economic growth – the former as a direct levy on U.S. importers, and the latter by forcing companies to bring production back home. Trump also appears to favor a weaker U.S. dollar to make American exports more competitive. As detailed in one of my recent reports, [The Ricardian Vice](#), Trump’s penchant for tariffs is at odds with most mainstream economists.

In November 2024, Stephen Miran, a Harvard-trained economist who worked as an advisor for the Treasury Department from 2020 to 2021, published [A User’s Guide to Restructuring the Global Trading System](#) where he laid out a Trumpian, but cogent, argument for tariffs along with generational changes in the international trade and financial systems, including the following points:

❁ A MAR-A-LAGO ACCORD?

- The U.S. dollar's role as the global reserve currency has led to its overvaluation, which in turn contributed to trade imbalances and the decline of the U.S. manufacturing sector. However, financialized sectors and wealthy Americans have benefited as the country's trading partners have been recycling their trade surpluses into U.S. dollar denominated assets to keep their currencies undervalued.
- The decline in U.S. manufacturing makes it increasingly difficult for the U.S. to underwrite the global security order. Many U.S. allies have been taking advantage of the U.S. by unfairly building up trade surpluses while being shielded by America's defense umbrella.
- As the U.S. economy shrinks in relative size – from 40% of global GDP in 1960 to 26% now – it becomes increasingly untenable for the U.S. to underwrite the global security order and maintain the reserve currency status. An overhaul of international trade, the financial system, and security arrangements is thus necessary.
- U.S. policy tools include tariffs, tax cuts, deregulation, lower interest rates, and currency devaluation. To minimize disruptions to the economy and markets, tariffs should be phased in gradually.
- Tariffs can be used as a leverage to incentivize other countries to lower their trade barriers, better align with the U.S. on geopolitical issues, and increase sharing the burden in defense.
- The principal risk in realizing a “fairly valued” dollar –devaluing the greenback in Miran's view – is large-scale outflows from the Treasury market to drive up interest rates. A multilateral currency accord can minimize such a risk, even though neither Europe nor China are willing to strengthen their currencies. Tariffs can be used as leverage to effectuate such a multilateral currency accord. With historical currency accords typically being named after the resorts where they were negotiated – such as the Bretton Woods and Plaza Accords – Miran named his proposed multilateral agreement the Mar-a-Lago Accord.
- The Mar-a-Lago Accord would link the U.S. security umbrella to finances: countries seeking U.S. protection should fund it by buying U.S. debt and terming out their existing Treasury holdings. The latter would have the country's allies swap their U.S. Treasury bills and bonds into ultra-long duration securities such as zero-coupon century bonds. (Note: the zero-coupon bond is not explicitly stated by Miran but widely inferred.)
- The Accord would in effect have U.S. allies pay a fee for U.S. military protection, devalue the dollar to make American exports more competitive, and reduce Washington's interest expenses via term-out of debt to zero-coupon ultra-long duration bonds.
- If a multilateral approach to devalue the U.S. dollar cannot be accomplished, the Trump administration can still do it unilaterally. One option is to discourage foreign countries from accumulating too much Treasury debt by imposing a “user fee” on foreign official holdings of Treasury securities. Other options include the Treasury buying foreign currencies and compelling the Fed to print more money.

Miran's ideas must have resonated strongly with Trump's beliefs. On December 22, 2024, then President-elect Trump nominated Miran to be the Chairman of the Council of Economic Advisors, and the Senate confirmed the appointment on March 12, 2025.

Given President Trump's penchant for making historic deals, it would not be a surprise if Trump pursues something similar to Miran's Mar-a-Lago Accord proposal in an attempt to overhaul the global financial system. However, such an accord would likely shock the global financial system with unintended consequences, and there would be much resistance from U.S. allies, not to mention a strategic competitor like China. While the U.S. would prefer to issue zero-coupon century bonds to alleviate its fiscal burden, most of its allies may not be willing to buy them in exchange for U.S. protection. After all, they cannot be fully assured of America's long-term security commitment when U.S. foreign policy might shift with election outcomes. Furthermore, foreign private investors, who purchase far more U.S. assets than overseas government entities, may be alarmed by these drastic moves to weaken the dollar.

With tariffs being a key lever in the proposed Mar-a-Lago Accord, if the administration intends to pursue such an initiative, it might do it sooner rather than later to prevent lingering tariff uncertainty. On the other hand, if the Fed's support is deemed essential, Trump may have to wait until he is able to appoint a new chair as Chair Powell is unlikely to step down before his chairmanship ends in May 2026. By then, it may be too close to the midterm elections for the administration to attempt moves that are perceived as risky and disruptive to the economy and markets.





A Weaker Dollar World and Investment Opportunities

Since becoming the 79th Secretary of the Treasury, Scott Bessent has reiterated support for a strong dollar policy on several occasions. However, President Trump has publicly warned China and Japan to not weaken their currencies because “it’s unfair to us.” With Stephen Miran as Trump’s top economic advisor, the administration may become more aggressive in its attempt to drive down the value of the greenback to boost U.S. exports. However, a weaker dollar will likely make U.S. imports more expensive, which goes against the goal of lowering inflation.

Despite the recent pullback, the U.S. dollar still appears expensive relative to its recent history. As shown in Chart 1, when Trump left the White House in January 2021, the U.S. Dollar Index was at roughly 90; it was 109, or 21% higher, when he returned to the White House on January 20, 2025. It is not inconceivable that the U.S. Dollar Index could slide back to 90, which is the lower end of the 2015-2021 trading range, without a transformative currency accord.

With the U.S. Dollar Index having given up all its post-election appreciation – it suffered a 3% decline in March – it is prudent to revisit the investment implications of a materially lower U.S. dollar.

Historically, periods of a weaker U.S. dollar have seen international stocks outperforming U.S. equities, as foreign assets would be worth more in dollar terms, *ceteris paribus*. U.S. multinationals’ overseas businesses could also benefit from a weaker dollar, but tariffs remain a potential headwind in the current environment. Commodity prices tend to move higher on a weaker

dollar, though the underlying supply and demand still matter more. The recent strength in gold prices may reflect investor positioning for not only a weaker dollar, but also a riskier macro environment should Trump consider something similar to the Mar-a-Lago Accord.

Beyond the currency impact, Trump’s various policy initiatives – cost cutting via DOGE, higher tariffs, tighter immigration, the seeming withdrawal from Pax Americana – have taken a toll on market and business confidence. It is difficult for businesses to commit to new projects as well as mergers and acquisitions in the face of elevated uncertainty in trade and tax policies.

Such an environment calls for diversification and more defensive positioning. For example, within equities, the evolving macro backdrop favors spreading bets across sectors, market capitalizations, and geographies. In terms of investment style, investors might consider actively managed funds for international markets as well as U.S. small and mid-cap.

On the fixed income side, interest rates have normalized to pre-Great Financial Crisis levels to offer reasonable returns. Portfolio yields may be further enhanced by going up the risk spectrum with private credit and emerging market local currency bond funds, the latter as potential beneficiaries of a weaker U.S. dollar.

Short-term bills remain an attractive hedging option for now as the Fed is not expected to cut rates in the next few months, unless the economy takes a sharp turn south. Long/short hedge funds can potentially achieve positive returns with lower volatility, even during market

downturns. Rising odds of a weaker U.S. dollar could also drive greater demand for precious metals.

In summary, the market is going through a bumpy and potentially disruptive transition from the U.S. exceptionalism narrative – the belief that the U.S. economy and markets were uniquely strong and distinctive to warrant continued outperformance. However, the meteoric rise of DeepSeek in late January, Germany's "Big Bang," and the Trump administration's

tariff threats and cost cuts have shaken the market out of its complacency. The Trump administration's policy-induced paradigm shifts have turned out to be too much and too fast for financial markets and the world to absorb. The situation could be even more tumultuous should President Trump pursue actions proposed in the Mar-a-Lago Accord. The Trump administration may not have the risk appetite for such a move, but at the same time, the President is also known for his unpredictability and unconventionality.



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