

Allview: Market Risk Monitor

ALLSPRING INVESTMENT ANALYTICS TEAM

APRIL UPDATE

The April 2 announcement of a new U.S. tariff regime highlights our top concern. Markets face uncertainty due to the lack of historical precedent. High tariffs could trigger a global recession (see #3) if consumer spending declines, reignite inflation if importers pass costs to consumers, or lead to a U.S. manufacturing revival. An “all three” scenario of stagflation coupled with reshoring of manufacturing back to the U.S. is also possible. Updates will follow in our May report as data and trends become clearer.

1 NEW TARIFFS ON U.S. IMPORTS

President Trump announced a 10% baseline tariff on all imports and additional reciprocal tariffs on many others. Inflation expectations in the U.S. may turn sharply higher over the next 12 months.

POTENTIAL IMPACTS
(– OR +)

- Global equities
- Global fixed income

PROBABILITY
GLOBAL IMPACT

Very high

High

2 CHINESE MILITARY ACTION

China’s desire to expand its influence in the South and East China Seas, especially regarding Taiwan, elevates the probability of a regional military conflict or embargo.

- Asian equities
- IT hardware equities

Medium

Very high

3 GLOBAL RECESSION

The threat of a global trade war coupled with the U.S. government’s substantial spending cuts may push the global economy into contraction.

- Equities & fixed income in consumer cyclical, industrials, financials, & IT sectors

High

Medium

4 CHINA DECOUPLING FROM THE U.S.

China’s turn toward autocracy may lead to a broad decoupling of the Chinese and U.S. economies.

- U.S. IT equities
- Chinese equities

High

Medium

5 RETURN OF U.S. BOND VIGILANTES

High U.S. government debt coupled with potential tax cuts could hurt U.S. credibility. In response, bond vigilantes could stop buying U.S. government debt, driving a dramatic climb in yields.

- U.S. fixed income

Medium

High

6 RUSSIAN MILITARY CONFLICT WITH NATO

Russia’s lengthy war with Ukraine may spill over into other Eastern European countries, especially if Russia resorts to using nuclear weapons.

POTENTIAL IMPACTS
(– OR +)

– Global equities

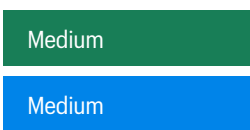
PROBABILITY
GLOBAL IMPACT



7 SUSTAINED CONFLICT WITH IRAN

Iran has engaged in proxy wars—backing, for example, Hamas against Israel, among others. These actions have escalated to direct conflict between Israel and Iran.

+ Energy equities



8 SPIKE IN SECONDARY EDUCATION DEFAULTS

U.S. colleges and universities are being increasingly pressured financially as enrollment trends continue to decline. Some financially distressed institutions may be forced into default.

– Education sector bonds



9 BIRD FLU MUTATION FOR HUMAN TRANSMISSION

The H5N1 “bird flu” strain of the influenza virus has spread to mammals. If the virus mutates to spread easily among humans, we may see another worldwide pandemic.

– Global equities



10 U.S. STOCK MARKET ROTATION

U.S. mega-cap stocks’ valuations are quite expensive relative to the broad U.S. market due to excitement around artificial intelligence. Rotation out of these stocks could occur if investors’ high expectations aren’t realized.

– U.S. mega-cap stocks
+ U.S. mid- and small-cap equities



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