

## Still a Long Way to Go in the Trade Wars—But Crypto Stands to Benefit

How often do we see it? There is no end in sight. No bleaker financial market outlook could be painted by all and sundry—then? The market completely reverses. It was the bottom. Will pundits ever learn...

It's so important to understand that what we read in the media about the behaviour of politicians is almost always what politicians—or their tacticians—want us and their counterparts to hear. It's rarely the real plan. Especially at moments like these, why would you ever reveal your true strategy to your opponent?

There is no doubt that political games have entered a new phase, and the US has reaffirmed its initiative with sweeping new tariffs. With rates raised to 145% on Chinese goods and hints of broader global application, it's clear this trade war is far from over.

So, when markets sold off earlier this month, it was rather obvious to us that we were witnessing an overreaction. This story is only just heating up—not winding down. China's retaliation—125% tariffs and export restrictions on rare earths—paired with a near 80% collapse in trade between the two economies (as reported by the WTO) confirms what we suspected: there's a long road ahead.

The US has historically been the demand engine for the global economy. It's where everyone wants to sell. China, on the other hand, is built on exports. Disrupt demand, and you squeeze the Chinese economy. And this time, the US isn't just targeting China—it's imposing tariffs broadly, reshaping global supply chains.

Energy costs remain central to this conflict. China continues to export cheap energy, which gives its manufacturers a strategic edge. In the short term, the US cannot compete with that cost base, so the countermeasure is clear: apply tariffs widely to level the field. But this goes beyond just energy—critical resources, semiconductors, and supply chain control are all part of the broader play.

In the meantime, the price of oil has dropped significantly - by as much as 30% - while shifts in demand-side behaviour accelerate. US-based firms are being incentivized, both implicitly and explicitly, to bring production back onshore. Whether via tax relief or regulatory support, this onshoring trend will have medium-term implications for domestic inflation and global pricing dynamics.

Early indicators suggest a meaningful disinflationary impact if these trends persist. We estimate at least a 5% reduction in inflation over the short term if these moves continue to play out.

The point is: it's still too early for such sharp market reactions. The recent dip was a buy-the-dip opportunity in our view. The next 12–18 months are likely to be marked by turbulence—and volatility is here to stay.

In the industries we focus on, we've said it from the start: chaos in traditional markets is a net positive for blockchain and crypto. Chaos creates space. It lets crypto developers build with fewer distractions and accelerates innovation while policymakers and legacy institutions remain preoccupied.

We're already seeing the effects. The loosening of restrictive regulations in the US has given the industry breathing room. Ripple's acquisition of the prime broker Hidden Road is just one example of crypto firms stepping into more institutional territory with confidence.

In a world fractured by tariffs and capital controls, digital assets offer something rare—mobility, neutrality, and innovation across borders. Bitcoin, in particular, has remained remarkably resilient since the escalation began.

Uncorrelated strategies have been front of mind for us over the past 12 months. That thinking culminated in our Defensive Strategy—a market-neutral, multi-strategy solution designed to navigate exactly this type of volatile environment.

Looking ahead, we believe that extreme global political pressure will eventually force a loosening in monetary policy. When that shift occurs, crypto will be one of the first to benefit—fuelled by innovation, real-world utility, and investor capital seeking alternatives to traditional systems.

Crypto won't just survive—it will be applauded. The long-term fundamentals are intact, and when viewed through that lens, the opportunity set only becomes more compelling.

We stay focused on fundamentals. And when you do, you start to see the structural advantages emerging in this space—especially under an administration that has demonstrated a friendlier posture toward crypto innovation.

Our “insurance policy” is our Defensive Strategy, and our conviction is that the coming year will provide extraordinary buying opportunities. Together, they represent two sides of the same coin: protection and participation in a world being rapidly reshaped.

**Kenny Hearn, CIO at SwissOne Capital**

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