



Trump trade war fallout could drive ECB to slash rates to ultra-low levels

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Donald Trump's looming trade war could force the European Central Bank (ECB) to slash interest rates back towards ultra-low levels, warns the CEO of one of the world's largest independent financial advisory and asset management organizations.

The warning from Nigel Green of [deVere Group](#) comes as the European Union is reportedly strategizing to minimize the economic fallout of Trump's new administration which is expected to take a tough stance on trade with Europe, potentially imposing tariffs on key European exports.

He says: "Investors must act now to prepare for the fallout as policymakers brace to shield the Eurozone economy from the escalating global economic threat.

"A trade war would disproportionately impact the Eurozone's export-heavy economy, dealing a sharp blow to industries already struggling amid weak global demand. The prospect of renewed tariffs and retaliatory measures adds significant strain to a bloc grappling with stagnation.

"The ECB will likely need to adopt a far more aggressive stance on rate cuts to counteract the impact to exports and confidence, renewing monetary stimulus to stabilize growth."

The Eurozone is particularly vulnerable due to its reliance on external trade, with Germany, France, and Italy among the economies that would bear the brunt of reduced global trade flows.

“This is a wake-up call for investors,” adds Nigel Green. “As the ECB is, we believe, likely to pivot toward more aggressive rate cuts, portfolio diversification and sectoral rebalancing will be critical to mitigate risk.”

The geopolitical backdrop underscores the need for action. Trump’s presidency has reignited protectionist rhetoric, with tariffs and trade barriers used as tools to exert economic pressure. If such policies are reinstated, the Euro could face downward pressure, compounding risks for investors tied to the region.

The market impact will be widespread. Equities in export-dependent sectors like automotive and industrial manufacturing are likely to face heightened volatility.

At the same time, fixed-income assets could see renewed inflows as the ECB signals a return to accommodative policy.

Meanwhile, risk-sensitive currencies like the Euro and emerging-market counterparts are poised for increased vulnerability.

“Investors cannot afford complacency,” notes the deVere CEO. “We’ve seen how quickly these trade dynamics can escalate. Proactive portfolio positioning—favoring defensive sectors and considering opportunities in regions less exposed to trade shocks—will be essential.”

While the ECB will likely step in to cushion the blow with rate cuts and potentially other measures, such interventions are not without their costs.

“Sustained low rates would place further strain on banks and insurers, while savers and retirees would face prolonged challenges in generating returns.”

Looking ahead, market participants should also anticipate broader implications for global trade relations, supply chain realignments, and the potential for long-term shifts in investor sentiment toward Europe.

Nigel Green concludes, “Trump’s tariffs could have ramifications that could reshape the investment landscape for years to come.”