India

Money, Military& Markets-XXIV

US trade policy is illogical—don't seek logic

- Donald Trump's erratic tariffs and theatrics erode trust in the US policy, pushing even allies to explore non-dollar trade systems like CIPS and BRICS.
- His measures are inflationary, with US households set to bear ~US$2,700 in extra costs—ironically hitting his own voter base the hardest.
- For India, the 50% tariff is temporary & will likely fall below 20% after Bihar assembly elections. Buy small-caps. Camlin Fine Sciences is our top pick.

Logic dies in Washington's trade circus

US trade policies and tariff imposition on various countries, along with the rants of its key advisors on X, lack any coherent or logical foundation. Their thinking is confined to the next seven days—just enough to parade the "next win" as proof of how great Mr. Trump is on social media. The attempt to brand the Ukraine war as "Modi's war" is not only laughable but also reflective of a defunct mindset. India has been one of the largest suppliers of diesel to the world at a time when Russian refineries are incapacitated. If India had stopped supply, global diesel spreads could have easily surged beyond US$60/bbl. One must resist the temptation to seek logic in such actions—whether in the fantasy of a G2 (US + China ruling the world) or in the narratives spun by media pundits. US tariff actions will raise the cost of living for the average household by about **US$2,700**, hitting hardest the lower-income, rural, less-educated population whose expenses will rise by **5–8%**. Farmers are already smarting from the dramatic fall in soybean prices, as China has shifted its purchases to Brazil. The most betrayed community in this entire chaos are Indian Americans, who shifted loyalty to Trump in 2024 and now face his extremely hostile stance toward India. A megalomaniac Trump can only be checked around the mid-term polls; until then, it is open season for all and sundry—Peter Navarro, Scott Besant, and anyone else.

USD at risk - Chinese CIPS and BRICS pact will sound the death knell

Trump's erratic tariffs, sanctions, and social-media theatrics are doing more than unsettling diplomacy—they are eroding trust in the US dollar's supremacy. For decades, the greenback has anchored global trade and reserves because of America's credibility and stability. But when the dollar is brandished as a political weapon, it accelerates diversification. Central banks are piling into gold, while swap lines in yuan, rupees, and roubles multiply across Asia, Africa, and Latin America. Even allies like Saudi Arabia and the UAE are experimenting with the crude oil trade settled in non-dollar currencies, signaling cracks in the petrodollar order. China, meanwhile, is aggressively building alternatives through CIPS and its digital yuan, linking nearly 5,000 institutions worldwide. The yuan's role in trade finance has climbed to ~6% as countries seek protection from US sanctions, though its share of global payments remains stagnant due to convertibility limits and shallow hedging markets. India remains wary of yuan-based systems but is expanding rupee settlements with partners like the UAE. Together, these shifts mark the beginnings of a multipolar financial system: the dollar remains dominant, but Trump's theatrics have turned de-dollarization from a distant theory into a real and accelerating trend.

Trump's theatrics are against his own electorate

Trump's tariffs are stoking inflation, despite his mandate to curb it, with India unfairly targeted as an adversary. High inventories are only delaying the pain, but companies from Walmart to Adidas are already warning of price hikes. The annual tariff burden could reach US$350bn, hitting US households by an average of $2,700. Ironically, Trump's core voters—rural, less-educated, lower-income households, and even Asian Americans who swung his way in 2024—will bear the steep costs.

India-US tariff game will end in 3-4 months; buy small-caps

The 50% tariff on Indian goods is unsustainable but will only ease after Bihar assembly elections, when Prime Minister Narendra Modi cannot risk looking weak. Post-elections, duties may fall below 20%, (in line with other countries) as Modi can risk speaking to Trump and post call rants on X/Truth Socials.

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US trade policies and tariff impositions on various countries, along with the rants of its key advisors on X, lack any coherent or logical foundation. Their thinking is confined to the next seven days—just enough to parade the "next win" as proof of how great Mr. Trump is on social media. The attempt to brand the Russia-Ukraine war as "Modi's war" is not only laughable but also reflective of a defunct mindset. India has been the one of the largest supplier of diesel to the world at a time when Russian refineries are incapacitated. If India stopped supply, global diesel spreads could have easily surged beyond US$60/bbl. One must resist the temptation to seek logic in such actions—whether in the fantasy of a G2 (US + China ruling the world) or in the narratives spun by media pundits. Often, things are simply illogical. Ironically, while we ourselves act irrationally at times, in analyzing others we always expect logic. The US president wields enormous, largely unchecked powers. He can act arbitrarily, and the world bears the consequences. Given the current trajectory, don't be surprised if Mr. Trump announces even more extreme measures—ranging from a ban on H-1B visas to a tax on remittances, or even steps beyond one's imagination.

US president seeks attention on social media - don't assume his utterances have logic

Trade deficit ≠ ripping off—by that logic, every sale or currency exchange is a scam ›

A trade deficit is often misrepresented as if one country is "ripping off" another, but that claim collapses under the basic logic. A trade deficit merely means a nation imports more goods and services than it exports, not that it is being cheated. If deficits were truly theft, then by the same reasoning every sale, purchase, or currency exchange would be a scam—because in all transactions one party gives money and the other offers goods or services. The truth is that trade is voluntary: both sides enter because they perceive value. The buyer gets access to cheaper or better goods, the seller earns revenue, and both walk away better off. A deficit doesn't mean exploitation; it means consumers and businesses in one country found it worthwhile to buy more from overseas than they sold overseas.

Moreover, deficits are not inherently bad for an economy. The US, for instance, has run trade deficits for decades while still enjoying rising living standards, innovation, and global financial dominance. In fact, deficits often reflect strength—foreign producers are willing to accept dollars in exchange for goods because the dollar is trusted and in demand. Calling deficits "rip-offs" is not just wrong, it's dangerously misleading, as it fuels protectionist anger while ignoring the reality that trade is a web of mutual dependence. If we accept the deficit-as-theft logic, then every supermarket trip, every online purchase, and every foreign vacation becomes "daylight robbery." It's an absurd standard that reduces economics to sloganeering.

The real story is this: trade creates winners on both sides, while deficits are simply accounting outcomes of countless voluntary exchanges. To demonize them as theft is to misunderstand the very basis of global commerce.

So why such basic economics doesn't go into the head of US president - remember he is a businessman ›

The reason such basic economics doesn't sink in with the US president—even though he touts himself as a businessman—is because his world view has never been about economics, it has always been about optics. A businessman thinks in terms of profit and loss within a firm; a president is supposed to think in terms of macroeconomics and national interest. But Trump reduces the complexity of global trade to the simplicity of a real-estate deal—if one side "wins," the other must be "losing." That zero-sum mindset is fatal when applied to international economics, where trade is not about one side looting the other but about mutual benefit.

More importantly, Trump is not incentivized to understand or explain the economics correctly. He is incentivized to create soundbites, to project strength, and to rally domestic voters with “us versus them” narratives. Talking about trade deficits as if they’re theft makes for a powerful political slogan, even if it’s intellectual nonsense. His core political strategy thrives on conflict, outrage, and simple binaries—whereas real economics is nuanced, data-driven, and often counter-intuitive. Explaining to voters that deficits can actually be harmless (or even beneficial) is not nearly as effective as thundering: “They are ripping us off!”

So while he may be a businessman, his background is in branding, marketing, and debt-financed deals—not in supply-demand, balance-of-payments, or international trade theory. In politics, he weaponizes that business persona to appear shrewd, while in reality using slogans and tariffs as tools of political theatre. The tragedy is that the world economy pays the price for this theatrics.

His pronouncements on X smell like those of a war lord who has enslaved countries that have signed trade deals with him ➤

There are multiple examples of the same, and some of them are listed below:

- The EU will invest US$600bn in America, with the discretion resting entirely with Mr. Trump. The US will retain 90% of the profits from this investment—framed as compensation for years of so-called “ripping off.” (https://nypost.com/2025/08/05/us-news/trump-threatens-to-ratchet-up-tariffs-on-eu-if-it-fails-to-invest-600b-in-us)
- Japan will invest US$550bn in the US at the discretion of the US president (https://economictimes.indiatimes.com/news/international/global-trends/trump-hails-550-billion-agreement-with-japan-as-largest-trade-deal-claims-us-to-gain-90-profits/articleshow/122848142.cms?from=mdr)

However, on each of these occasions, Trump’s announcements lacked any evidence➤

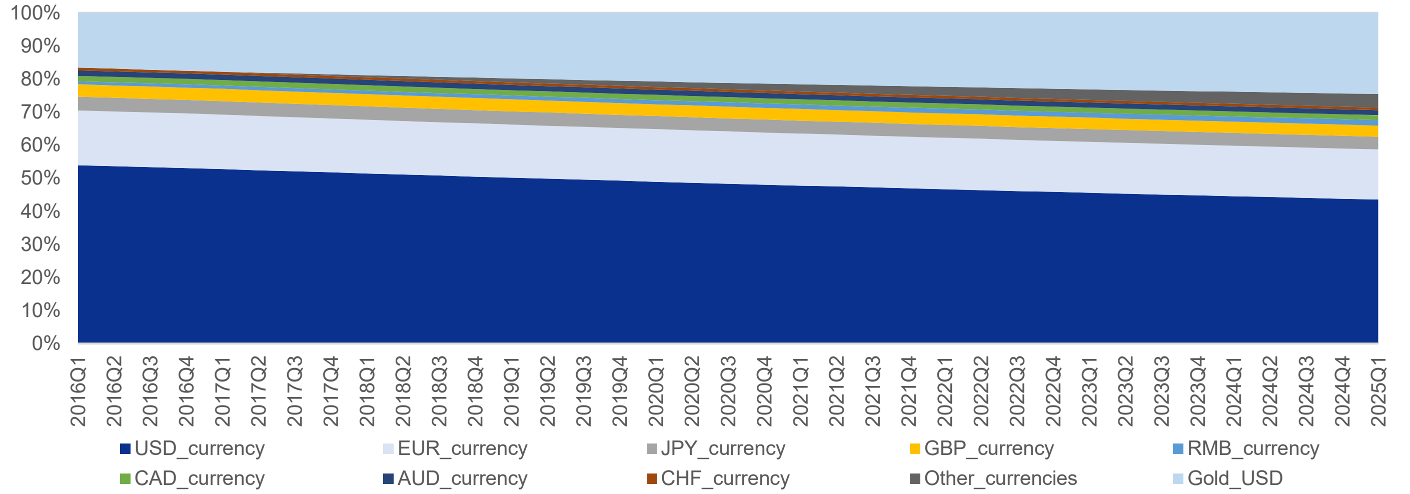
1. Japan says profits from US investments in trade deal to be shared according to contributions. https://www.reuters.com/business/finance/japan-says-profits-us-investments-trade-deal-be-shared-according-contributions-2025-07-25
2. The truth behind Trump’s US$600bn EU claim, and why it doesn’t add up. https://economictimes.indiatimes.com/news/international/us/trump-eu-trade-deal-2025-the-truth-behind-trumps-600-billion-eu-claim-and-why-it-doesnt-add-up/articleshow/123471060.cms?from=mdr

However, these theatrics are putting the long-held supremacy of the USD at risk

Trump’s reckless theatrics are not just diplomatic embarrassments; they carry the dangerous potential of undermining the long-held supremacy of the US dollar. For decades, the dollar has been the cornerstone of global trade and finance, trusted as the ultimate reserve currency because of America’s stability and credibility. But when trade policy is reduced to erratic tweets, tariff tantrums, and threats of arbitrary sanctions, it signals to the world that the dollar’s dominance is being wielded as a weapon rather than a responsibility. This abuse accelerates efforts by rival blocs—BRICS, Europe, even US allies—to explore alternatives to the greenback, whether through bilateral trade in local currencies, gold accumulation, or digital payment systems. What was once unthinkable—the erosion of dollar hegemony—is now slowly moving into the realm of possibility, not because of economic fundamentals alone, but because political theatrics are making the world lose faith in America’s reliability.

Multiple central banks are diversifying their reserve base in gold, yuan or other currencies

Figure 1: When in doubt, trust in gold and the same is being done by all central banks globally



SOURCES: INCRED RESEARCH, COMPANY REPORTS

Inter country currency swaps are also increassing

China's swap web is now the largest and most aggressive, covering 40+ countries. Japan and India also use swaps strategically for stability. Even the US Federal Reserve uses swaps, but only to defend the dollar system (short-term liquidity, not to promote alternatives). Net result: the number and scale of non-dollar swap lines have surged since 2010, accelerating after the sanctions on Russia in 2022.

China's Yuan Swap Network (CIPS + bilateral swaps)

1. The People's Bank of China (PBoC) has built the world's largest swap line system, with over 40 bilateral agreements totaling more than RMB3.7 tr (~US$500bn).
2. Partners include the EU (ECB), the UK, Japan, Singapore, Argentina, Brazil, Russia, South Africa, and many Belt & Road countries.

India – UAE Rupee–Dirham Framework (2023)

1. India and the UAE signed a pact to settle oil, gas, and trade payments in INR and AED, avoiding the dollar.
2. First crude oil shipment under this framework was paid for in Indian rupees.

Russia – China Rouble–Yuan Settlements

1. Since Western sanctions in 2022, trade between Russia and China is increasingly settled in yuan and rouble.
2. As of 2023, over 70% of bilateral trade was conducted in local currencies (compared to <30% before sanctions).

Brazil – China Real–Yuan Agreement (2023)

1. Brazil's central bank enabled companies to settle trade directly in reais and yuan, bypassing the dollar.
2. This was critical for soybean, iron ore, and crude oil exports to China.

Turkey – China / Turkey – Qatar Swaps

1. Turkey has swap lines with both China (RMB 35bn) and Qatar (US$15bn equivalent) to stabilize its lira and facilitate trade.

BRICS Currency Arrangements

2. BRICS countries (Brazil, Russia, India, China, and South Africa) are actively experimenting with swaps and local currency trade to reduce dollar dependence.

3. Discussions around BRICS Pay and a potential shared settlement unit are ongoing.

Other Notable Swap Agreements

1. **Japan – South Korea (renewed 2023):** After years of freeze due to political disputes, they restored a KRW10tr/JPY1.1tr swap line (~US$10bn).
2. **Japan – India (2018):** A US$75bn equivalent yen–rupee swap line, one of India's largest, to stabilize the INR in times of stress.
3. **China – Pakistan:** A swap worth RMB30bn/PKR720bn used by Pakistan's central bank multiple times to support its reserves.
4. **China – Indonesia:** A line of RMB550bn/IDR1tr signed in 2020 to encourage yuan–rupiah trade settlement.
5. **China – Saudi Arabia:** RMB–riyal swap discussions intensified post-2022; while formal numbers aren't always disclosed, settlements in yuan for Saudi oil exports are increasing.
6. **China – Egypt (2022):** RMB18bn/EGP42bn swap line helping Egypt diversify its reserves.
7. **South Africa – China (2021):** RMB30bn swap to boost yuan use in BRICS trade.
8. **Nigeria – China (2018):** RMB15bn (~US$2.4 bn) swap to facilitate Nigeria's imports from China.
9. **ECB – PBoC (since 2013, renewed 2022):** A RMB350bn / €45bn swap, showing Europe's willingness to use yuan in liquidity operations.
10. **UK – PBoC:** RMB350bn swap, supporting London's role as a yuan offshore hub.
11. **Brazil – Argentina (2023):** Discussed using yuan swaps (via China) to bypass dollar shortages in bilateral trade.
12. **Chile – China:** RMB22bn swap to encourage yuan settlement for copper trade.

Trump mood swings will put even trusted allies like Saudi Arabia at risk and they may diversify to yuan – in fact, it's already increasing

Trump's mood swings and arbitrary trade pronouncements put even America's most trusted allies at risk, including Saudi Arabia. For nearly half a century, Riyadh has anchored itself to the US through the petrodollar system—pricing oil exclusively in dollars and recycling those revenues into US assets. That arrangement has been the backbone of dollar supremacy. But Trump's tariffs, sanctions, and X platform-driven brinkmanship have exposed the vulnerability of such dependence. Even allies fear that the dollar can be wielded as a political weapon.

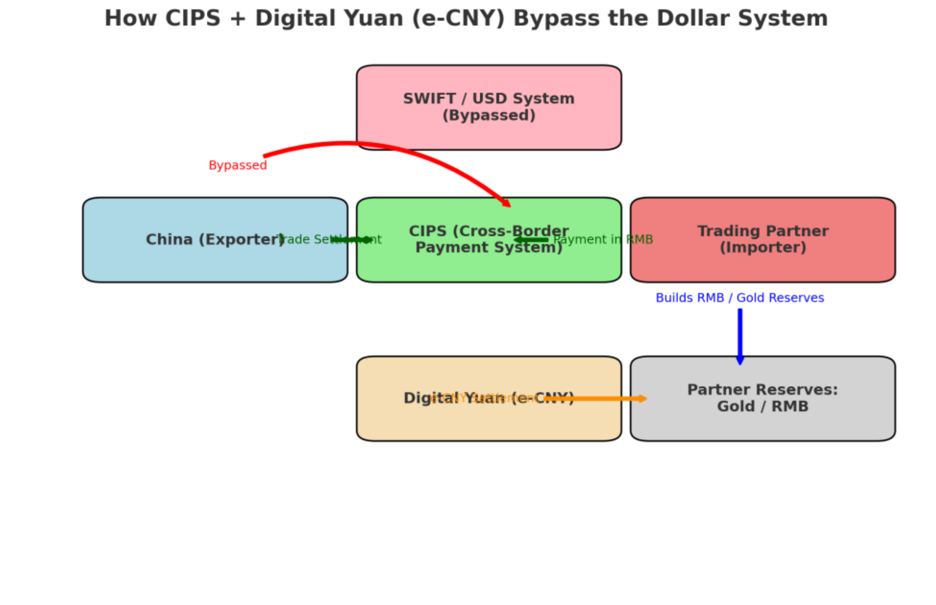
Saudi Arabia has already started experimenting with diversification. In 2023–24, Aramco settled a portion of crude oil sales to China directly in yuan, bypassing the dollar. China has also expanded the yuan's role through the Shanghai Petroleum and Natural Gas Exchange, where Saudi shipments are increasingly invoiced in RMB. Meanwhile, the UAE–India rupee–dirham agreement (2023) marked the first crude oil deal settled in Indian rupees. Together, these steps signal a quiet but significant move away from dollar exclusivity in the Gulf.

For Washington, this is the real risk: Trump's erratic policy swings accelerate what was once unthinkable—the erosion of the petrodollar order. If Saudi Arabia, the lynchpin of the system, begins shifting reserves and settlements toward the yuan, it would send a powerful signal to other producers and consumers alike. The result wouldn't just be diversification; it would mark the beginning of a multipolar currency world, where the US no longer enjoys unquestioned financial hegemony.

CIPS+ e-yuan - great way to bypass the SWIFT system ›

The Cross-Border Interbank Payment System (CIPS), China’s alternative to SWIFT (Society for Worldwide Interbank Financial Telecommunication), has expanded rapidly. It now connects over 4,900 institutions in nearly 190 countries (over 11,000 institutions are connected to SWIFT across 200+ countries) A growing share of these are in Southeast Asia, the Middle East, and Africa. In 2025, six foreign banks, including institutions from Singapore and the UAE, joined CIPS as direct participants, giving their clients better access to yuan-denominated payments. Alongside this, China is piloting cross-border use of its digital yuan (e-CNY). While still in its early stage, the digital currency is part of a broader effort to create faster, more efficient settlement pathways outside traditional systems.

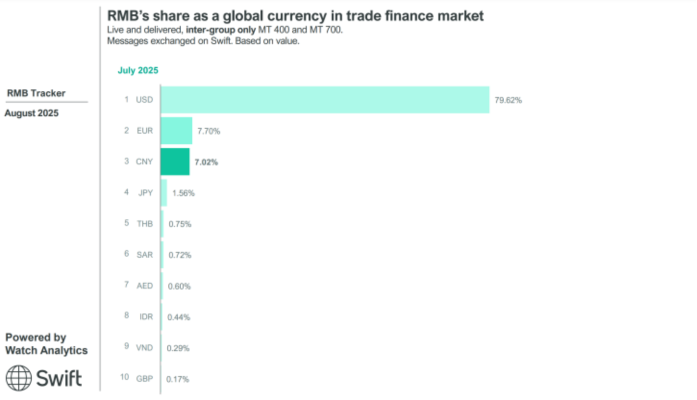
Figure 2: Chinese CIPS and e-Yuan are bypassing the SWIFT system which America uses as weapon



SOURCE: INCRED RESEARCH, COMPANY REPORTS

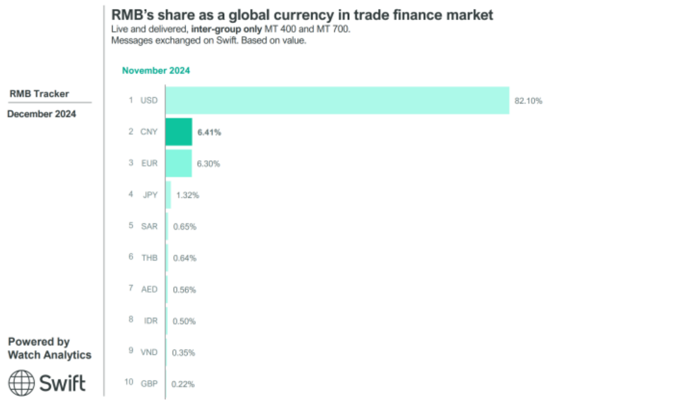
CNY’s share in global trade finance market is increasing rapidly ›

Figure 3: In the last seven months, CNY’s share in global trade finance market has increased by 10%



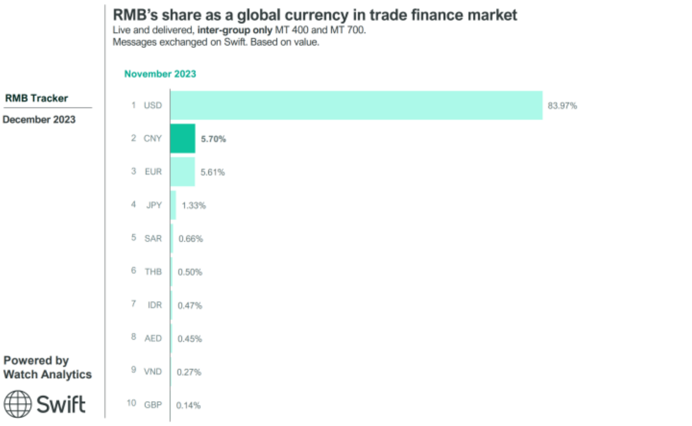
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: In 2023-2024, CNY’s share in trade finance increased by 14%



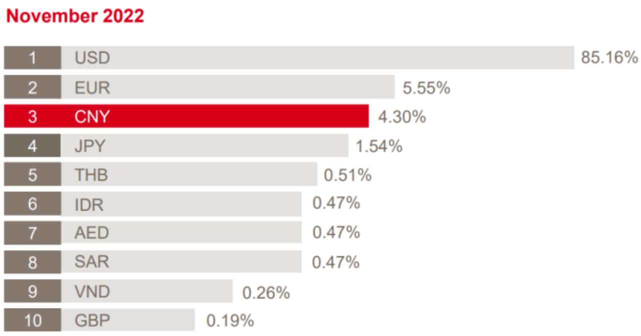
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: However, in the last 12 months, CNY's share increased by 25%



SOURCE: INCRED RESEARCH, COMPANY REPORTS

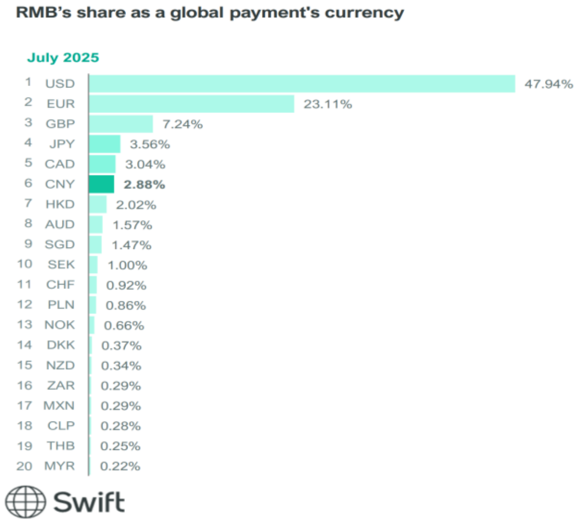
Figure 6: In Nov 2024, immediately after the freezing of Russian assets, USD was still ruling in global trade finance



SOURCE: INCRED RESEARCH, COMPANY REPORTS

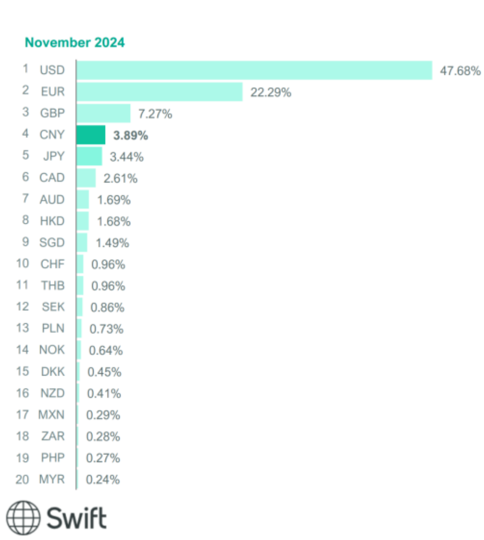
However, global payment currency USD's share is still strong ➤

Figure 7: The USD is still maintaining its pole position; it appears the trade war deterred the usage of yuan; however, it's only a matter of time before it regains its position



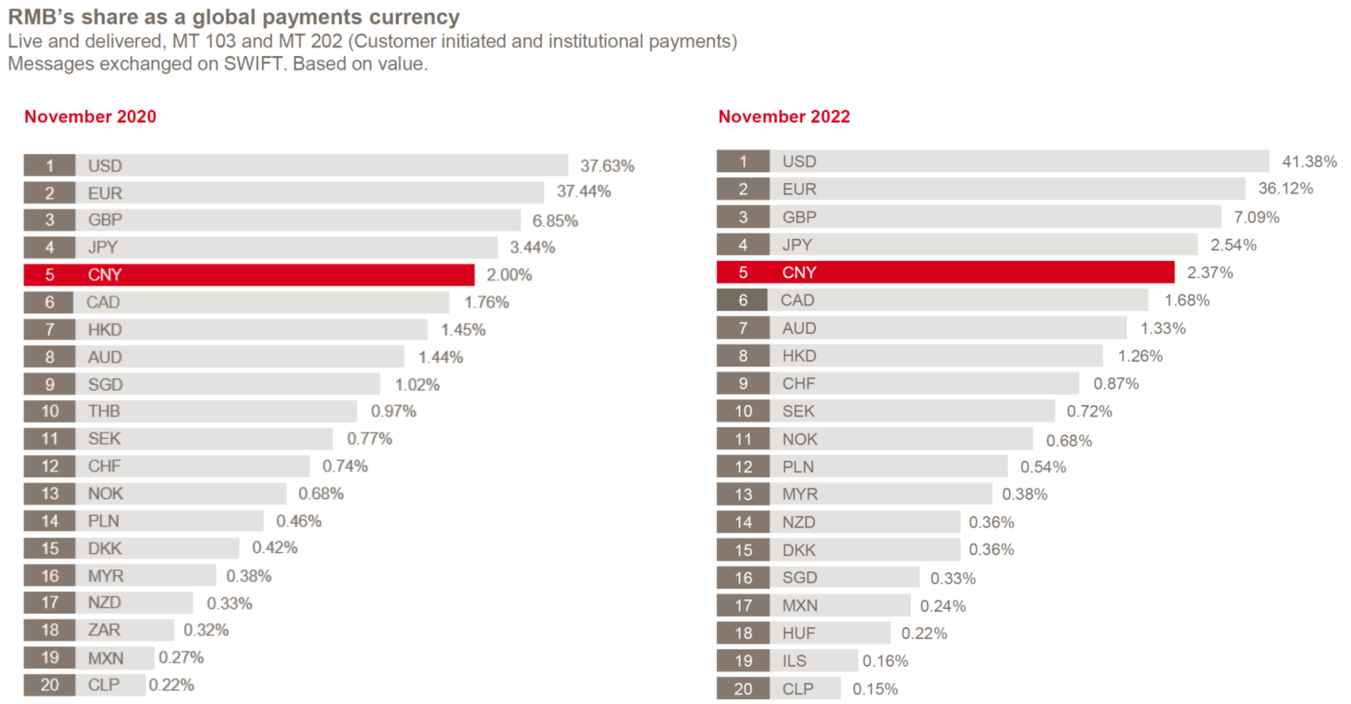
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: Yuan accounted for ~4% in the global payment system



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: There has been an 18% increase between 2020 and 2022 in yuan usage as a global payment currency



SOURCE: INCRED RESEARCH, COMPANY REPORTS

However, it's a matter of time as Chinese expansion into payments ›

Trade Finance vs. Payments: Two Different Things

1. Trade Finance = Instruments like letters of credit (LCs), guarantees, and supply-chain financing used to facilitate imports/exports.
2. Payments = Actual settlement of invoices across borders via systems like SWIFT.
3. A trade deal may be financed in RMB (trade finance), but the final payment could still be made in USD or EUR.

Why RMB's Share is Rising in Trade Finance?

1. China is the world's biggest trader: As the largest exporter and importer, Chinese banks are increasingly denominating financing in RMB.
2. Belt & Road + Africa, ASEAN, Russia: Partner countries are being offered preferential rates or credit lines if they settle in RMB.
3. Sanctions on USD access: Countries facing risk (e.g., Russia, Iran, parts of Africa) are turning to RMB trade finance to avoid USD/EUR restrictions.
4. PBoC Swap Lines: Over 40 central banks now have RMB swap arrangements with China, making RMB liquidity more accessible in trade deals.
5. This pushed RMB's trade finance share to ~6% in 2024, up from ~2% a few years ago — a faster climb than its share in payments.

Why RMB Share is Stagnant in Global Payments?

1. Network Effect of USD/EUR: Once financing is arranged, companies still prefer to settle invoices in USD or EUR, because suppliers and banks worldwide accept them without friction.
2. Convertibility issues: The RMB is not fully convertible; there are capital controls and restrictions on offshore liquidity. That makes RMB less attractive for settlement compared to USD/EUR.
3. Infrastructure dominance: SWIFT, CHIPS, Fedwire, and TARGET2 still run mostly on USD/EUR. Cross-border RMB clearing (CIPS) is growing, but it's still tiny.

4. Trust & Hedging: The RMB lacks deep, transparent FX hedging markets. Businesses want to hedge receivables/payables in currencies with liquid derivative markets, and USD/EUR dominate here.
5. Geopolitical caution: Even companies willing to invoice in RMB often switch back to USD/EUR at the payment stage for global acceptability.

RMB's role is expanding in trade finance because China pushes it aggressively through policy (swap lines, Belt & Road, sanctions-driven alternatives). But its share in global payments is stagnant because the RMB is not fully convertible, lacks global trust/liquidity, and is constrained by USD/EUR's entrenched network dominance. However, trade finance will work as an initiator and as the CIPS system gets entrenched, payments will also start in full swing.

It's diffcult to see a scenario when India will trust CIPS and yuan payment but if China pulls it off with other trading partners, then it will be a major hit to the USD

It's hard to imagine India willingly embracing CIPS or yuan-denominated payments in the near term. Strategic rivalry, border tensions, and deep suspicion of Chinese influence make it politically and economically unpalatable for New Delhi to place critical trade flows inside Beijing's payment architecture. India, instead, leans toward its own rupee-based settlement frameworks (like the rupee–dirham deal with the UAE) and regional arrangements such as the BRICS discussions on de-dollarization.

But if China succeeds in pulling major energy exporters (Saudi Arabia, Russia, the Gulf region) and large importers (Brazil, ASEAN, parts of Africa) into the CIPS + digital yuan orbit, the consequences for the US dollar would be profound. The petrodollar system—where global oil and commodities are priced and settled in USD—is the keystone of dollar supremacy. A sustained shift of even 15–20% of that trade into yuan would not dethrone the dollar overnight, but it would chip away at its network effect, reduce the global demand for US treasuries, and make it costlier for Washington to fund its deficits.

In short: India won't trust yuan rails easily—but if China pulls enough others into its system, the USD takes a hit regardless.

Saudi Arabia, Russia and other countries are natural trading partners in yuan

Figure 10: If China replaces US$200bn in trade with Saudi Arabia, other MEA and Russia, it will be a big hit to the USD

Partner/Nation	China Exports (USD)	China Imports (USD)	Total Trade (USD)
Saudi Arabia	$50.05bn	$57.48bn	~$107.5 bn
Russia	—	—	~$245 bn in 2024
Arab Countries (All)	$206bn	$201bn	~$407 bn

SOURCE: INCRED RESEARCH, COMPANY REPORTS

The stage is set for an alternate BRICS payment system which can use the INR, Rouble, CNY as well as USD

1. US sanctions on Russia, Iran, and others have highlighted the risks of depending on dollar-based systems like SWIFT and CHIPS.
2. Many emerging markets now see "de-dollarization" not just as ideology but as insurance.
3. Central banks are visibly shifting into gold, RMB, and regional currencies.
4. IMF COFER shows the USD's share at a multi-decade low (~57%), while gold is at a 20-year high (~20% of reserves).
5. With new members like Saudi Arabia, the UAE, Egypt, and Iran, the bloc controls more of global energy trade — the foundation for alternative settlement in non-USD currencies.

Alternate BRICS Payment System Might Look Like

1. CNY (RMB): China's push via CIPS (Cross-Border Interbank Payment System).

2. Rouble: Already being used in Russia's bilateral trade with China and India post-sanctions.
3. INR: India promotes rupee trade settlement (notably with Russia, the UAE).
4. USD: Would remain in the mix, especially for countries not ready to abandon it.

BRICS countries already have multiple platforms for the same

1. CIPS (China): Already processing RMB cross-border flows; limited but growing.
2. India's SFMS/UIP (Unified Payments Interface) cross-border pilots.
3. Russia's SPFS (SWIFT alternative).
4. Potential interlinking of these national systems under a BRICS umbrella.

Digital Settlement Options:

1. e-CNY, India's digital rupee pilots, and Russia's digital rouble could plug into cross-border trade.
2. BRICS Pay — a conceptual system for multi-currency settlement using blockchain/DLT.

However, there are challenges which need to be handled at the central bank-level or BRICS Bank-level

We see the following challenges in the full-fledged BRICS payment system

1. Convertibility: RMB and INR are still not fully convertible.
2. Liquidity: Derivatives and hedging markets are shallow compared to USD/EUR.
3. Trust: Counterparties still prefer the USD as a "neutral" settlement unit.
4. Politics: Diverging interests within BRICS (India vs China rivalry, etc.) could slow common standards.

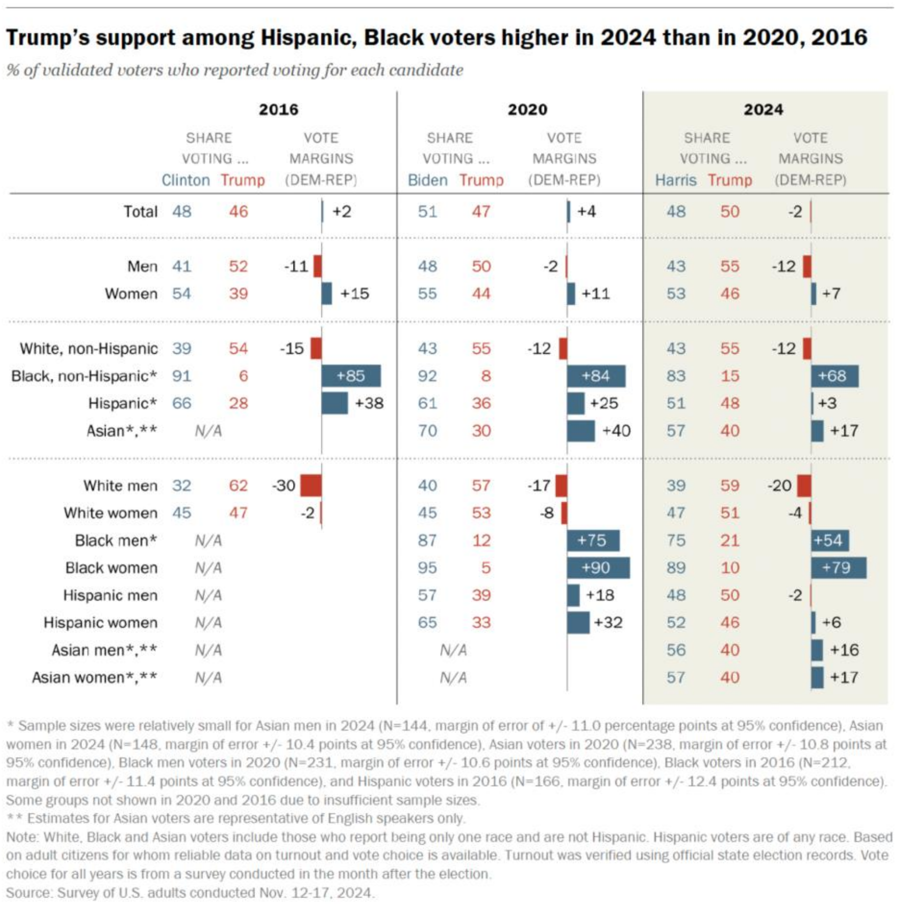
At the same time, these challenges are not insurmountable.

1. Trust is the function of political will and if the US emerges as a common enemy, then there is nothing like it
2. Gradual-phased liberalization of capital accounts (esp. China/India), starting with trade-related flows. Use of currency swap lines among BRICS central banks to ensure local-currency liquidity in settlement. Development of regional clearing banks that can provide immediate settlement without convertibility bottlenecks.
3. Build onshore and offshore derivatives markets (futures, forwards, options) in RMB/INR/RUB to reduce FX risk. Create BRICS-wide clearinghouses for hedging products, like CME or LCH. Encourage major commodity exporters (Russia, Saudi, Brazil) to invoice in local currencies, creating natural liquidity.
4. Interlink national systems: India's UPI, Russia's SPFS, China's CIPS can be stitched together.
5. Digital rails: e-CNY, digital rouble, and India's digital rupee could be interoperable using blockchain/DLT.
6. BRICS Pay or Digital Settlement Token: A shared multilateral digital currency backed by a basket (INR, CNY, RUB, ZAR, BRL, plus gold).

Whether Trump's inflationary and anti-India policies will find favour among his voters? Seems unlikely

Trump voters are White supremacist, Asian, relatively poor, mostly high-school pass rural folks ➤

Figure 11: It's an irony that the biggest swing in Trump votes came from Asians (read Indian Americans who were Democrats earlier)



SOURCE: INCRED RESEARCH, HTTPS://WWW.PEWRESEARCH.ORG/POLITICS/2025/06/26/VOTING-PATTERNS-IN-THE-2024-ELECTION

Figure 12: Again, in an interesting data, most of the middle-aged Americans didn't vote for Trump

Harris' advantage among voters born in the 1990s and 2000s was far smaller than both Biden's and Clinton's

% of validated voters who reported voting for each candidate

	2016			2020			2024		
	SHARE VOTING ... Clinton	Trump	VOTE MARGINS (DEM-REP)	SHARE VOTING ... Biden	Trump	VOTE MARGINS (DEM-REP)	SHARE VOTING ... Harris	Trump	VOTE MARGINS (DEM-REP)
Total	48	46	+2	51	47	+4	48	50	-2
Among those born in the ...									
1930s and earlier*	40	58	-18	44	56	-12	44	54	-10
1940s	44	52	-8	48	52	-4	45	55	-10
1950s	47	51	-4	48	51	-3	50	49	+1
1960s	46	48	-2	46	53	-7	43	56	-13
1970s	50	41	+9	52	46	+6	48	50	-2
1980s	52	36	+16	55	42	+13	47	50	-3
1990s and 2000s*	62	25	+37	61	35	+26	55	42	+13

* Sample sizes were relatively small for 2024 voters born in the 1930s and earlier (N=129, margin of error of +/- 9.9 percentage points at 95% confidence), 2016 voters born in the 1930s and earlier (N=214, margin of error +/- 12.7 points at 95% confidence) and 2016 voters born in the 1990s and 2000s (N=138, margin of error +/- 12.4 points at 95% confidence).
Note: Based on adult citizens for whom reliable data on turnout and vote choice is available. Turnout was verified using official state election records. Vote choice for all years is from a survey conducted in the month after the election.
Source: Survey of U.S. adults conducted Nov. 12-17, 2024.

PEW RESEARCH CENTER

SOURCE: INCRED RESEARCH, HTTPS://WWW.PEWRESEARCH.ORG/POLITICS/2025/06/26/VOTING-PATTERNS-IN-THE-2024-ELECTION

Figure 13: Education and vote for Trump have an inverse correlation

Wide divide between voters with and without college degrees continues to be a major factor in Trump-era elections

% of validated voters who reported voting for each candidate

	2016			2020			2024		
	SHARE VOTING ... Clinton	Trump	VOTE MARGINS (DEM-REP)	SHARE VOTING ... Biden	Trump	VOTE MARGINS (DEM-REP)	SHARE VOTING ... Harris	Trump	VOTE MARGINS (DEM-REP)
Total	48	46	+2	51	47	+4	48	50	-2
Postgraduate	66	29	+37	67	32	+35	65	33	+32
College graduate	52	41	+11	56	42	+14	51	46	+5
Some college	42	49	-7	49	50	-1	45	54	-9
HS or less	44	51	-7	41	56	-15	39	59	-20
College grad+	57	36	+21	61	37	+24	57	41	+16
No college degree	43	50	-7	45	53	-8	42	56	-14
White, college grad+	55	38	+17	57	42	+15	55	43	+12
White, no college degree	28	64	-36	33	65	-32	35	64	-29
Black, college grad+	N/A			92	8	+84	82	16	+66
Black, no college degree	N/A			92	7	+85	83	14	+69
Hispanic, college grad+	N/A			69	29	+40	56	42	+14
Hispanic, no college degree	N/A			58	39	+19	49	50	-1

Note: Based on adult citizens for whom reliable data on turnout and vote choice is available. Turnout was verified using official state election records. Vote choice for all years is from a survey conducted in the month after the election. Some groups not shown in 2016 due to insufficient sample sizes.
Source: Survey of U.S. adults conducted Nov. 12-17, 2024.

PEW RESEARCH CENTER

SOURCE: INCRED RESEARCH, HTTPS://WWW.PEWRESEARCH.ORG/POLITICS/2025/06/26/VOTING-PATTERNS-IN-THE-2024-ELECTION

Figure 14: Trump swept rural votes

Rural and suburban voters both shifted in Trump's favor from 2020 to 2024

% of validated voters who reported voting for each candidate

	2016			2020			2024		
	SHARE VOTING ... Clinton	SHARE VOTING ... Trump	VOTE MARGINS (DEM-REP)	SHARE VOTING ... Biden	SHARE VOTING ... Trump	VOTE MARGINS (DEM-REP)	SHARE VOTING ... Harris	SHARE VOTING ... Trump	VOTE MARGINS (DEM-REP)
Total	48	46	+2	51	47	+4	48	50	-2
Urban	70	24	+46	66	32	+34	65	33	+32
Suburban	45	47	-2	54	44	+10	51	47	+4
Rural	34	59	-25	34	65	-31	29	69	-40

Note: Based on adult citizens for whom reliable data on turnout and vote choice is available. Turnout was verified using official state election records. Vote choice for all years is from a survey conducted in the month after the election.
Source: Survey of U.S. adults conducted Nov. 12-17, 2024.

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SOURCE: INCRED RESEARCH, HTTPS://WWW.PEWRESEARCH.ORG/POLITICS/2025/06/26/VOTING-PATTERNS-IN-THE-2024-ELECTION

Figure 15: Income and votes for Trump have also an inverse correlation

Trump gained more of the vote share between 2020-2024 in distressed counties

Republican Voting Share Increase Quintile	Average Povery Rate	Average % of Prime Age Adults Not in Work	Average Median Household Income	Average % Population in Prosperous Zip Codes
1	12.2%	21.8%	$68,232	16.1%
2	13.4%	22.7%	$64,629	11.6%
3	14.2%	24.1%	$62,367	9.7%
4	15.0%	25.2%	$61,939	8.5%
5	17.5%	27.7%	$58,954	7.5%

Quintile 1 had the lowest increase in the share of votes going to Trump between 2020-2024. Quintile 5 had the highest.

Source: EIG analysis of ACS 5-year data and Election Atlas data

ECONOMIC INNOVATION GROUP

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Trump's mandate doesn't seem to be inflationary and anti-India, but he is doing the same ›

Trump campaigned on the promise of strengthening US growth, disciplining inflation, and rewarding strategic partners like India. In practice, however, his tariff tantrums, arbitrary trade restrictions, and weaponization of economic policy are doing the opposite. By disrupting supply chains and raising the cost of imports, his measures risk stoking global inflation rather than containing it. And despite positioning India as a counterweight to China, his trade pronouncements and punitive tariffs have targeted Indian goods as if New Delhi were an adversary, not a partner. The gap between mandate and execution is stark: Trump's policies are both inflationary and corrosive to US–India ties, even though neither outcome was what the voters signed up for.

The question is when will inflation rise in the US and how it will move forward? It's inventory which is shielding the US from the inflation impact ➤

Mohamed El-Erian and many others argue that the US is not feeling the full brunt of Trump's tariff shocks because high inventories are acting as a buffer. Retailers and manufacturers stocked up heavily ahead of tariff escalations, which means the immediate cost pass-through to consumers is muted. But this cushion is temporary. As inventories normalize over the coming months, the artificial shield fades, and the underlying cost pressure of tariffs will surface more clearly in consumer prices. In other words, the inflationary impulse has been delayed, not neutralized. Once the buffer runs out, the US risks a surge in tariff-driven inflation layered on top of the already sticky price dynamics.

Multiple companies are already warning of the tariff-driven price rise in the US ➤

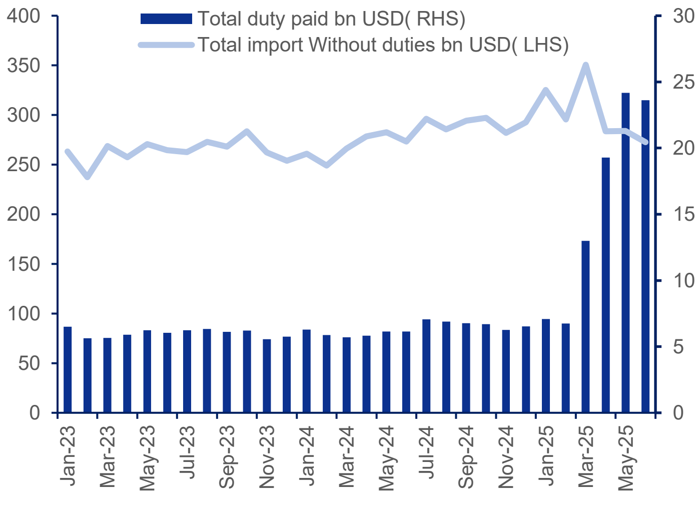
Figure 16: Companies are already warning of the tariff-driven price rise

Company / Industry	Tariff Warning / Impact
Adidas	Price hikes due to hundreds of millions in tariff-related costs.
AutoZone	Pricing increase planned in anticipation of tariffs.
Best Buy	Warned that tariffs will likely raise the prices of electronics items.
Nikon, Canon, Leica	Confirmed product price increase due to tariffs.
Ferrari, Shein, Temu	Acknowledge cost increases and pass-through pricing.
Walmart	Warned replenishment costs will push prices higher in 3Q and 4Q.
Target	Reluctant, but open to pricing if tariff costs persist.
Home Depot	Plans to raise prices due to tariff-induced costs.
Hermès	US prices up to offset new tariffs; other regions unaffected.

SOURCE: INCRED RESEARCH, COMPANY REPORTS

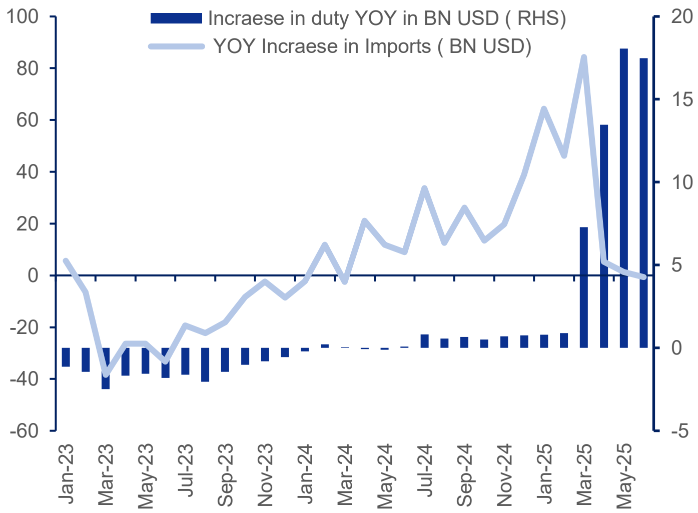
Until Jun 2025, most of the tariff seems to be borne by American companies ➤

Figure 17: The US saw massive inventory accumulation in Jan-Mar 2025 when imports increased by US$200bn or around one month of imports accumulated in the US inventory



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 18: While imports have come down to the usual level after Mar 2025; however, the tariff paid is increasing exponentially

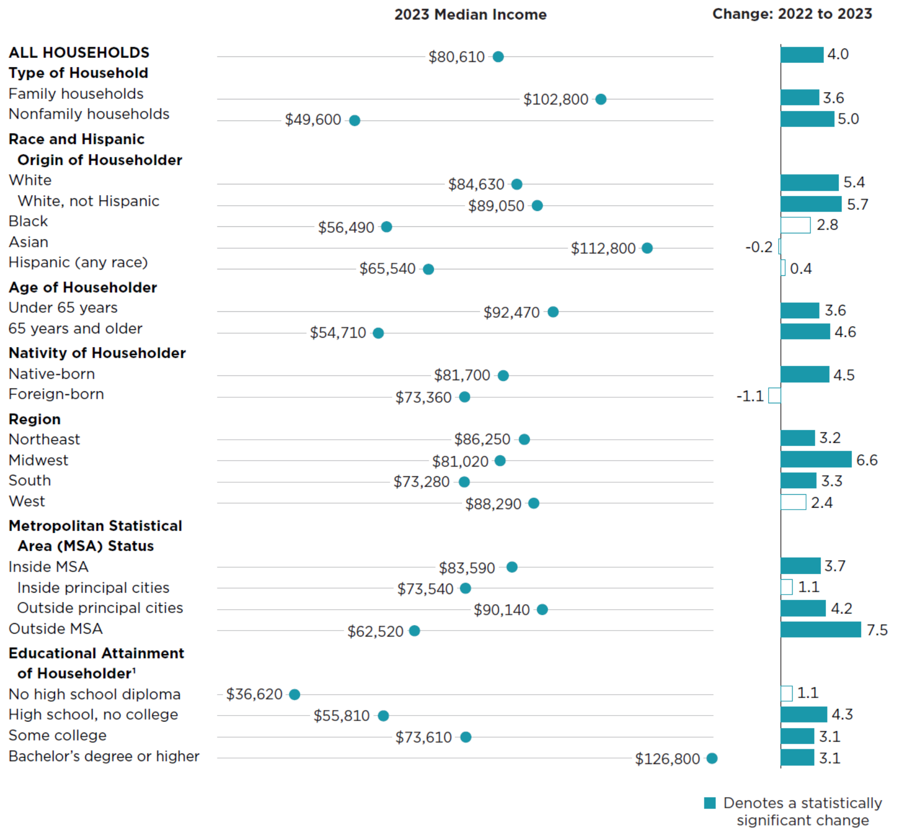


SOURCE: INCRED RESEARCH, COMPANY REPORTS

After the 50% India tariff comes into full swing, the yearly tariff run rate will increase to around US$350bn, which will hit American households by US$2700 per annum ➤

Figure 19: Please see the US income distribution data; bulk of Trump voters' household income will be hit by 8% (non-high school) and 5% (any high school) respectively

Figure 1.
Median Household Income and Percent Change by Selected Characteristics



[1] Householders aged 25 and older. In 2023, the median household income for this group was $82,010.

Note: Households as of March of the following year. Percent change estimate may be different due to rounded components. Statistically significant indicates the change is statistically different from zero at the 90 percent confidence level. Margins of error and other related estimates and notes are available in Table A-1. Information on confidentiality protection, sampling error, nonsampling error, and definitions is available at <https://www2.census.gov/programs-surveys/cps/techdocs/cpsmar24.pdf>.
Source: U.S. Census Bureau, Current Population Survey, 2023 and 2024 Annual Social and Economic Supplements (CPS ASEC).

SOURCE: INCRED RESEARCH, COMPANY REPORTS * AVERAGE US HOUSEHOLD HAS ~2.55 PEOPLE

Does Trump have any grand strategic plan? Like making US+ China world? No, it doesn't seem so

Trump does not appear to be working toward any grand strategic design—certainly not a "G2" world of the US and China ruling together. His approach has been almost entirely transactional, focused on short-term wins that can be paraded on social media or in campaign rallies, rather than building a long-term geopolitical order. One day he courts Beijing as a partner, the next he vilifies it as an adversary; the same pattern applies to Europe, India, and even North Atlantic Treaty Organization or NATO allies. This inconsistency reflects improvisation, not strategy. What drives his actions is domestic optics—showing toughness, stoking nationalism, and creating "enemies" to rally his base. Rather than reshaping the world into a stable US–China duopoly, his erratic tariffs, sanctions, and threats have created disorder, weakened trust in American reliability, and pushed other countries to accelerate alternatives to the dollar-centric system. In short, Trump isn't constructing a new order; he's dismantling the old one without offering anything coherent in its place.

Ostensibly, Trump appears to be lenient to China, but it's not so ➤

Ostensibly, Trump appears lenient toward China, at least in rhetoric or through selective exemptions, but the reality is far less consistent. His policies swing wildly between praise for Beijing's leadership and aggressive tariffs, sanctions, and technology restrictions aimed squarely at undermining Chinese economic power. This dual posture is not evidence of a carefully balanced strategy but rather a reflection of his transactional, optics-driven style—praising China when it suits his narrative of "making a great deal," and attacking it when he needs a political enemy to galvanize his base. Far from true leniency, this erratic behaviour creates uncertainty for businesses and allies alike, erodes US credibility, and ironically accelerates global moves to insulate trade and finance from Washington's unpredictability. After all, he has already slapped a 54% duty on Chinese imports and openly boasts of having "cards to destroy China," underlining that what looks like softness is really just volatility masquerading as strategy.

He doesn't have vision like Barack Obama to make the G2 alliance ➤

Unlike the earlier US President Barack Obama, who at least floated the idea of a US–China "G2" condominium to manage global order, Trump has shown no such vision. He oscillates between praising Beijing's leadership and lashing out with tariffs, sanctions, and threats, but none of it adds up to a coherent strategy. What drives him is not long-term architecture of power but short-term theatrics—optics that play well in rallies and on social media. By rejecting any stable framework with China while simultaneously antagonizing allies, Trump is not building a new order but dismantling the existing one, leaving the world more fragmented and uncertain.

His hostility towards India emanates from a personal vendetta, rooted in India's refusal to give him credit for the cessation of hostilities in the Indo–Pak war ➤

Trump's hostility toward India emanates less from a coherent policy than from personal vendetta. He has long resented New Delhi's refusal to grant him credit for the cessation of hostilities in the Indo–Pak war, when he tried to project himself as a global peacemaker. Denied that recognition, he has translated wounded pride into punitive measures—tariffs, trade restrictions, and sharp rhetoric aimed at India. What should have been a natural partnership to balance China has instead been soured by Trump's need to settle scores. Far from statesmanship, this behaviour reflects the fragility of ego masquerading as foreign policy.

Is a 50% tariff a permanent feature for India? No—it will likely come down to below 20%, but only after three months i.e. after Bihar assembly elections

It has become a fight of egos between Mr. Trump and Indian Prime Minister Mr. Narendra Modi. Reports suggest that Mr. Modi has refused to take Trump's phone calls and ignored his pitch for a Nobel Peace Prize nomination (NYT link). In retaliation, Trump could say or do almost anything: he might threaten to ban H1-B visas or raise tariffs to 100% (though it hardly matters—at 50% trade is already near impossible, and 500% would be no different). Modi, meanwhile, has to contend with the Bihar assembly elections, where any perceived weakness on the Trump front will be weaponized by Congress leader Rahul Gandhi and his team. If Modi shows even a hint of concession, he risks losing the nationalist, strongman image that underpins his political standing.

Current 50% tariff will go as it's not sustainable ➤

The current 50% tariff on Indian goods is unlikely to be a permanent feature. Such an extreme rate is economically unsustainable and politically costly, particularly for US consumers who are already grappling with higher living costs. Historically, tariffs at punitive levels have functioned more as shock tactics to gain negotiating leverage than as long-term policy measures. In this case, the measure is best seen as part of Trump's political theatre, designed to project toughness and create short-term headlines.

However, one will have to wait till Bihar state elections are over ➤

Yet, the timing of when these tariffs are rolled back is critical. Indications suggest that they will only come down after three months—conveniently aligned with the conclusion of the Bihar elections in India. Trump understands the domestic political stakes for Mr. Modi, who cannot afford to look weak in the face of US pressure. By maintaining the tariff threat until the election is settled, Trump ensures maximum leverage while denying Modi any room to claim an easy win.

Before completion of elections, Modi cannot show any perceived weakness which can be exploited by his opponents ➤

For Modi, the calculus is equally complex. Any visible compromise with Trump before the Bihar polls would hand Rahul Gandhi and the opposition a potent weapon: that the prime minister, who has cultivated a strongman, nationalist image, bowed before Washington at a critical political moment. Such a narrative could dent the BJP's electoral prospects in a key state. As a result, Modi's government is more likely to absorb the temporary tariff shock rather than risk the political fallout of appearing submissive.

However, post-elections things will become smoother ➤

Once the Bihar elections are over, the landscape changes. Trump, having extracted the political mileage he wanted, can afford to roll back tariffs to more sustainable levels—likely below 20%—while portraying it as a magnanimous concession or the result of his "tough negotiations." Modi, on his part, will be able to frame the reduction as the outcome of his steadfastness. In reality, it is less about trade policy or economic rationale and more about the intersection of domestic politics in both Washington and New Delhi. **In short, this is not economics but ego diplomacy: in the Trump–Modi duel, tariffs are weapons, elections set the timetable, and global trade is the collateral damage.**

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Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

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Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.