



Global Insights

Capital Strategy Research

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U.S. policy risks on the rise

Several new policy unknowns are emerging in the United States



Domestic unknowns...

- DOGE government overhaul
- Executive authority and powers
- Rule of law and separation of powers



...And foreign policy upheaval

- U.S. isolationism and retreat from multilateralism
- Reshuffling of alliances
- Reluctance to accept role of USD as reserve currency



...Are adding to economic risks

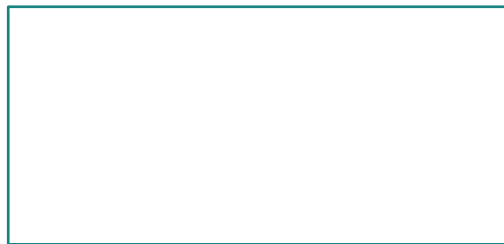
- DOGE **could** increase efficiency and reduce spending, or lead to disruption
- Realignment of foreign partners **could** affect capital and trade flows
- Isolationism **could** reduce reserve currency status of USD
- Prolonged uncertainty **would** increase volatility and hurt productivity

DOGE: Department of Government Efficiency
Source: CSR. As of February 26, 2025.

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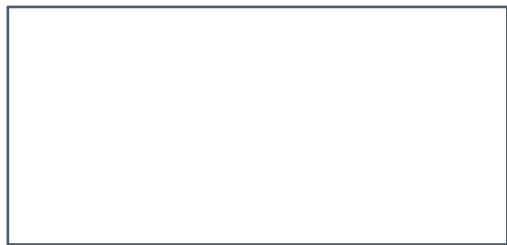
Four scenarios for uncertain markets

Trade alliances



Economic decoupling

Trade deals



Expansionist policies

Where are we today, and where are we headed?

Trade alliances

Trade battlefield

Global tariff and trade measures spike in response to U.S. policy, but alliances remain intact.

Grand bargains

Opening positions prove flexible, diplomacy prevails and alliances survive.

Economic decoupling

Assertive nationalism

Governments pursue nationalist priorities in trade and security.

Trade deals

Great powers

Large economies recognize "spheres of influence" and build competing trade blocs.

Expansionist policies

Geopolitical realignment: Potential outcomes and investment implications

Trade alliances

Trade battlefield

Global tariff and trade measures spike in response to U.S. policy, but alliances remain intact.

- ▲ Defense/aerospace
- ▲ Domestic businesses
- ▲ Automation
- ▼ Consumer discretionary
- ▼ Global trade

Grand bargains

Opening positions prove flexible, diplomacy prevails and alliances survive.

- ▲ Consumer discretionary
- ▲ Financials
- ▲ Global trade
- ▼ Consumer staples and utilities
- ▼ Gold

Economic decoupling

Assertive nationalism

Governments pursue nationalist priorities in trade and security.

- ▲ Defense/aerospace
- ▲ Consumer staples and utilities
- ▲ Real estate and gold
- ▼ Cyclical companies
- ▼ Trade weighted dollar

Trade deals

Great powers

Large economies recognize "spheres of influence" and build competing trade blocs.

- ▲ Defense/aerospace
- ▲ Cyber/drone manufacturing
- ▼ Semiconductors
- ▼ 10-year Treasury yield
- ▼ Global trade

Expansionist policies

Source: Capital Group. Scenarios reflect analysis of Capital Group's Night Watch team as of April 2025, and are not predictive of future outcomes.