

Donald Trump's New Tariffs: Impact on Gold Prices

Pretoria, April 3, 2025 - On April 2, 2025, Donald Trump unsettled global markets with a new round of punitive tariffs. The decision to significantly increase import duties - particularly on goods from China, Vietnam, Taiwan, and the EU—had far-reaching consequences for international trade. Gold investors closely monitored the developments, as the precious metal traditionally gains prominence in times of economic uncertainty.



Overview of Trump's Tariff Policy

- **Reciprocal Tariffs:** The U.S. is now imposing tariffs on goods from certain countries at the same rates those nations levy on American products. This includes a 34% increase for China, 35% for Vietnam, 32% for Taiwan, and 20% for the EU.
- **Base Tariff on Imports:** A general tariff of 10% on all imported goods is intended to boost domestic production.
- **Targeted Tariffs:** Countries with significant trade surpluses against the U.S. face additional special tariffs.

How Did the Gold Price React?

As soon as the new tariffs were announced, stock markets tumbled. Amid the uncertainty, investors flocked to gold. The results were immediate:

- **Gold Price Hits New High:** On April 2, 2025, gold surged to \$3,148.88 per ounce—a record level reflecting the market's growing distrust in U.S. trade policy.
- **Parallels to the Past:** During the U.S.-China trade war in 2018 and 2019, gold prices also saw significant gains. Investors view the precious metal as a hedge against economic and geopolitical instability.

Rising Inflation: How Does It Impact the Gold Market?

The new tariffs make imported goods more expensive, inevitably driving inflation higher. This puts the U.S. Federal Reserve in a difficult position: Should it fight inflation or support the economy with lower interest rates?

- **If the Fed Maintains High Interest Rates:** A strong U.S. dollar could temporarily limit gold's gains.
- **If the Fed Lowers Interest Rates:** A weakening dollar would make gold even more attractive. Historically, gold prices have surged in periods of high inflation.

Global Uncertainty as a Catalyst for Gold

The tariff hikes have economic consequences but also escalate geopolitical tensions:

- China could retaliate by imposing export restrictions on rare earth metals or reducing its holdings of U.S. Treasury bonds.
- The EU is considering countermeasures, which could further escalate the trade conflict.
- Emerging market currencies are under pressure, prompting central banks to increase their gold reserves.



Central Banks Continue to Buy Gold

Over the past few years, central banks worldwide have been accumulating gold reserves—and this trend continues:

- China and Russia are increasing gold purchases to reduce their reliance on the U.S. dollar.
- According to the World Gold Council, central banks acquired over 250 tons of gold in the first quarter of 2025 alone—the highest amount in decades.

What's Next for Gold Prices?

Based on these developments, analysts see several possible scenarios for the gold market:

- **An escalating trade war** could push gold prices up to \$3,500 per ounce.
- **Federal Reserve rate** cuts could further boost gold.
- **Ongoing uncertainty** could drive gold to new all-time highs.

Conclusion

Donald Trump's tariffs have reshaped global trade and propelled gold prices to new heights. Rising inflation, geopolitical tensions, and aggressive trade policies suggest that gold will remain one of the most sought-after investment assets.