

Trump Fires Shots at India and the Fed, while Nvidia Continues to Fire

Focus this week has shifted away from the hard data of the past couple of weeks and back to the shenanigans around US trade policy and tariffs and Trump's escalating battle with the US Federal Reserve.



Taking the trade and tariffs issue first, there have been 2 main developments. Firstly, Trade talks between India and the US collapsed after five rounds of negotiation from April to August, as both sides failed to reach agreement on key issues.

The most significant trigger was India's decision to increase oil purchases from Russia, which now comprise over a third of its fuel imports. The US, somewhat ironically given its stance to date, argues this indirectly funds Russia's war effort in Ukraine and has demanded India scale back these imports, a demand that India has so far rejected.

The US has also been pushing for expanded access to India's agricultural and dairy sectors, while India resisted opening these sectors due to domestic political and economic concerns.

The US first imposed a 25% tariff on Indian imports in July, followed by another 25% penalty as the talks collapsed, bringing tariffs on many Indian goods to as high as 50%.

The steep new tariffs mainly target clothing & footwear, jewellery, furniture and chemicals, affecting up to 55% of India's exports to the US, causing some market commentators to forecast a reduction in India's trade with the US of 20% - 30%.

This breakdown in relationship threatens broader strategic cooperation in the Indo-Pacific Region, including defence deals and technology partnerships, and risks accelerating India's search for alternative export markets and closer ties with China.

The second development in trade / tariff issues is that the U.S. has officially ended the *de minimis* tariff exemption for small value packages, meaning parcels valued at USD 800 or less arriving from outside the US now face tariffs and expanded customs checks.

For nearly a decade, this policy allowed exporters to ship inexpensive goods into the U.S. duty-free, fuelling a massive surge in low-cost imports. Data for 2024 suggests that over 1.4 billion shipments were made under this exemption.

Under the new rules, all imported small packages are subject to either country-of-origin tariff rates or, during a six-month transition, a flat fee of \$80–\$200 per parcel, depending on where they shipped from.

This change is already causing international postal services, especially from China, Europe, and Australia, to halt or restrict package deliveries to the U.S., due to the logistical difficulties of compliance and rising costs.

For American consumers, this means higher prices and fewer choices for everyday items previously available via low-cost channels. In addition, many small U.S. businesses who source their goods internationally expect significant financial disruption, as they try to adapt to the changes, with retail price rises almost inevitable.

The relationship between President Trump and the US Federal Reserve ("the Fed") intensified dramatically over the past week, marked by Trump's unprecedented (and yes, I really do mean unprecedented) move to oust Fed Governor, Lisa Cook.

Trump announced Cook's immediate dismissal (by social media post of course), citing alleged irregularities linked to Cook's historic disclosures in connection with 2 mortgage applications, claiming that this amounted to a "for cause" removal.

The Federal Reserve Act, which aims to guarantee the independence of the Fed, specifically limits the power of the President to remove a Governor to "for cause" removals only. This "for cause" required standard traditionally has been reserved for gross misconduct.

In response Cook refused to resign and filed a lawsuit against Trump arguing that Trump's removal attempt, based on unsubstantiated mortgage fraud claims (which she strenuously denies), exceeds presidential authority and "violates due process protections" for Fed officials.

This high-stakes legal standoff is now a proxy for broader tensions between Trump and the Fed around monetary policy. Trump's public criticisms of Fed Chairman. Jerome Powell, are well documented as he continues to blame Powell for not implementing decisive interest rate cuts, arguing that more aggressive easing could save "hundreds of billions" for the nation.

Whilst Powell's remarks from the Jackson Hole Symposium last week acknowledged downside labour market risks (and in doing so suggested a September rate cut is now very likely) he also struck a strong note of caution regarding rising inflation, which could well be accelerated by the price hikes caused by tariffs. In other words, he is not in favour of aggressive rate reductions, effectively keeping him at loggerheads with Trump.

This move to remove Cook is part of Trump's strategy to secure a majority of Trump appointed or Trump leaning governors on the seven-member Fed board. With Biden appointee Adriana Kugler's

recent resignation, Trump was quick to nominate Stephen Miran, a Trump loyalist and chief architect of Trump's tariff strategy.

If Cook is successfully removed and replaced, Trump would have four direct allies (Christopher Waller, Michelle Bowman, Stephen Miran, and a replacement for Cook), outnumbering the remaining three non-Trump appointees. In addition, when Powell steps down as Chair in May 2026, he will undoubtedly be replaced by one of Trump's allies.

This could, and probably would, significantly tilt votes in interest rate decisions, potentially enabling Trump to imprint his monetary policy preferences on the central bank, meaning the aggressive rate cuts he has been demanding become a foregone conclusion (irrespective of whether or not they are justified), and the independence of the Fed vanishes in the blink of an eye.

The legal challenge over Cook's firing is therefore more far reaching than a personal dispute. It is a test case with major consequences for central bank independence, economic policy direction, and the balance of power between the President / Executive and the institutions in the U.S. financial system.

Market reaction so far has been muted, with modest dollar declines and stock market gains reflecting investor belief that institutional procedures and the courts will ultimately preserve Fed independence.

Under the surface, however there is rising concern that repeated political interference could erode confidence in the Fed's autonomy, impacting long term expectations around inflation and rate-setting. If such interference becomes normalised, the bond market may well begin to price in higher yields to compensate for the perceived increase in risk, which of course would result in exactly the opposite of Trump's policy objective to reduce rates.

It is therefore not an over exaggeration to state that this is the most significant test of U.S. Central Bank independence in over a generation, with legal and market ramifications that could reverberate far beyond the headlines.

The key market event this week was Nvidia's latest quarterly results announcement. The results were stellar, with revenue reaching \$46.7 billion for the quarter (and giving a 12 month revenue growth of around 86%) and earnings per share of USD1.04, both ahead of forecast.

The company also provided ambitious guidance for Q3, predicting revenue of \$54 billion, all of which served to underscore their confidence in continued AI infrastructure growth.

Despite these robust results, a cooling in sentiment towards the technology sector was initially visible in markets, as investors faced the challenge of reconciling this performance with persistent questions about just how transformative the AI sector will actually be. That worry appears to have subsequently abated with the tech-driven Nasdaq 100 Index recovering its poise and delivering a 1 week return to close of business yesterday of +2.87%.

Where are markets up to?

The rolling 12 month % cumulative returns in local currency from various indices is shown in the following chart:



28/08/2024 - 28/08/2025 Data from FE fundinfo 2025

Where are the portfolios up to?

The portfolio performance, net of fees, to close of business on Thursday is as follows:

	1 week	1 month	3 months	12 months
Cautious	+0.47%	+0.82%	+3.82%	+4.36%
Balanced	+0.64%	+1.15%	+5.46%	+6.17%
Adventurous	+0.73%	+1.31%	+6.33%	+7.13%

As ever, if you would like to discuss any aspect of your portfolio, please do not hesitate to contact us on service@blythefinancial.com.



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