Trade war and tariffs: Anatomy of winners and losers

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Trade wars are back. Underneath rising trade tension lies the most dramatic geopolitical realignment of the global order since perhaps the end of World War II. While the intensity of the trade tensions may ebb and flow from day to day, the underlying economic and political structural drivers may persist and potentially intensify in the years to come. Investors can benefit from understanding the transmission mechanisms of tariffs and trade wars and therefore adapt better to these significant structural changes.

Trade war as an event study

Which companies are likely to win or lose from tariffs and the ongoing trade war? To find out, we created an event study, using "Liberation Day"—April 2, when President Donald Trump announced a broad set of tariffs—as a news shock. We sorted the Bloomberg US 1000 Price Return Index into five groups, or quintiles, based on how much each stock out- or underperformed the market – after adjusting for market beta risk – between April 2 and April 17. The announcement of the tariff package at the beginning of this period provides a high degree of confidence that stock price movements within this short window were primarily attributable to the tariffs.

Next, we constructed equal-weighted portfolios from these quintiles and simulated their returns in two "out-of-sample" periods: the approximately two-year period in Trump's first term during which he embarked on his first trade war and the roughly two-year runup to the 2024 election, when he was elected to a second term.

Figure 1: Performance of Tariff Resiliency Quintile Portfolio: Apr 1 to Apr 17, 2025.
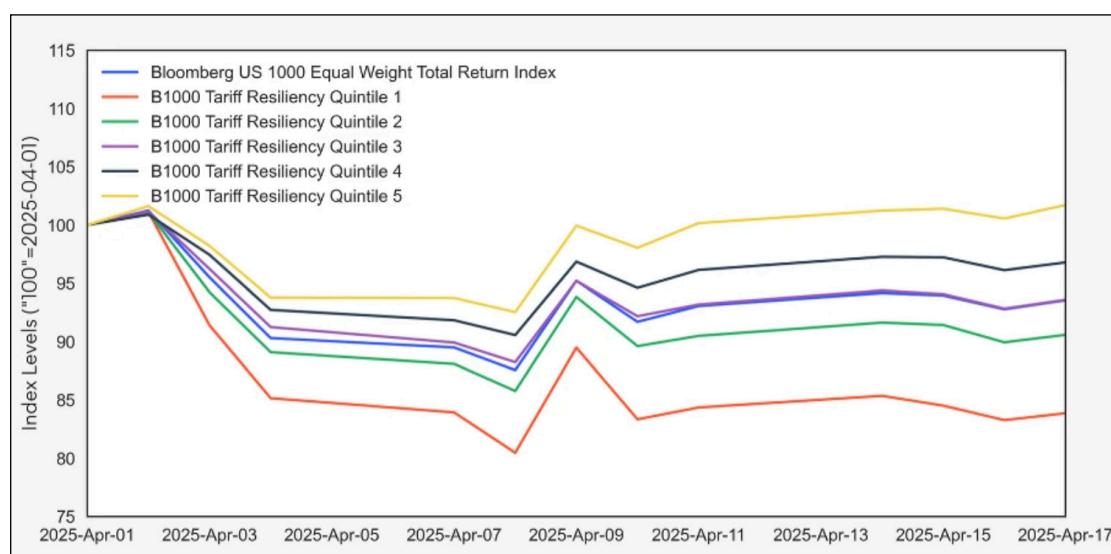
Source: Bloomberg. Bloomberg Tariff Resiliency portfolios are equal-weighted quintile portfolios of B1000 member stocks sorted on increasing quintiles of cumulative abnormal (excess) returns from Apr 2, 2025 through Apr 17, 2025. The portfolio returns are simulated from 2025-04-01 to 2025-04-17. Backtested and simulated data are hypothetical and shown for illustrative purposes only. They do not reflect actual performance or future results.

A remarkable pattern emerges: The top quintile of stocks ("tariff winners") from the event study also did the best during the 2018 trade-war period and, curiously, were the top performers in the two years leading up to Trump's re-election (Fig. 1). Likewise, the "tariff losers" did the worst during those periods. Moreover, in the out-of-sample periods, the quintiles performed in order from worst to best, suggesting that the event study identified a latent "tariff factor" influencing the relative performance across individual stocks.

Although the rank order of the quintiles remains the same across both out-of-sample windows, the two periods reflect distinct investor reactions. In 2018–19, the performance gap is especially large between the bottom quintile and the rest, suggesting that markets mainly punished the companies most exposed to tariffs. By contrast, in 2023–24, dispersion widens at both ends: companies that appear well-insulated from trade risks are rewarded more strongly, while the laggards are penalized even further. One possible explanation is that firms have adapted since the initial trade war – shifting supply chains through onshoring or friend-shoring – making investors more confident in distinguishing winners from losers.

Table 1: Performance of Tariff Resiliency Quintitle Portfolios during Trump Trade War 1.0

	B1000 Tariff Resilliency Quintile 1 (losers)	B1000 Tariff Resilliency Quintile 2	B1000 Tariff Resilliency Quintile 3	B1000 Tariff Resilliency Quintile 4	B1000 Tariff Resilliency Quintile 5 (Winners)	B1000EQT Index
Annual Return	-4.61%	1.96%	5.42%	7.99%	8.87%	3.88%
Annual Vol	17.86%	16.35%	13.97%	13.77%	13.94%	15.21%
Ann Excess Ret	-5.29%	0.85%	4.19%	7.10%	7.92%	3.00%
Sharpe Ratio	-0.30	0.05%	0.30	0.51	0.57	0.20
Tracking Error	4.60%	3.08%	2.84%	2.91%	3.57%	
Information Ratio	-1.78	-0.60	0.57	1.44	1.35	
Max Drawdown	-26.05%	-22.85%	-18.42%	-18.06%	-17.20%	-21.21%

Source: Bloomberg. Simulated returns from 2018 Jan 22 to 2019 Oct 31 using backtested tariff resilient portfolios formed from Apr 2 - Apr 17, 2025. Backtested and simulated data are hypothetical and shown for illustrative purposes only. They do not reflect actual performance or future results.

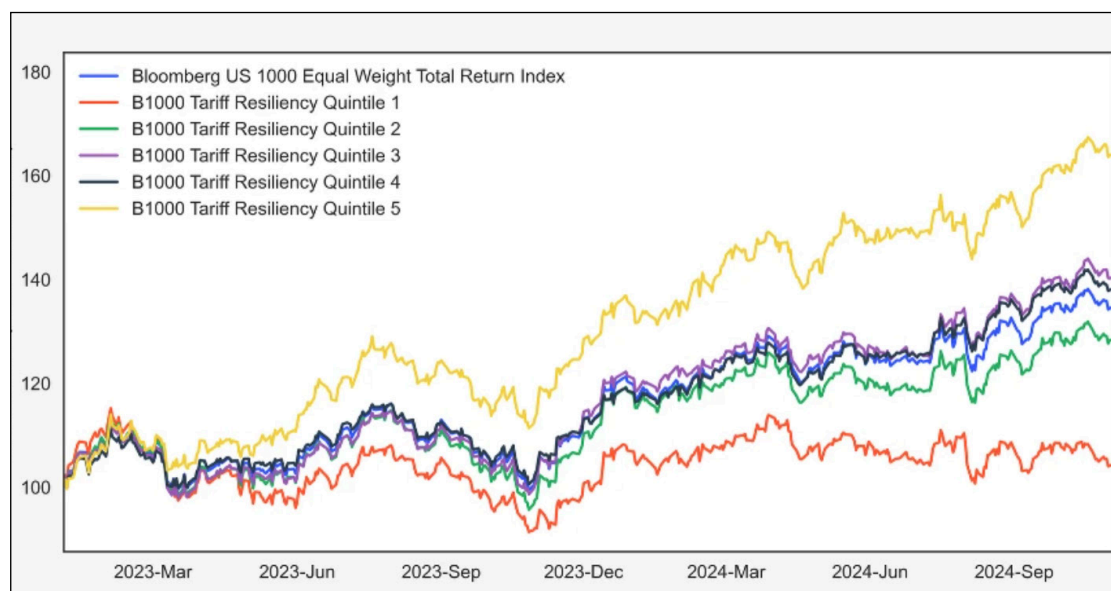**Figure 2: Performance of Tariff Resiliency Quintile Portfolio during Trump Trade War 1.0**
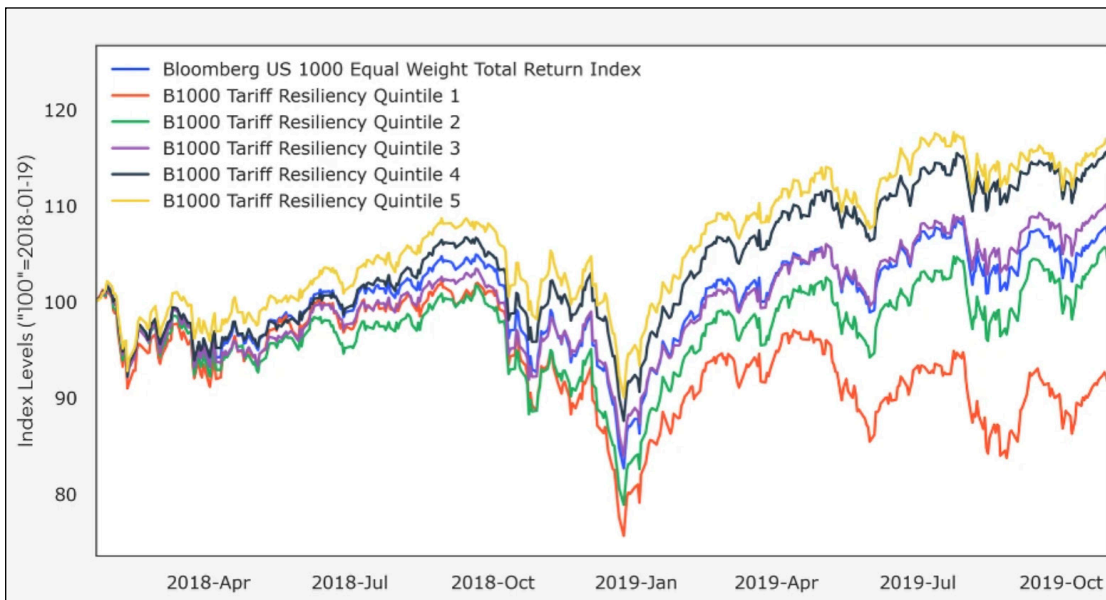
Source: Bloomberg. Bloomberg Tariff Resiliency portfolios are equal-weighted quintile portfolios of B1000 member stocks sorted on increasing quintiles of cumulative abnormal (excess) returns from Apr 2, 2025 through Apr 17, 2025. The portfolio returns are simulated from 2018-01-19 to 2019-10-31.

Table 2: Performance of Tariff Resiliency Quintitle Portfolios Leading Up to Donald Trump Re-election

	B1000 Tariff Resilliency Quintile 1 (losers)	B1000 Tariff Resilliency Quintile 2	B1000 Tariff Resilliency Quintile 3	B1000 Tariff Resilliency Quintile 4	B1000 Tariff Resilliency Quintile 5 (Winners)	B1000EQT Index
Annual Return	2.16%	15.34%	19.36%	18.36%	29.77%	16.63%
Annual Vol	17.29%	16.16%	14.46%	13.27%	15.74%	14.74%
Ann Excess Ret	-3.57%	9.12%	13.40%	12.34%	22.22%	10.76%
Sharpe Ratio	-0.21	0.56%	0.91	0.92	1.41%	0.72
Tracking Error	4.95%	2.67%	2.69%	3.17%	4.87%	0.00%
Information Ratio	-2.61	-0.63	0.81	0.43	2.18	
Max Drawdown	-20.11%	-16.37%	-14.33%	-13.48%	-13.46%	-14.31%

Source: Bloomberg. Simulated returns from 2023 Jan 01 to 2024 Nov 04 using backcasted tariff resilient portfolios formed from Apr 2 - Apr 17, 2025. Backtested and simulated data are hypothetical and shown for illustrative purposes only. They do not reflect actual performance or future results.

Figure 3: Performance of Tariff Resiliency Quintile Portfolios Leading Up to Donald Trump Re-election.


Source: Bloomberg. Bloomberg Tariff Resiliency portfolio are equal-weighted quintile portfolios of B1000 member stocks sorted on increasing quintiles of cumulative abnormal (excess) returns from Apr 2, 2025 through Apr 17, 2025. The portfolio returns are simulated from 2023-01-03 to 2024-11-04. Backtested and simulated data are hypothetical and shown for illustrate purposes only. They do not reflect actual performance or future results.

Factor footprints

There is a rich set of economic logic behind the tariff winners and losers. By running {**TLTS <GO>**} and loading the top and bottom quintile portfolios in the Tilts function, we can leverage the Bloomberg MAC3 equity factor risk model to show their factor footprints (Fig. 2). Tariff winners tend to be faster-growing, variable and volatile companies with sector tilts toward technology, industrials, health care and consumer staples (Fig. 3). The reason is likely that tariffs are first and foremost an economic growth shock that affects companies and sectors with the most international trade exposures. It's therefore unsurprising that the biggest losers from tariffs tend to be highly cyclical and value stocks, especially those with heavy international dependence or poor ability to pass on costs.

Interestingly, the factor footprints of tariff winners don't neatly align with the quality, growth, and low volatility combination that has driven secular outperformance in recent years. As we discussed in our blog previously, companies with strong pricing power often display these traits, which can provide resilience against tariffs. While tariff winners do show some overlap with higher-growth stocks and defensive sectors like consumer staples and healthcare, neither style factors nor sector classifications fully account for the performance gap. Even within the same sector, tariff sensitivity varies significantly. One important pattern is that in more import-exposed sectors – such as industrials, materials, and parts of consumer staples – companies with higher U.S. revenue shares tend to benefit more. By contrast, in less import-dependent areas like services and communications, firms with more international exposure appear to fare better.

Figure 4: Equity Factor Exposures of Tariff Winners and Tariff Losers
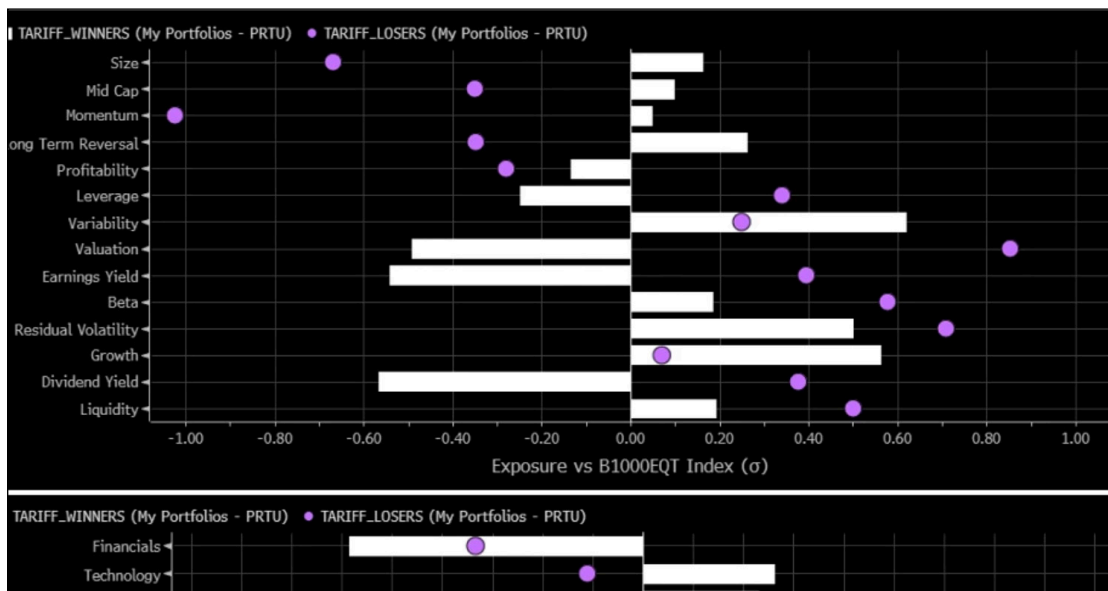
Source: Bloomberg. Equity factor exposures are obtained from the **TLTS <GO>** function on the Blommberg terminal using the Blommberg MAC3 equity risk model. TARIFF_WINNERS are the top quintile portfolio equal weighted, and TARIFF_L are the bottom quintile portfolio equal weighted.

Domestic shares of revenue supply chains

To further validate the logic behind tariff winners and losers, we examined companies' revenue sources and supply chain locations. Holding all else equal, we hypothesized that companies with a greater proportion of US-based business and suppliers would demonstrate more resilience to tariffs, potentially even benefiting from increased domestic demand. Using Bloomberg's company-level revenue segmentation and supply chain linkage data from the Supply Chain (SPLC) function, our analysis confirms that tariff resilience indeed correlates positively with domestic revenue and supply chain shares, as anticipated.

Table 3 compares the median US revenue shares and US supplier shares across quintiles of increasing tariff resilience, segmented by select sectors. Overall, portfolios with greater tariff resilience tend to exhibit higher US revenue shares and a larger proportion of US-based suppliers. However, the relationship appears to be nonlinear, with a plateauing effect beyond a certain level. Moreover, within sectors with adequate data coverage, notable divergences emerge. In sectors intuitively more vulnerable to tariffs, such as consumer discretionary and consumer staples, tariff winners demonstrate higher US revenue and supplier shares. Conversely, in sectors less directly affected by tariffs, like communications, tariff losers show higher US revenue and supplier shares. Our findings are highly consistent with the research from Bloomberg Intelligence on related topic using the same data.

Table 3 : Median US Revenue Share and Supplier Share of Tariff Resiliency Portfolios

Median US Revenue Share							
Quintile	All Sectors	Communications	Consumers Discretionary	Consumer Staples	Industrials	Health Care	Technology
1 (Losers)	60.7%	77.40%	69.75%	31.34%	55.01%	53.52%	35.59%
2	72.2%	80.67%	74.02%	76.51%	62.98%	68.36%	51.65%
3	77.5%	86.00%	92.14%	82.44%	65.15%	59.84%	50.10%
4	84.7%	76.54%	75.17%	63.09%	69.35%	85.53%	59.58%
5 (Winners)	80.4%	52.89%	98.31%	82.08%	87.16%	67.61%	57.24%
Median US Supplier Share							
Quintile	All Sectors	Communications	Consumers Discretionary	Consumer Staples	Industrials	Health Care	Technology
1 (Losers)	72%	100%	70%	42%	73.54%	88.73%	48.31%
2	83%	90%	78%	99%	70.85%	90.59%	92.83%
3	93%	100%	100%	79%	99.47%	81.85%	68.44%
4	92%	86%	98%	88%	74.71%	98.96%	88.61%
5 (Winners)	92%	83%	100%	90%	79.17%	99.96%	100%

Source: Bloomberg. US revenue share is the median company self-reported, or Bloomberg estimated, revenue generated from the United States as a share of total global revenue. US supplier share is the median company self-reported, or Bloomberg estimated, number of suppliers domiciled in the United States as a share od total number of suppliers globally. Revenue segmentation data is prepared and shared by Bloomberg Intelligence.

Next steps

This study opens several promising paths for future research and the development of systematic, tariff-sensitive equity portfolios. One avenue is using natural language processing to identify tariff shocks as a starting point for constructing 'market-implied' thematic portfolios – that is, portfolios of stocks selected based on their price reactions to such events. Future research could also examine the relationship between tariff resilience and factors like domestic revenue share or supply chain localization. Additionally, it may be possible to design portfolios that capture the longer-term onshoring trend by leveraging detailed revenue and supply chain data. Comparing these various construction methods could offer valuable insights into how best to capture structural shifts in global trade.

Acknowledgment

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