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EXPLAINER

ASX falls as Trump triggers trade war: How it will impact Australia

The ASX 200 has hit a fresh seven-month low after Wall Street extended losses amid escalating trade tensions. Here's what you need to know.

Adella Beaini and Zoe Smith

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US President Donald Trump has ruled out a tariff exemption for Australian steel and aluminium.

The ASX 200 has hit a fresh seven-month low after it was revealed [Australia would not be exempt](#) from the Trump administration's US steel and aluminium tariffs.

The S&P/ASX 200 index is down 1.2 per cent at 7815.8 after falling as low as 7797.9



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versus Tuesday's low at 7818.3.

The big falls came after Wall Street extended losses amid escalating trade tensions between the US and Canada.

[Globally, stock markets wavered](#) over fears that US President Donald Trump's trade policies and steep tariffs on foreign trading partners could push the US into a recession, as well as devastate countless market linked retirement accounts.



US President Donald Trump has triggered a trade war. Picture: AFP

On Wall Street, the S&P 500 closed 0.8 per cent lower, the technology-focused Nasdaq Composite Index finished down 0.2 per cent and the Dow Jones Industrial Average shed 1.2 per cent.

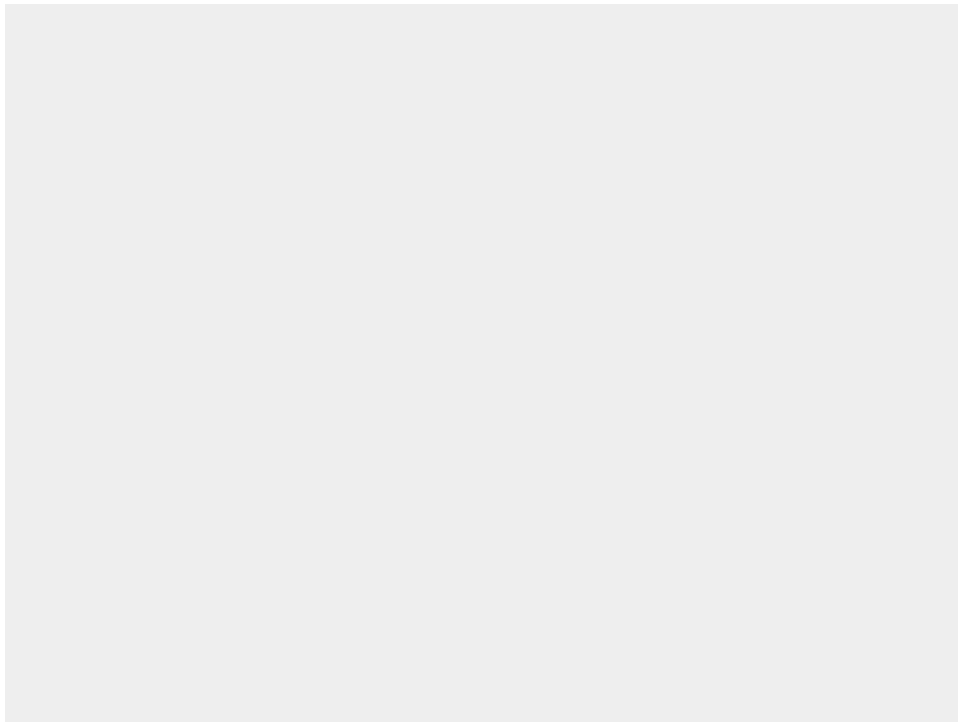
More than \$35bn in value was wiped from the Australian sharemarket on Tuesday morning following Mr Trump's refusal to rule out a recession.

Here is everything you need to know about the world market and how it will affect Australia.

REACTION OF GLOBAL MARKETS

The fallout from Mr Trump's tariffs hit global markets for a second day as the trade wars triggered a Wall Street sell off and stoked recession fears.

In New York, the Dow index of blue-chip stocks closed down 1.1 per cent while the broad-based S&P 500 shed 0.8 per cent.



Traders work on the floor of the New York Stock Exchange at the opening bell. Picture: AFP

The tech-heavy Nasdaq dipped 0.2 per cent, though Tesla and Amazon staged rebounds a day after the index closed four per cent lower in its worst session since 2022.

Europe's main indices ended the day in the red, as did most in Asia.

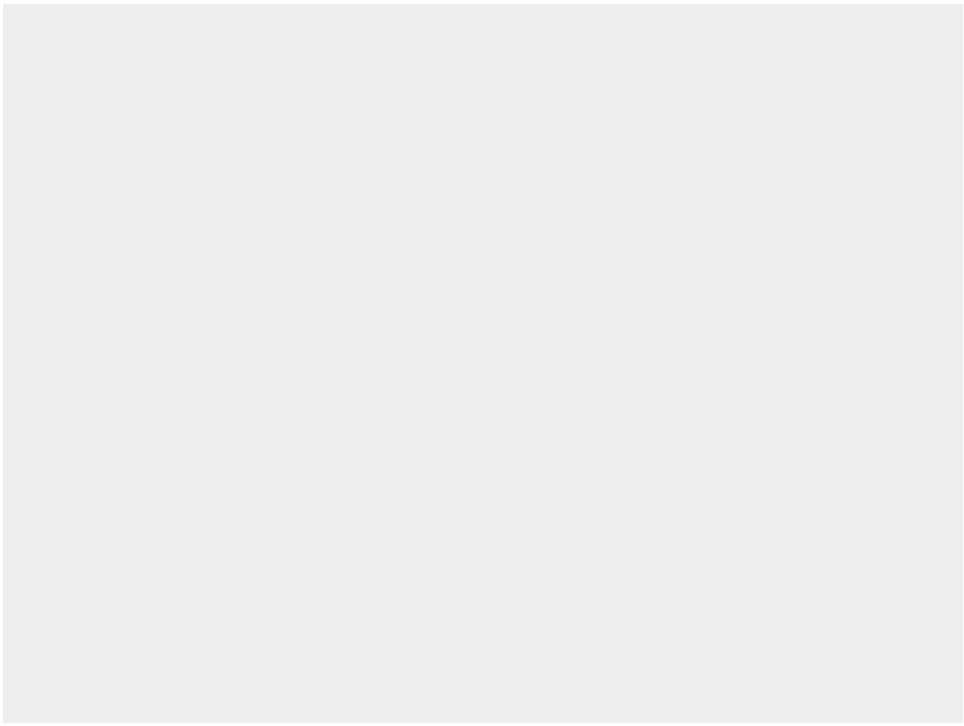
"Markets are jittery and volatility seems like the only certainty while the White House pushes hard to usher in a new era, seemingly happy for stock markets to be collateral damage," said Matt Britzman, senior equity analyst at Hargreaves Lansdown.

TRUMP REFUSES TO RULE OUT RECESSION

Mr Trump over the weekend refused to rule out the US entering a recession this year, telling Fox News there will be a "period of transition, because what we're doing is very big."

In contrast, Commerce Secretary Howard Lutnick told NBC News: "There's going to be no recession in America."

The remark sparked a bloodbath on Wall Street, with the benchmark Dow Jones index shedding 890 points, or 2.08 per cent, to settle at 41,911.



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President Donald Trump and Tesla CEO Elon Musk speak to reporters as they sit in a red Model S Tesla vehicle on the South Lawn of the White House. Picture: Pool via AP

The S and P 500, a basket of the 500 largest companies in America, lost 2.7 per cent, while the tech-heavy Nasdaq index fell to 4 per cent.

Here is everything you need to know about the world market and how it will affect Australia.

WHAT ABOUT AUSSIE STOCKS?

The ASX 200 opened 1.3 per cent lower to 7862.80 points on Tuesday, after talks of a US recession sent Wall Street tumbling.

The Aussie dollar was trading around US62.77c on Tuesday, 10am AEDT.

AMP chief economist and head of investment strategy Shane Oliver said: “Australian shares are likely to decline further, following US markets, as concerns about a potential US recession and its global ripple effects heighten fears of economic weakness in Australia.”

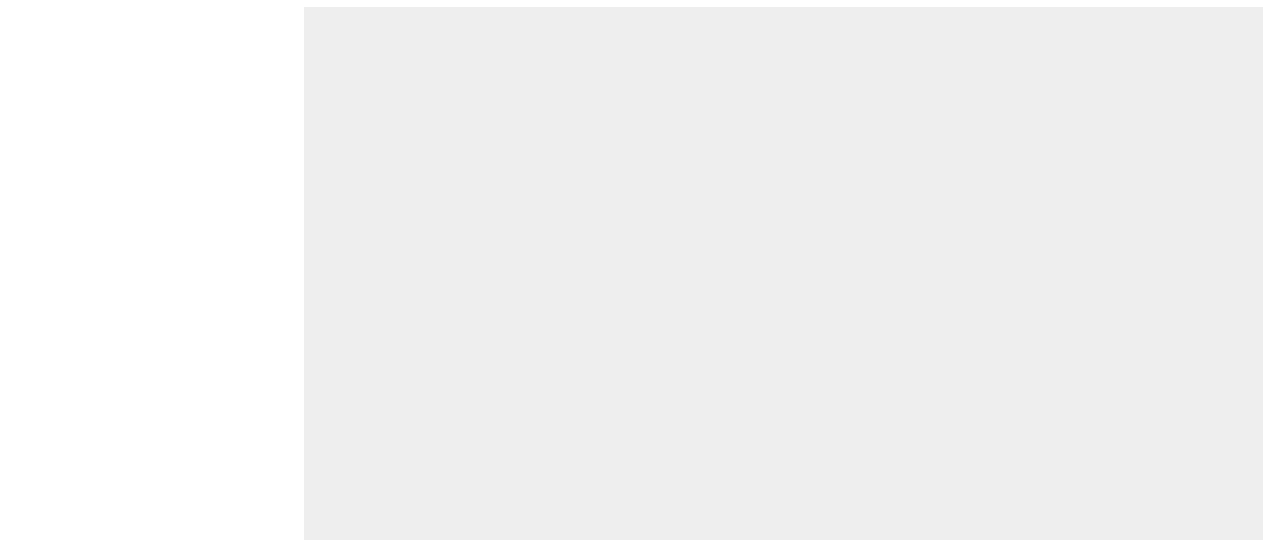
Industry Professor and Chief Economist at University of Technology Sydney, Tim Harcourt, added: “Tariffs are like putting rocks in your own harbour, so ultimately the markets know in long run tariffs are bad and are pricing them accordingly.”

IS AUSTRALIA HEADED FOR RECESSION?

Professor Harcourt said the stocks plunging would mainly affect Australia if the trade war between the USA and China worsens, given our trade ties with China

Mr Oliver said: “Shares are often quite volatile and this doesn’t necessarily mean a recession is coming here.”

“But the risks have increased a bit.”



Wall Street stocks plummeted as investors fretted that uncertainty over President Donald Trump's tariff policy could tip the world's biggest economy into a recession. Picture: AFP

HOW BAD CAN IT GET IN AUSTRALIA?

Professor Harcourt said luckily for Australia, we don't have the same trade with the US like other countries such as Canada and Mexico.

"We are slightly buffered. But an all out trade war would hurt us as no one wins in a global trade war," he said.

"Ironically China showed the dangers of trade wars when they put tariffs on Australia and hurt the Chinese economy.

"So China is as much to blame for tariffs as Trump."

Mr Oliver added: "Shares are at high risk of further falls in the next month or so as uncertainty continues to build about the impact of Trump's tariffs and DOGE cutbacks on the US and global economies.

"So far Australian shares have had a less than 10 per cent fall but a 15 per cent or so fall is possible.

"However, this should be seen as normal volatility in markets and prospects for lower interest rates locally and some settling in the US through the second half of the year as tariff uncertainty recedes should see shares rebound.

"At this stage we still see Australian economic growth picking up a bit this year with only a small rise in unemployment to around 4.5 per cent."

WILL AUSSIE JOBS BE IMPACTED?

"One in five jobs depend on exports, and exporters pay 60 per cent higher wages than non-exporters on average," Professor Harcourt said.

"So tariffs are bad for workers and consumers, especially if higher import prices mean higher inflation."

Mr Oliver said the country's biggest risk is that Trump's trade war could weaken global growth,

"The main risk to Australia is if President Trump's trade war leads to weaker global growth in particular in China leading to less demand for our exports and this could have a flow on

to jobs and household incomes,” he said.

“Fortunately, recently growth has been picking up a bit in Australia and the RBA has plenty of potential to cut interest rates and support the local economy helping offset weakness coming from the US.”

WILL HOMEOWNERS AND PROPERTIES BE AFFECTED?

First National Real Estate’s Stewart Bunn said residential property markets in Australia are “primarily driven by local factors such as supply and demand dynamics, interest rates, and broader economic conditions.”

“Any short-term movements in international markets rarely translate into immediate changes in property values,” he said.

“While a more sustained downturn could eventually weaken the market’s confidence and momentum, the fundamentals supporting our domestic market remain robust.

“Volatility in US equities may influence global investor sentiment, but for the vast majority of Australian homeowners, the impact is likely to be limited.”

CAN SHARES AND SUPERANNUATION BE IMPACTED?

Professor Harcourt said: “Yes, trade wars can impact industry super portfolios in Australia, especially as super funds increasingly invest offshore.”

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Australia would not be exempt



Globally, stock markets wavered

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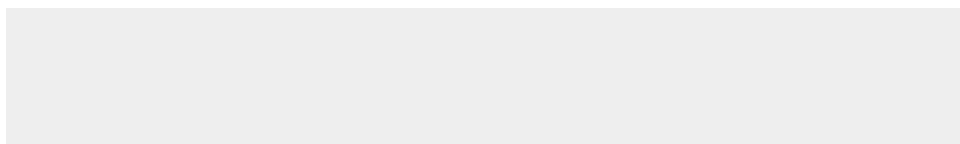
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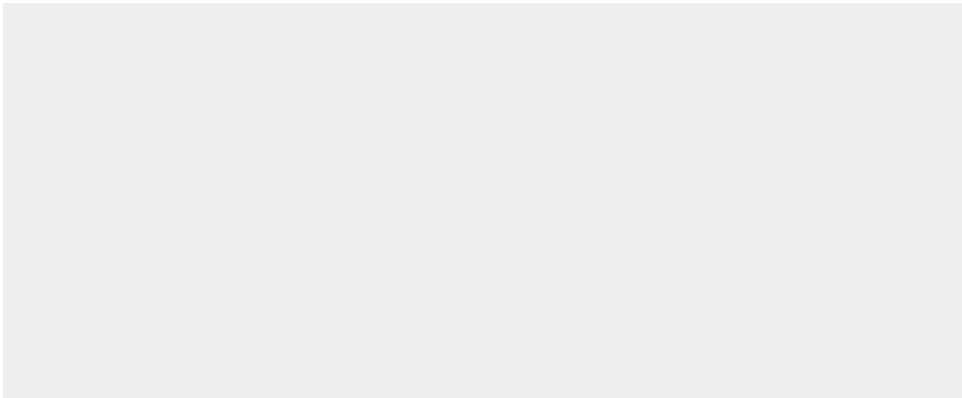
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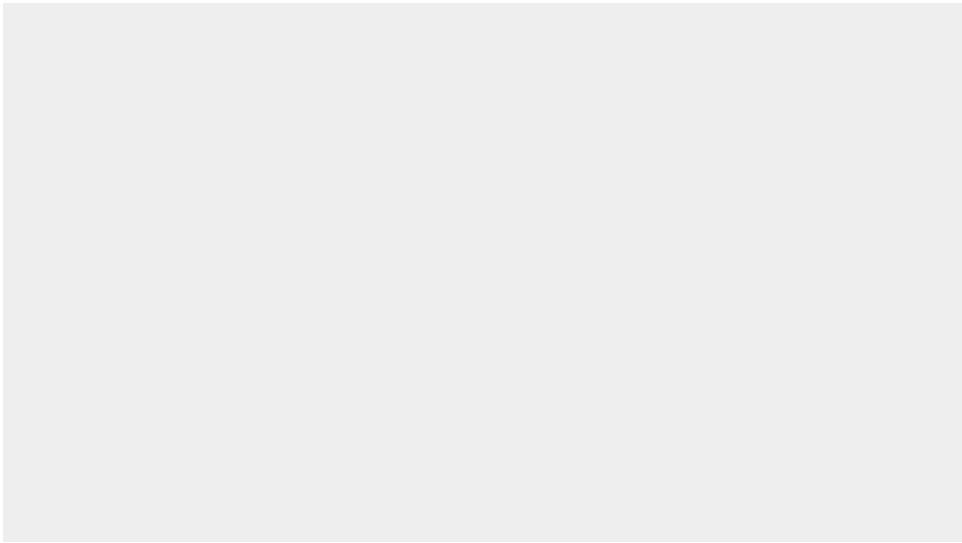




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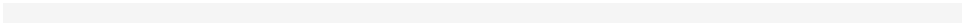
Anthony Albanese has slammed US President Donald Trump’s big call on tariffs as “unjustified” and an act of “self-harm”.



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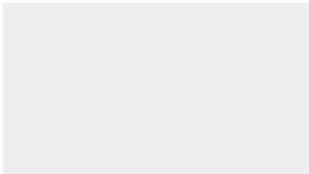
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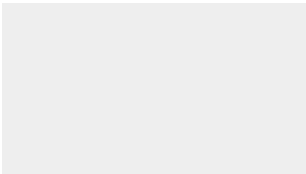
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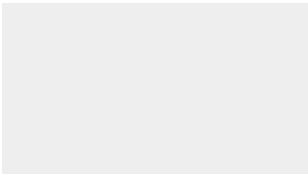
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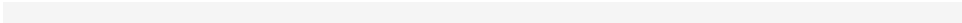
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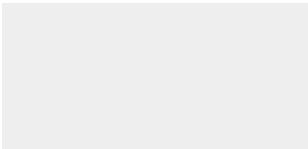
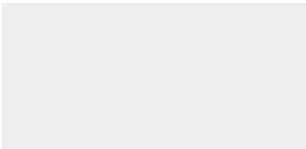
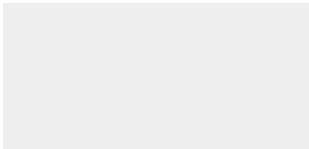


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