

Calm your investing life by owning a bit of everything



People with bond and international stock funds have held their own, despite a shaky US stock market and the uncertainty and turmoil flowing from the White House. ILLUSTRATION: PETER PHOBIA/NYTIMES

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In these early days of the Trump administration, it has paid to hedge your bets.

The US stock market has been troubled. For one day two weeks ago, the S&P 500 was consigned to the dubious territory that Wall Street calls a “correction”, meaning that stocks had fallen more than 10 per cent from their peak. The market has climbed back a bit, but watching US stocks struggle day by day is a recipe for indigestion.

Far better to take a broader and calmer view. Bonds, both domestic and foreign, have generally been holding steady. And a broad range of international stock markets have been doing much better than that.

For classic, diversified portfolios with roughly a 60-40 mix of stocks and bonds from around the world, it is almost as though nothing has happened in 2025. My own global, diversified portfolio is up slightly in 2025, much like the Vanguard Target Retirement 2030 Fund, which has risen 1 per cent in 2025, according to FactSet. Diversified global portfolio returns have been fairly steady, despite the tariffs and trade tensions emanating from Washington and cascading around the world.

In other circumstances, a tiny investment gain in the first three months of the year would be nothing to brag about. After all, my failure to embrace “American exceptionalism” and double down on the US stock market has come at a substantial cost. Globally diversified returns have lagged those of the S&P 500 over the past two decades. The US stock market benchmark has had an annualised total return of 10.5 per cent over the past 20 years, several percentage points higher than standard globally diversified portfolios like mine. I am not thrilled by that disparity.

Then again, the returns of globally diversified stock and bond portfolios have been much steadier than those of the US stock market alone. I consider it a good trade-off. Steadier returns are a balm when the world seems unhinged and the urge to flee the US market is powerful, as, I will confess, it sometimes is for me these days.

Not just one place to trade

While the US market fell, there was strikingly good news elsewhere: The fortunes of BYD, the Chinese car company, have soared. If you do not know about BYD, it is worth paying attention. It makes relatively inexpensive yet advanced hybrid and electric vehicles, as well as traditional internal combustion cars. Given the poor state of relations between the US and China, BYD’s handsome vehicles are not sold in the US. I was a passenger in an electric BYD sedan on an Uber trip in Mexico City, and it was splendid.

According to FactSet, BYD’s biggest investor in September was Berkshire Hathaway, the company led by billionaire investor Warren Buffett. Vanguard, BlackRock and Fidelity have big stakes, too, which means that there is a good chance that you have got a small piece of BYD in your retirement account. That has been a good thing in 2025. BYD announced on March 31 that its sales in 2024 exceeded US\$100 billion

(\$134 billion) – a threshold Tesla has not reached. BYD's Hong Kong shares were up more than 52 per cent by the end of March 2025.

Big as the US stock market is, it is not the only place to trade stocks. Markets in Europe, Asia and Latin America have been outpacing the US market in 2025. The DAX index, which tracks 40 of Germany's most important stocks, was up nearly 15 per cent for the year, led by Rheinmetall, Europe's biggest ammunition maker, with a gain, in 2025 alone, of 113 per cent. Germany is rearming, a consequence of US President Donald Trump's America First foreign policy, and a vast anticipated increase in military spending is spurring European stock markets.

In the US, Mr Trump's tariff policy, along with his stated willingness to bring on a recession if that is needed to achieve what he sees as a greater good, has unsettled businesses, investors and many economists. While few are predicting a domestic recession right now, the odds of one have increased because of the uncertainty radiating from Washington.

“The US economy started 2025 performing well, with strong growth, low and stable unemployment, and moderating inflation and interest rates,” Dr Mark Zandi, chief economist of Moody's Analytics, said in a note to clients. “But now, uncertainty and angst over a mounting global trade war and big shifts in other economic policies are doing meaningful economic damage, and recession risks are rising.”

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Big tech and everything else

For investors, these sudden problems in the US highlight the benefits of diversification. The strategy is far from perfect: It will not provide the best possible returns at any given moment, but it can protect you from some of the consequences of downturns in discrete markets or securities.

Consider the total return, including dividends and interest, of a few important asset classes so far in 2025:

- The overall US stock market, represented by the Dow Jones US Total Stock Market Index (once known as the Wilshire 5000): Down 3.4 per cent.
- World stock markets outside the US, as captured by the MSCI ACWI ex USA Index: Up 6.5 per cent.
- US domestic investment-grade bonds, represented by the Bloomberg US Aggregate Bond Index: Up 2 per cent.
- Global investment-grade bonds, depicted by the Bloomberg Global Aggregate Index: Up 2.1 per cent.
- Money market funds and Treasury bills, for cash holdings, as captured by the Bloomberg US Treasury Bill Index: Up 1 per cent.

What this tells us is that most of the world's key financial markets have been prospering while the total US stock market has stalled. And even within that US market, it has paid to be diversified. While big tech companies have been hit hard, most other stocks have held their own. Consider two exchange-traded funds (ETFs).

The Roundhill Magnificent Seven ETF isolates the performance of seven US tech high-fliers of 2023 and 2024 – Meta, Microsoft, Amazon, Apple, Nvidia, Alphabet and Tesla. It is down 12.3 per cent in 2025. By contrast, the Defiance Large Cap ex-Mag 7 ETF strips out the Magnificent Seven stocks, while providing exposure to the other big companies in the US market. It was up 1.1 per cent.

It may be tempting to duck for cover and hold only cash in interest-bearing accounts until the political storms in the US are over, but that is risky too. Predicting the market's movements is fruitless. You could easily miss out on a big market rally.

Instead, increase your cash holdings enough to let you sleep at night but stay in the markets. Hedge your bets with holdings in many markets, including but not limited to the stock market of the US. NYTIMES

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