The TACO trade is driving the NASDAQ 100 rollercoaster

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Key Takeaways

- Trump's tariff threats and reversals have fuelled NASDAQ 100 volatility.
- Markets may be growing immune to repeated hawkish announcements.
- Surprise policy shifts or weak data could reignite sharp market moves.

It has been a year of acronyms, especially in the world of financial markets. It all started with MAGA – Make America Great Again. Occasionally, some have offered a satirical twist on this with MAGA – Make America Go Away, or MEGA – Make Europe Great Again. Indeed, stronger flows into European assets versus US assets this year have often accompanied that satirical version. There has been, of course, DOGE – the Department of Government Efficiency. And most recently, we've had TACO.

Coined by Financial Times commentator Robert Armstrong, an astute columnist and podcaster of FT's Unhedged, TACO stands for Trump Always Chickens Out. The acronym isn't about Mexico, although Mexico does have some ties to it. It describes President Trump's pattern of making bold policy announcements, like imposing tariffs or threatening the US Federal Reserve, only to retract and soften later. This, of course, has resulted in significant market volatility.

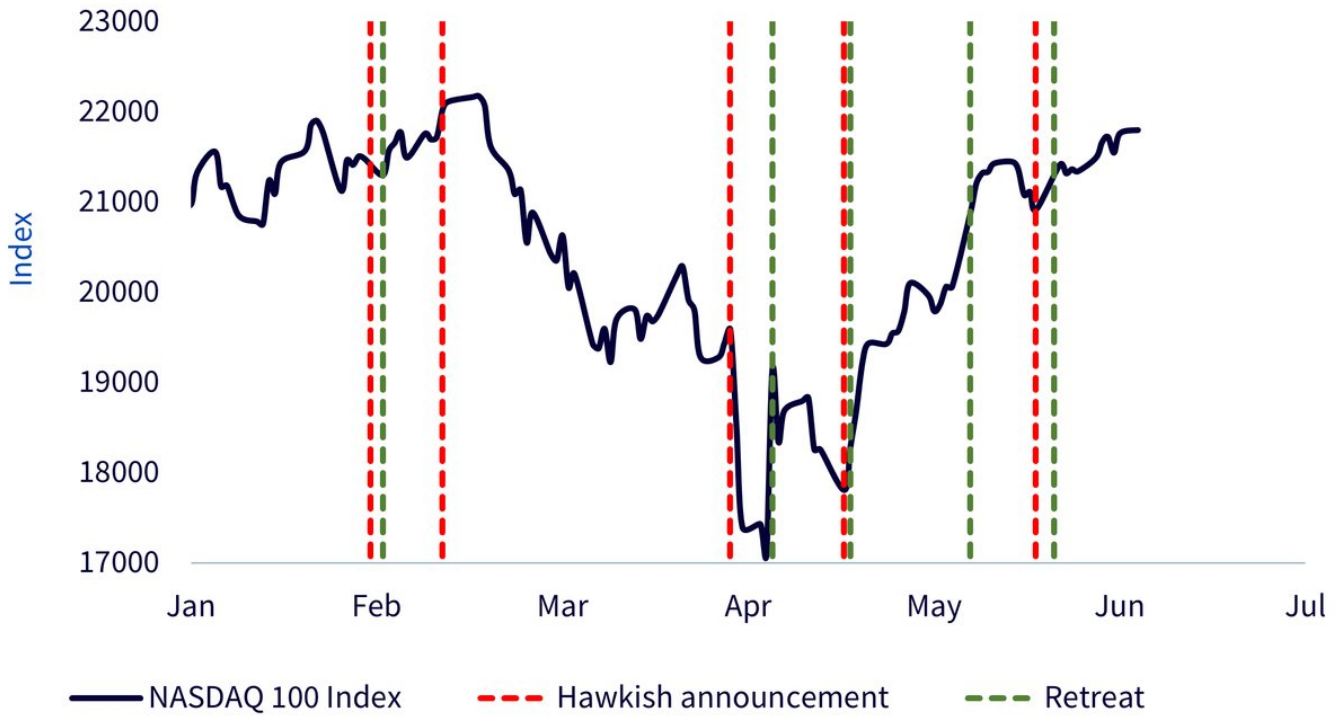
For investors in the NASDAQ 100, TACO has created a rollercoaster ride. For those inclined to trade tactically around these sharp market fluctuations, there have been plenty of opportunities to take views in either direction.

In this blog, we review how the NASDAQ 100 has whipsawed so far this year around the TACO trade and offer a few thoughts on what might lie ahead.

The timeline and NASDAQ 100

The chart below highlights a selection of notable days when President Trump made hawkish announcements (in red) and when he later retreated from those positions. The typical reaction from the NASDAQ 100 has been negative in response to the hawkish announcements and positive following the subsequent retreats.

Figure 1: The NASDAQ 100 Index shows the TACO trade is real



Source: WisdomTree, PBS News, ABC News, Bloomberg, as of 10 June 2025. **Historical performance is not an indication of future performance, and any investments may go down in value.**

01 February: Trump signs an executive order imposing tariffs on imports from Mexico, Canada, and China. NASDAQ 100 went down.

03 February: Trump announces a 30-day pause on his threat of tariffs against Mexico and Canada. The reaction from the NASDAQ 100 is positive.

13 February: Trump announces plans for reciprocal tariffs. This is followed by a series of hawkish tariff threats against numerous countries. The NASDAQ slips.

02 April: Liberation Day – reciprocal tariffs are announced. The NASDAQ 100 sees a sharp sell-off.

09 April: A 90-day pause in reciprocal tariffs is announced. NASDAQ experiences a sharp rally.

21 April: Trump threatens to fire Federal Reserve Chair Jerome Powell.

22 April: Trump withdraws his threat to fire Jerome Powell.

12 May: US and China agree to a 90-day suspension of high retaliatory tariffs.

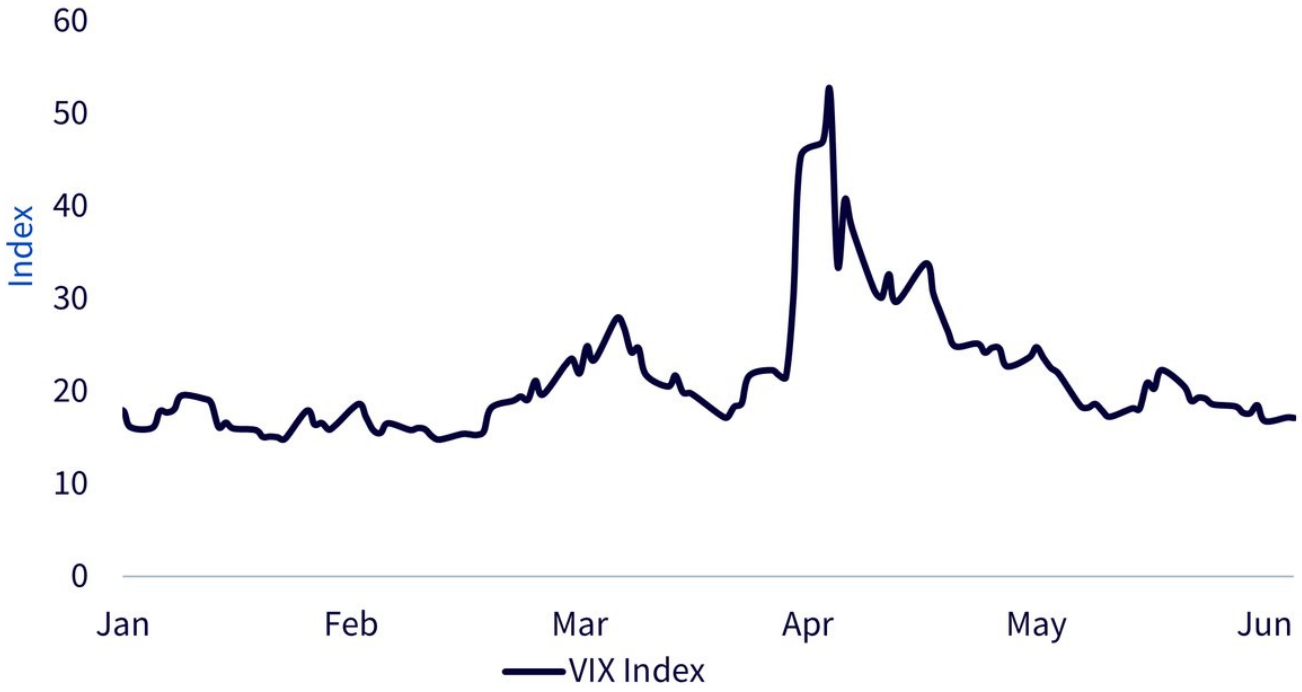
23 May: Trump threatens the European Union (EU) with 50% tariffs and Apple with 25% tariff on products unless they are manufactured in the US.

26 May: EU tariffs are delayed until July.

What happens next?

Arguably, no one can predict what comes next regarding tariff announcements. But the real question is whether the TACO trade is still alive. Are there still any meaty opportunities left for investors to bite into?

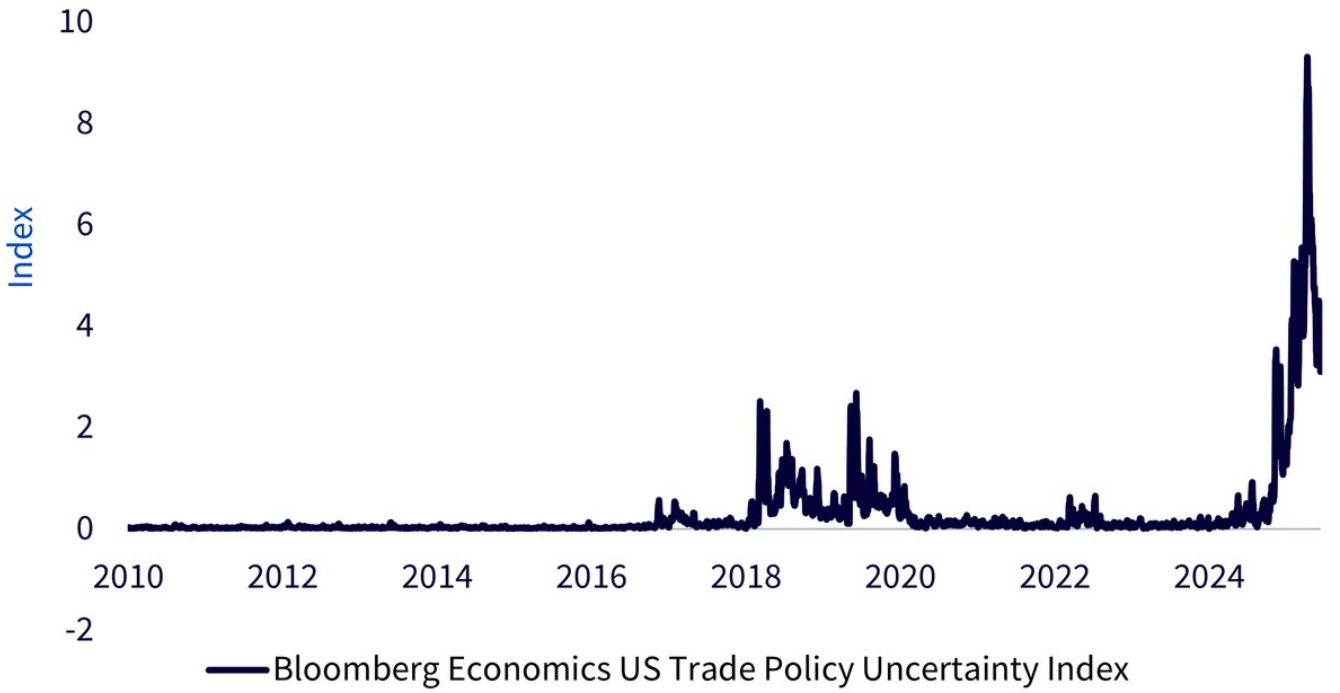
Figure 2: The VIX Index spiked on Liberation Day and retreated a few days later



Source: WisdomTree, Bloomberg, as of 10 June 2025. **Historical performance is not an indication of future performance, and any investments may go down in value.**

One hypothesis is that the TACO trade may be over because markets have become immune to new hawkish announcements from President Trump, knowing they will eventually be reversed or at least dialled down. If markets anticipate this pattern, new tariff threats no longer deliver a shock effect. Proponents of this view might point to how the CBOE Volatility Index (VIX) spiked on Liberation Day, retreated when a 90-day pause in reciprocal tariffs was announced, and has since returned to peacetime levels. In this scenario, the tariff saga may no longer induce further volatility in the NASDAQ 100.

Figure 3: US Trade Policy Uncertainty spiked this year like never before



Source: WisdomTree, Bloomberg, as of 10 June 2025. **Historical performance is not an indication of future performance, and any investments may go down in value.**

The competing hypothesis is that policy uncertainty is higher than ever. What if President Trump announces a hawkish measure and does not retreat? What if he delivers a surprise that truly catches markets off guard? Or what if economic data deteriorates in a way that markets simply cannot ignore? In such a scenario, the NASDAQ 100 could once again become highly sensitive to policy announcements and exhibit renewed volatility.

Conclusion

The ever-popular NASDAQ 100, often seen as a proxy for the US technology sector, has been heavily influenced by President Trump's policy measures. Whether or not investors endorse the TACO trade, policy uncertainty is likely to remain elevated. And if the focus eventually shifts away from tariffs, perhaps corporate fundamentals like earnings and economic data points such as inflation, labour market strength, and GDP will return to the fore.

Maybe then, more traditional acronyms like FOMO (Fear of Missing Out), TINA (There Is No Alternative), and RINO (Recession in Name Only) will once again become topical. In any case, something will continue to keep investors engaged, and it will keep pushing the NASDAQ 100, one way or another.

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