

# The TACO trade is driving the NASDAQ 100 rollercoaster

Published 23 June 2025

**Mobeen Tahir**

Director, Research

## 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.

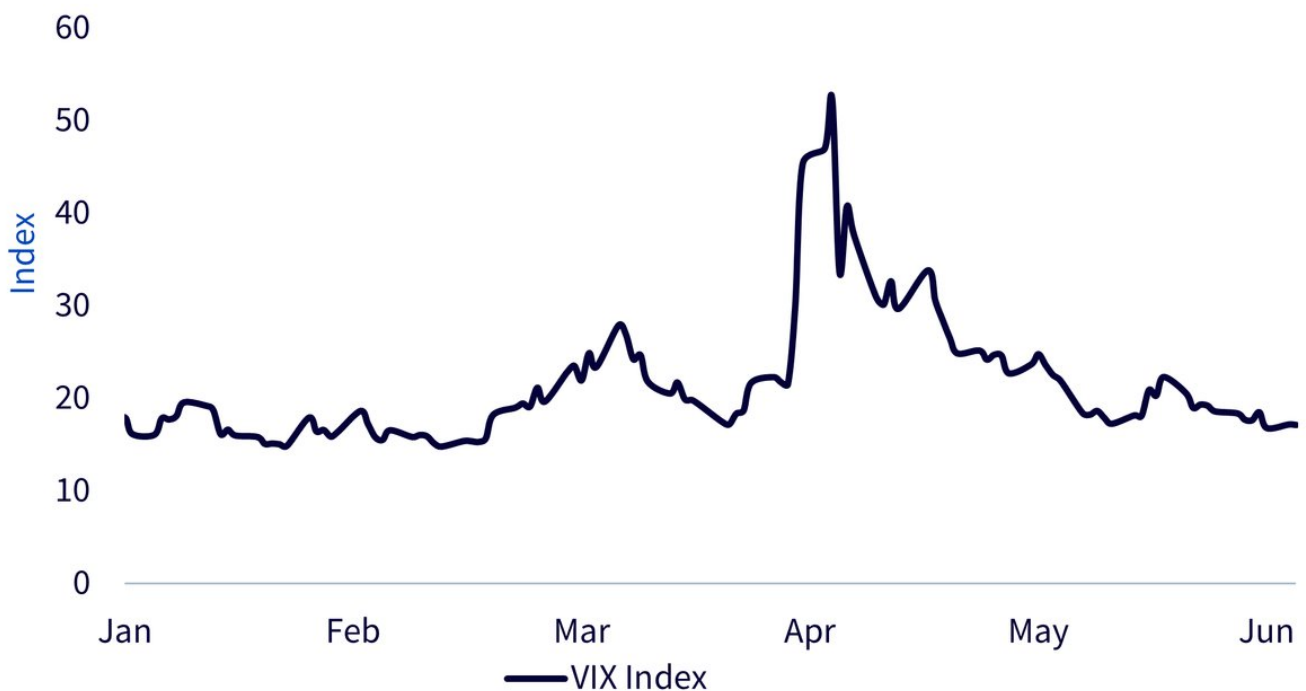
**23 May:** Trump threatens the European Union (EU) with 50% tariffs and Apple with 25% tariff on products unless they are manufactured in the US.

**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?

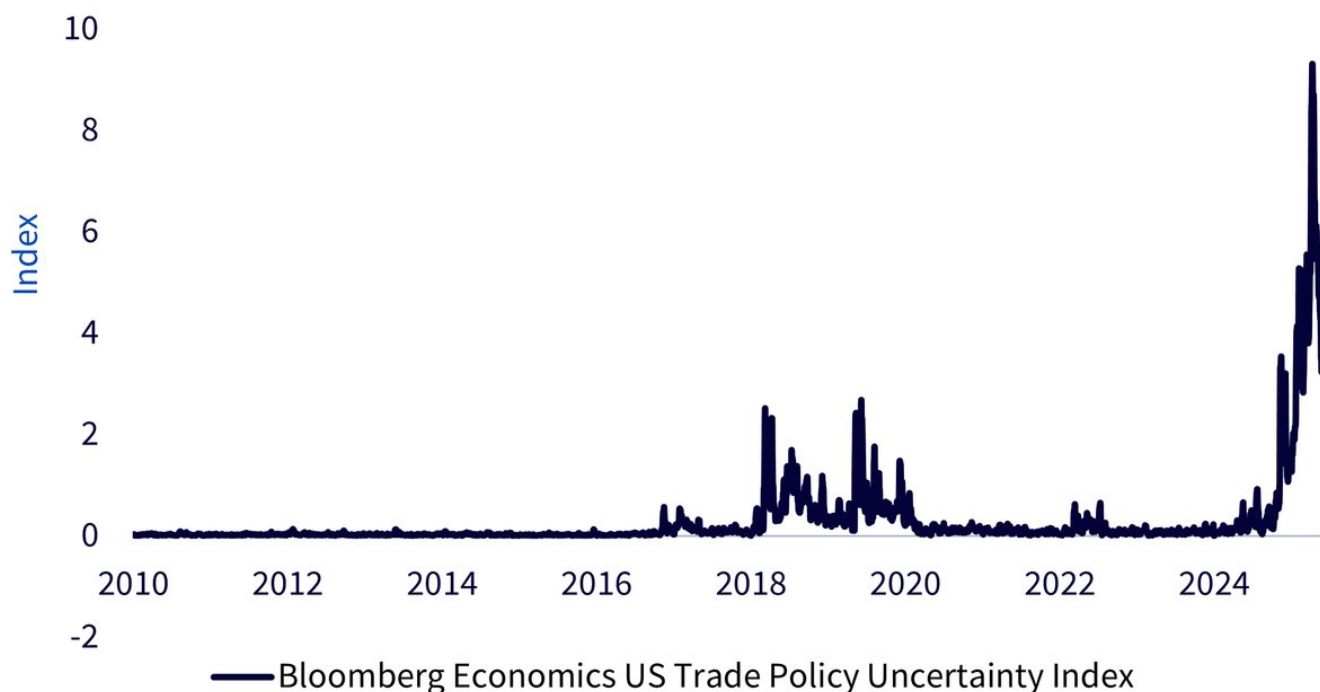
### Figure 2: The VIX Index spiked on Liberation Day and retreated a few days later



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.

## Important Risks Related to this Article

### IMPORTANT INFORMATION

**Marketing communications issued in the European Economic Area (“EEA”):** This document has been issued and approved by WisdomTree Ireland Limited, which is authorised and regulated by the Central Bank of Ireland.

**Marketing communications issued in jurisdictions outside of the EEA:** This document has been issued and approved by WisdomTree UK Limited, which is authorised and regulated by the United Kingdom Financial Conduct Authority.

WisdomTree Ireland Limited and WisdomTree UK Limited are each referred to as “WisdomTree” (as applicable). Our Conflicts of Interest Policy and Inventory are available on request.

This marketing communication has been prepared for professional investors, but the WisdomTree products set out in this document may be available in some jurisdictions to any investors, subject to applicable laws and regulations. As the product may not be authorised or its offering may be restricted in your jurisdiction, it is the responsibility of every person or entity to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdiction. Prior to any application investors are advised to take all necessary legal, regulatory, tax and investment advice on the suitability and consequences of an investment in the products. Past performance is not a reliable indicator of future performance. Any historical performance included in this document may be based on back testing. Back testing is the process of evaluating an investment strategy by applying it to historical data to simulate what the performance of such strategy would have been. Back tested performance is purely hypothetical and is provided in this document solely for informational purposes. Back tested data does not represent actual performance and should not be interpreted as an indication of actual or future performance. The value of any investment may be affected by exchange rate movements. Any decision to invest should be based on the information contained in the appropriate prospectus and after seeking independent investment, tax and legal advice. These products may not be available in your market or suitable for you. The content of this document does not constitute investment advice nor an offer for sale nor a solicitation of an offer to buy any product or make any investment.

An investment in exchange-traded products (“ETPs”) is dependent on the performance of the underlying index, less costs, but it is not expected to match that performance precisely. ETPs involve numerous risks including among others, general market risks relating to the relevant underlying index, credit risks on the provider of index swaps utilised in the ETP, exchange rate risks, interest rate risks, inflationary risks, liquidity risks and legal and regulatory risks.

The information contained in this document is not, and under no circumstances is to be construed as, an advertisement or any other step in furtherance of a public offering of shares in the United States or any province or territory thereof, where none of the issuers or their products are authorised or registered for distribution and where no prospectus of any of the issuers has been filed with any securities commission or regulatory authority. No document or information in this document should be taken, transmitted or

distributed (directly or indirectly) into the United States. None of the issuers, nor any securities issued by them, have been or will be registered under the United States Securities Act of 1933 or the Investment Company Act of 1940 or qualified under any applicable state securities statutes.

This document may contain independent market commentary prepared by WisdomTree based on publicly available information. Although WisdomTree endeavours to ensure the accuracy of the content in this document, WisdomTree does not warrant or guarantee its accuracy or correctness. Any third party data providers used to source the information in this document make no warranties or representation of any kind relating to such data. Where WisdomTree has expressed its own opinions related to product or market activity, these views may change. Neither WisdomTree, nor any affiliate, nor any of their respective officers, directors, partners, or employees accepts any liability whatsoever for any direct or consequential loss arising from any use of this document or its contents.

This document may contain forward looking statements including statements regarding our belief or current expectations with regards to the performance of certain assets classes and/or sectors. Forward looking statements are subject to certain risks, uncertainties and assumptions. There can be no assurance that such statements will be accurate and actual results could differ materially from those anticipated in such statements. WisdomTree strongly recommends that you do not place undue reliance on these forward-looking statements.

WisdomTree Multi Asset Issuer PLC (the "Issuer") issues products under a Prospectus ("WTMA Prospectus") approved by the Central Bank of Ireland, drawn up in accordance with the Directive 2003/71/EC. The WTMA Prospectus has been passported to various European jurisdictions including the UK, Italy and Germany and is available on this document.

### **WisdomTree Multi Asset Issuer**

WisdomTree Multi Asset Issuer PLC Exchange Traded Products ("ETPs") are suitable for financially sophisticated investors who wish to take a view on the underlying indices and can understand the risks of investing in products offering leveraged or short exposures.

ETPs offering daily leveraged or daily short exposures ("Leveraged ETPs") are products which feature specific risks that prospective investors should understand before investing in them. Higher volatility of the underlying indices and holding periods longer than a day may have an adverse impact on the performance of Leveraged ETPs. As such, Leveraged ETPs are intended for financially sophisticated investors who wish to take a short-term view on the underlying indices and understand such risks. As a consequence, WisdomTree is not promoting or marketing WisdomTree Multi Asset Issuer PLC ETPs to retail clients. Investors should refer to the section entitled "Risk Factors" and "Economic Overview of the ETP Securities" in the WTMA Prospectus for further details of these and other risks associated with an investment in Leveraged ETPs and consult their financial advisors as needed. Neither WisdomTree, nor the Issuer has assessed the suitability of any Leveraged ETPs for investors other than the relevant Authorised Participants.

While many leveraged WisdomTree Multi Asset Issuer PLC ETPs reset the leverage or short exposure on a daily basis, certain WisdomTree Multi Asset Issuer PLC ETPs utilise leverage in longer term strategies, where leveraged exposures may be reset monthly. These products are also only suitable for financially sophisticated investors who have understood the specific risks within the prospectus of the relevant product.

Short and leveraged exchange-traded products are only intended for investors who understand the risks involved in investing in a product with short and/or leveraged exposure and who intend to invest on a short term basis. Any investment in short and/or leveraged products should be monitored on a daily basis to ensure consistency with your investment strategy. You should understand that investments in short and/or leveraged exchange-traded products held for a period of longer than one day may not provide returns equivalent to the return from the relevant unleveraged investment multiplied by the relevant leverage factor. Potential losses in short and/or leveraged exchange-traded products may be magnified in comparison to investments that do not incorporate these strategies. Please refer to the section entitled “Risk Factors” in the relevant prospectus for further details of these and other risks associated with an investment in short and/or leveraged exchange-traded products. You should consult an independent investment adviser prior to making an investment in short and/or leveraged exchange-traded products in order to determine its suitability to your circumstances.

### **Third Parties**

None of the index providers of the products referred to herein nor their licensors make any warranty or representation whatsoever either as to the results obtained from use of the relevant indices and/or the figures at which such indices stand at any particular day or otherwise. None of the index providers shall be liable to any person for any errors or significant delays in the relevant indices nor shall be under any obligation to advise any person of any error or significant delay therein.

### **For Investors in Switzerland – Qualified Investors**

This document constitutes an advertisement of the financial product(s) mentioned herein.

In Switzerland, this communication is only targeted at Qualified Investors.

The prospectus and the key investor information documents (KID) are available from WisdomTree’s website: <https://www.wisdomtree.eu/en-ch/resource-library/prospectus-and-regulatory-reports>

**For Investors in Monaco:** This communication is only intended for duly registered banks and/or licensed portfolio management companies in Monaco. This communication must not be sent to the public in Monaco.