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India ETF Falls After US Tariff Hike

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An exchange-traded fund (ETF) tracking Indian equities is struggling to break its recent losing streak following the announcement of steep new tariffs by U.S. President Donald Trump. The iShares MSCI India ETF (INDA) has fallen 0.6% so far this week, marking its sixth consecutive week of losses, according to FactSet data. The decline follows Trump's imposition of a 25% tariff on goods imported from India, along with a warning of even higher levies to come.

The tariff announcement, made via social media on August 1, has unsettled investors and market watchers. In his post, Trump also imposed penalties on India for purchasing energy and military equipment from Russia. On August 5, he intensified his stance, stating that the tariff rate would be “substantially” increased, accusing India of buying large volumes of Russian oil and reselling it for profit on global markets. He linked this activity to alleged indifference toward the ongoing conflict in Ukraine.

Yardeni Research described the policy reversal as a dramatic shift from Trump’s earlier approach to India. “Trump’s pivot on India from friend to foe, punctuated by a higher U.S. tariff rate than expected, hit India watchers by surprise,” the firm noted. “His dismissal of the country’s importance to the West hurts Prime Minister Narendra Modi politically and India economically.” The 25% levy is significantly higher than the 15% tariff the U.S. has placed on Japan and South Korea, both considered close U.S. allies in Asia.

Data shows that August saw the ETF’s first daily outflow since April, when markets were first shaken by Trump’s introduction of so-called reciprocal tariffs targeting multiple trading partners. Despite the broader U.S. stock market rebounding on the back of subsequent trade deals, India-focused assets have remained under pressure. Over the past month, the INDA fund has dropped 6.1% and is now down 0.4% year-to-date.

Trump’s recent comments suggest little willingness to reverse course. In another post last week, he remarked that the U.S. does “very little business with India” and expressed indifference toward India’s economic ties with Russia, stating, “They can take their dead economies down together, for all I care.” According to Yardeni Research, the U.S. currently relies on India for just 2.3% of its total exports.

Despite this rhetoric, analysts note that the U.S. remains a significant source of foreign investment for India, accounting for roughly one-third of all inbound capital. While Trump labeled India’s economy as “dead,” the country retains its position as the world’s fifth-largest economy and remains a growing market for global investors.

For Prime Minister Modi, the abrupt change in U.S. trade policy presents a challenge both politically and economically. Higher tariffs could impact export competitiveness, potentially weighing on India’s manufacturing and trade sectors. For investors, the key question will be whether India can offset the U.S. market headwinds through diversification of trade partners and domestic growth drivers.

Market attention will remain fixed on both Washington's next policy moves and New Delhi's response as the tariff dispute unfolds in the coming weeks.