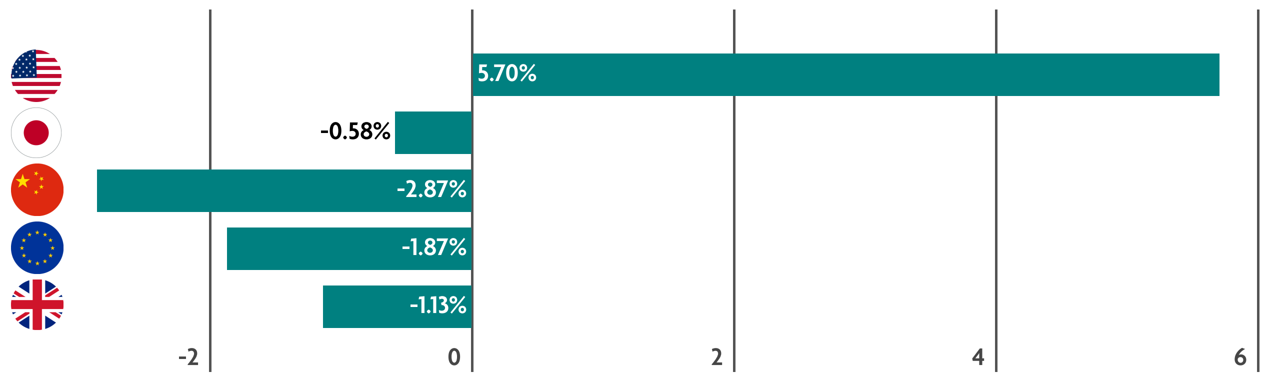
Weekly Market Update

14th April 2025

Trump pause on tariffs results in volatile market returns.

Market Monitor (%): How did major stock markets perform last week*?



Key stories from last week

US: TRADE POLICY UNCERTAINTY LEADS TO VOLATILE US MARKET PERFORMANCE

The US stock market closed higher over the week as trade headlines continued to dominate investor sentiment. On Wednesday, President Donald Trump announced a significant change in stance, implementing a 90-day pause on the previously announced higher reciprocal tariffs for most countries. This was made effective immediately to allow time for negotiations. The news sent the US market rallying with the S&P 500 posting its biggest daily gain since 2008 and the third biggest in post-WW2 history. Importantly, however, the Trump administration excluded China from the 90-day pause. US tariffs on China were increased to an incredible 145%, while China responded with several increases to levies on US imports, up to 125%. Subsequently, over the weekend the White House offered a concession to the 145% tariff by exempting Chinese smartphones, computers and some other electronic devices. The move largely came after US technology companies declared their concerns that the prices of tech gadgets could rise exponentially, as many of them are made in China.

The escalating trade war between the world's two largest economies and concerns about the broader impact it could have on global economic growth has led to an uncertain and highly volatile period for markets.

Meanwhile, the Federal Reserve, the US central bank, released minutes from its March policy meeting. The key takeaways being that policymakers "judged that inflation was likely to be boosted this year by the effects of higher tariffs," and that a "cautious approach" to interest rate policy must be favoured amid "uncertainty about the net effect of an array of government policies on the economic outlook." The Federal Reserve acknowledged that they "may face difficult trade-offs if inflation proved to be more persistent while the outlook for growth and employment weakened."

JAPAN: TARIFFS WEIGH ON JAPANESE STOCKS AS YEN STRENGTHENS AGAIN

Japan's main stock market marginally fell over the week as the sell-off triggered by the US administration's aggressive tariffs and fears about a global trade war intensified. There was some respite offered during the week, however, as the US showed willingness to begin trade talks with Japan and also announced that new tariffs on Japan would be lowered to 10% for 90 days. Notably, the 25% tariff imposed on Japanese car imports into the US was not included in the reciprocal tariff pause. In a similar vein to last week, the Japanese yen strengthened relative to the US Dollar as investors sought out assets such as the yen that are perceived as 'safe haven' assets.

CHINA: TRADE WAR WITH US SENDS STOCKS LOWER

Chinese stocks fell over the week as trade tensions between China and the US reached boiling point. On Friday, China raised tariffs on US goods to 125% from 84% starting on 12th April, a day after the Trump administration clarified that the total tariffs on China reached 145%. Beijing called the US's latest increase a "joke" and appeared to rule out any more increases on its part. Market declines were tempered by hopes that the ongoing trade war with the US would spark Beijing to roll out fresh stimulus packages that would boost the economy. Many market experts believe that Beijing has the capacity to offset the magnitude of tariffs by introducing government policy designed to boost economic activity. Moreover, China's leaders have signalled their intention to drive domestic consumption, which is a trend that is expected to continue.

EUROPE: ECB RAISE VIGILANCE DURING MARKET VOLATILITY

European stocks ended the week lower as markets were again highly sensitive to incoming trade news from the US. As was the case for other major trading partners, the US's imposition of reciprocal tariffs on the European Union was delayed for 90 days meaning that the 20% tariff on the EU was reduced to 10% until July. The market turmoil sparked by Trump's tariff announcements prompted central banks in the eurozone to step up their monitoring of financial institutions and markets. The European Central Bank, the ECB, called on banks to check on deposits and other forms of funding more frequently. The ECB is widely expected to lower interest rates this week on Thursday, but investors will perhaps be more interested in spotting any signs of what an escalating trade war could cause for interest rate policy for the remainder of the year.

UK: ECONOMIC GROWTH SURPRISES ON THE UPSIDE

UK stocks ended the week lower as a combination of trade headlines and an economic growth surprise dominated UK market sentiment. The US announcement of a 90-day pause in the reciprocal tariffs had no direct impact on the UK's already relatively low 10% tariff applied. This now means the UK's initial competitive advantage seems diminished as the UK is now in a similar position as almost every country in the world at the 10% US tariff bar. Meanwhile, on the economic data front the UK economy expanded 0.5% in February, as stronger services output helped growth beat the median forecast of 0.1% growth. On a year-over-year basis, the UK economy expanded 1.4%, a growth rate that exceeded the consensus estimate. Still, financial markets expect the Bank of England to accelerate its interest rate-cutting cycle this year.

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***Source: Bloomberg. All performance measured in local currency.**

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