

Market Turbulence Report Trump's Tariffs

April 2025



To our esteemed clients,

Given the ongoing market volatility as of **Monday April 7th**, we wanted to share an update on recent developments and our outlook going forward. In summary, while we expect heightened volatility to continue in the coming week, and risk-assets such as equities may face further downside short-term, we maintain our positive stance for the year overall.

As such, we see any further weakness as a potential entry point to add to oversold risk assets. We do not at this juncture expect a financial recession and maintain our positive outlook, at least until our expectations for earnings and the economic outlook changes.

What has happened - and what is the logic behind the Trump administration Tariffs?

Trump's reciprocal tariffs were announced on, April 2nd, 2025, were stricter than investors expected and triggered a broad selloff in risk assets – equities, gold, and commodities etc - across the board. US futures traded off at c2% within minutes, and by Friday, April 4th, 2025, the S&P 500 had fallen c.17% peak to trough and the Nasdaq lost ~22%. The selloff was rapid, severe and across all markets and is continuing as we speak with the S&P 500 futures down about c.5%, Euro Stoxx 50 is off by c.6. Asian markets are seeing the steepest losses, with Japan's Nikkei 225 and Hong Kong's Hang Seng down approximately c.8.3% and c.13.2%, respectively, at the time of writing.

In response, several countries have announced retaliatory measures. China imposed a 34% tariff on all U.S. imports, set to take effect on April 10, mirroring President Trump's tariffs on Chinese goods. The European Union is preparing countermeasures, including potential tariffs of up to 50% on American products like motorcycles, bourbon, and whiskey, with enforcement expected by mid-April. Canada plans additional countermeasures, expanding previous 25% tariffs to include steel, aluminum, computers, and sports equipment.

While these tariffs introduce plenty of uncertainty in the markets and global 'leaders' are aghast at Trump's brazen actions, we believe they are to the benefit of the US longer term.

To be clear, these tariffs are reciprocal. US exporters have suffered from protectionary tariffs in many of their key trading zones. For example, US-made vehicles face a 10% EU tariff, while EU vehicles entering the US have historically had close to zero in tariffs. Trump's tariffs aim to level the playing field and offer the platform from which he can now negotiate, to reduce tariffs on both sides, ideally to zero. Vietnam has already shown willingness to pursue such an agreement.

If there is no agreement on cutting these tariffs unilaterally, these tariffs still:

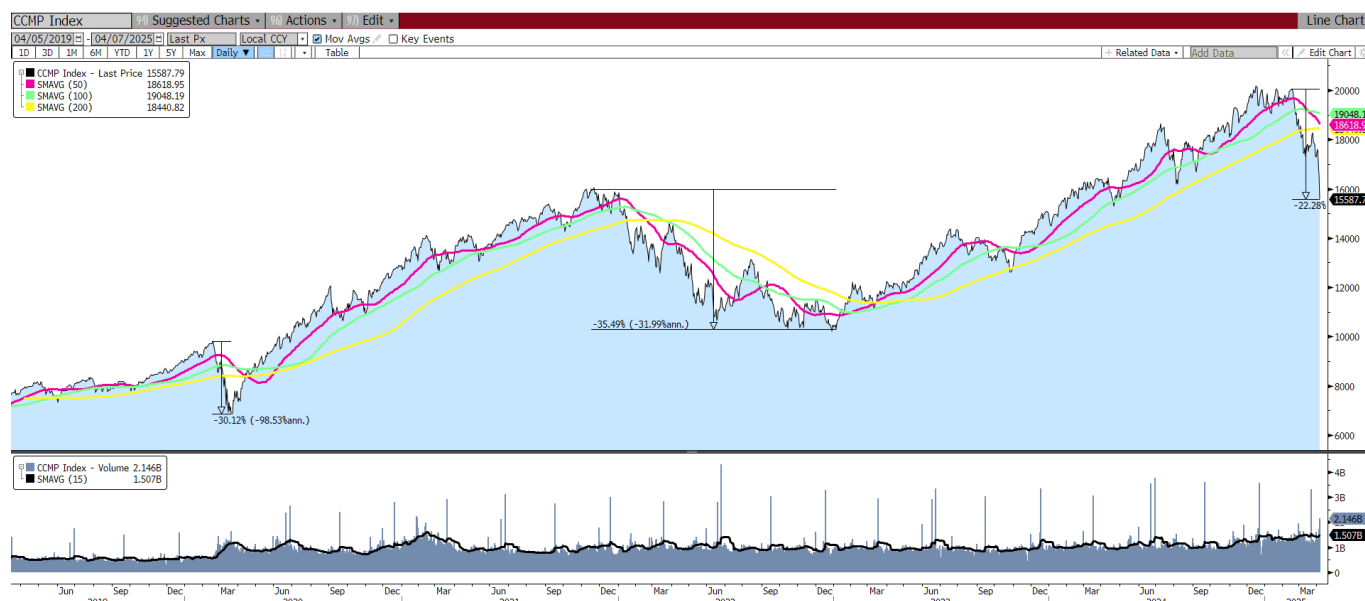
- a) Raise significant revenues for the US government – Estimated at USD 500-600bn. -With US Debt at ~USD 36tn, annual spending around USD 6tn, and deficits running at USD 2-3tn, this added income could meaningfully shrink the fiscal gap.
- b) Assist longer-term to facilitate more FDI and investment in the USA - This will result in more jobs and a healthier manufacturing base in the US. The US's manufacturing base has been eroded by decades of Chinese competition, A level playing field can bring jobs, investment, and additional tax revenues back onshore.

Furthermore, with expected DOGE savings of around USD 1tn, the government will be close to a balanced budget. This would support a stronger dollar and enable tax breaks. Social media rumors suggest income tax on those earning less than USD 150k could fall to zero, but if they do not go that far at least some reduction will be in the offing. Similarly, corporate tax cuts may follow too.

So, all in, while these tariffs raise uncertainty and the rebuke from the 'intelligentsia' or the global elite, they are part of Trump's broader strategy to restore the US as a manufacturing and economic powerhouse, reducing dependence on imports and the service sector.

Impact on the financial markets?

The fallout has been significant. The S&P 500 dropped ~17% peak-to-trough, the Nasdaq ~22%, and European and Asian equities followed suit.



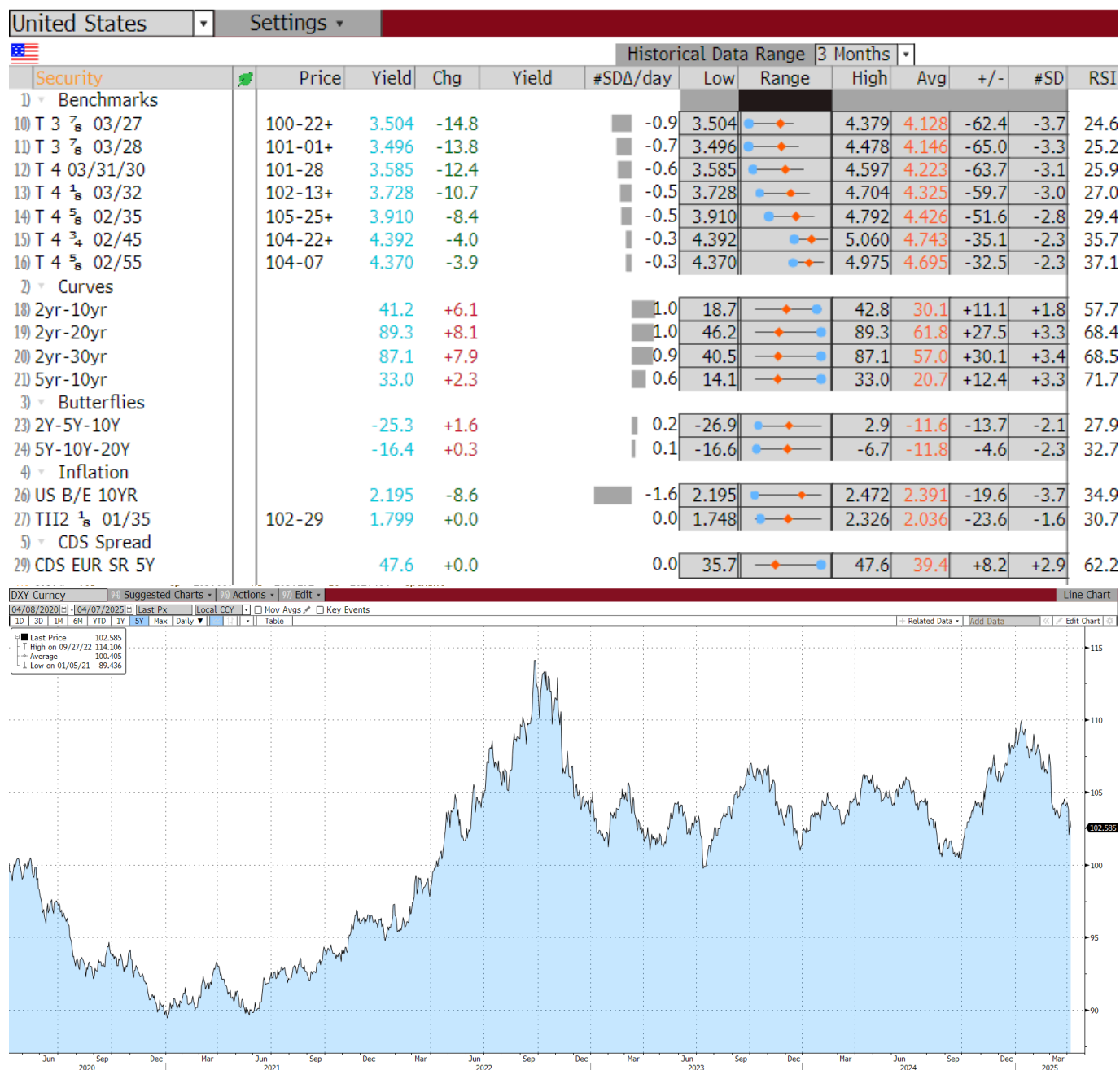
Source: Bloomberg

Commodities also declined- oil is down ~12% YTD.

Save Defaults Restore Defaults										Global Commodity Prices	
Monthly Spreads Mov Avg Performance AVAT vs 10d %Chg YTD USD											
Commodity	Price	Norm Chg	%Chg	Δ AVAT	Time	%YTD	%YTDcur				
Energy											
1 NYM WTI Crude	60.66	-1.33	-2.15%	+345.32%	08:23	-15.42%	-15.42%				
1 ICE Brent Crude	64.21	-1.37	-2.09%	+222.96%	08:23	-13.97%	-13.97%				
3 ICE ARA Gasoil	603.75	-12.00	-1.95%	+27.59%	08:09	-13.16%	-13.16%				
3 NYM NYH Gasoline	202.45	-3.00	-1.46%	+76.04%	08:23	+1.15%	+1.15%				
6 NYM NYH Heating Oil	205.16	-3.03	-1.46%	+98.06%	08:23	-11.59%	-11.59%				
7 NYM HH Nat Gas	3.76	-0.08	-2.06%	+241.72%	08:23	+3.44%	+3.44%				
9 ICE TTF Nat Gas	36.40	-2.80	-7.15%	+83.39%	04/04/25	-25.54%	-20.93%				
Metals											
11 LME Aluminum	2,378.50	--	--	--	04/04/25	-6.78%	-6.78%				
11 LME Copper	8,780.00	--	--	--	04/04/25	+0.14%	+0.14%				
12 LME Nickel	14,758.00	--	--	--	04/04/25	-3.72%	-3.72%				
12 DCE Iron Ore	768.50	-20.50	-2.60%	-99.14%	06:30	+0.39%	+0.32%				
16 SHF Steel Rebar	3,094.00	-71.00	-2.24%	-94.85%	06:30	-7.67%	-7.73%				
18 Spot Gold	3,042.99	+4.75	+0.16%	--	08:33	+15.95%	+15.95%				
18 Spot Silver	30.26	+0.68	+2.29%	--	08:33	+4.71%	+4.71%				
Agriculture											
18 CME Live Cattle	198.20	-6.50	-3.18%	+53.69%	04/04/25	+4.53%	+4.53%				
19 ICE Coffee	365.70	-19.55	-5.07%	+63.53%	04/04/25	+14.37%	+14.37%				
20 CBT Corn	461.00	+0.75	+0.16%	+28.00%	08:22	+0.55%	+0.55%				
20 ICE Cotton	63.02	-0.34	-0.54%	+44.87%	08:22	-7.87%	-7.87%				
20 CBT Soybeans	982.25	+5.25	+0.54%	+308.12%	08:23	-1.60%	-1.60%				
20 ICE Sugar	18.84	-0.27	-1.41%	+68.61%	04/04/25	-2.18%	-2.18%				
24 CBT SRW Wheat	534.75	+5.75	+1.09%	+57.91%	08:22	-3.04%	-3.04%				

Source: Bloomberg

Investors rotated into safe-haven assets, Bond yields fell, and the USD weakened.



Source: Bloomberg

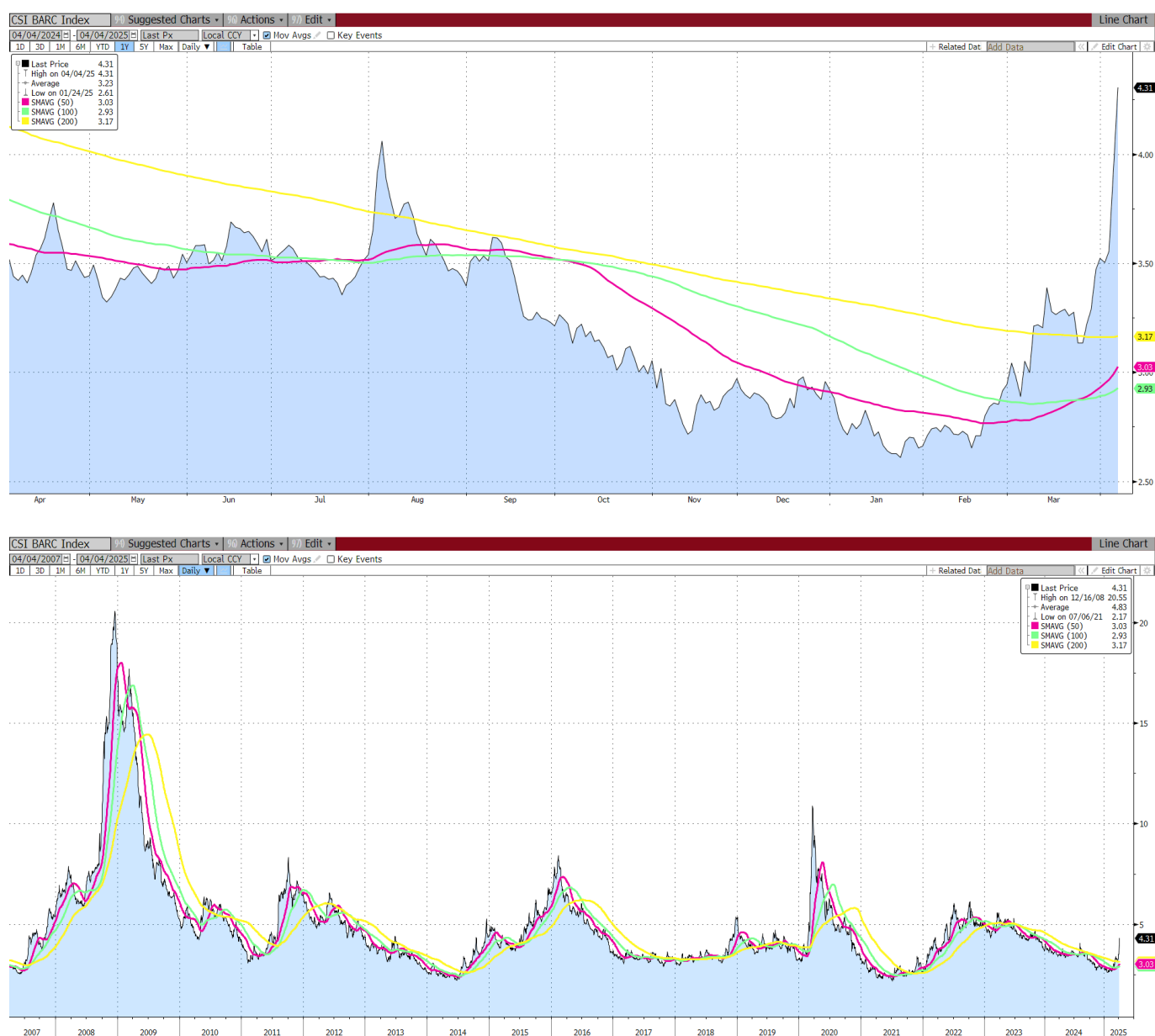
So, the tariffs are having the desired effect. Trump has indicated very clearly that he wants to boost demand for bonds, lower interest rates and weaken the US Dollar. His policies have already begun to deliver on these fronts.

It is worth noting that the U.S. faces approximately USD 9 trillion in debt maturities this year. Naturally, the government would prefer to refinance this at lower interest rates. A decline in yields supports this objective—something Trump is encouraging before initiating any moves to boost market sentiment and trigger a reversal.

Summary

It is a general risk-off environment. Though turbulence may continue, this resembles a flash crash more than a prolonged downturn. One positive comment from Trump and other policy makers could quickly shift sentiment. So, we need to wait for it out and muddle through - in time the market will find a floor and stabilize.

Now, we do not foresee a recession. If anything, the US, and EU economies are gradually emerging from a soft patch with several indicators showing modest improvement. Also, credit spreads remain low – though the recent increase is cause for concern and we are watching closely.



Source: Bloomberg

Looking ahead

We expect a turbulent week, with investors potentially further offloading risk-assets and reallocating capital into bonds, precious metals such as gold, and commodities as negotiations continue. While Vietnam has come to the table and agreed to a tariff deal, China raised its tariffs on US imports.

Despite short-term volatility, we believe markets will recover strongly in the coming months. We are evaluating this period as a buying opportunity and will look to increase exposure once conditions settle.



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