

## Weekly Market Report For 31 March – 4 April 2025


### Overview



- Global stocks sank as US announced reciprocal tariffs targeting countries with trade surpluses with the US.
- China and EU vowed countermeasures, while Japan, Thailand, and Vietnam are keen to negotiate.
- Fed may feel additional pressure as recession risks increase amid higher inflation risks.
- US shares saw the biggest correction since the Covid crash, the 10-year US Treasury yield fell, and VIX index surged to 47 mark, all reflected market fears.
- China has launched a series of policies aimed at boosting domestic consumption.
- Markets are expected to remain highly volatile as the trade war shows signs of prolonging.


### Market Brief



 **Stock markets around the world sold off last week after President Trump on April 2 announced a new tariff.**


-  **Latest on US tariff**
- Trump unveiled 10% tariff on all imports to US, effective on April 5.
  - Trump also announced reciprocal tariff, which set to take effect on April 9. The tariff is primarily targeted at countries that taken trade surplus with the US.
  - Additional reciprocal tariffs, for instance, will include 34% tariffs on Chinese imports (on top of 20% tariffs already put in place in March), a 20% tariff on European Union imports, a 24% tariff on imports from Japan, 46% on imports from Vietnam, 26% on imports from India, and 36% on Thailand.
  - JP Morgan raised estimate effective tariff rate from 10-15% to 23%.
  - Treasury Secretary Scott Bessent said if a country does not retaliate, this is the high-water mark.

-  **Global Response to US Tariffs: Countries Make Strategic Decisions**
- Japan, Vietnam, and Thailand are keen to negotiate instead of retaliating
    - Prime Minister Shigeru Ishiba spoke with Donald Trump by phone to discuss tariffs.
    - Vietnam offered a deal to remove tariff on US imports and asked to delay the imposition of US tariffs.
    - Thailand would offer to import more American energy, aircraft, and agricultural products.
  - Europe, Canada, and China vow retaliation
    - The EU announced countermeasures against some US goods, including steel and aluminum, and will expand to more goods and services by end of April.
    - China imposes reciprocal 34% tariffs on all imports from the US from April 10. In addition, Beijing also unveiled export controls on rare-earth minerals to the US.

-  **Impacts on the US economy and Fed's stances**
- Expectations for US economic growth have declined. The VIX index surges to 47 and Fear & Greed Index plunges to "Extreme Fear".
  - Goldman Sachs raised the odds of a US recession to 45%.
  - Market is currently pricing in five interest rate cuts by year-end. As tariffs are highly likely to generate a rise in inflation, it should further complicating the Fed's decision.
  - Fed Chair Jerome Powell indicated that the central bank won't move on interest rates until it gets a clearer picture on the ultimate impacts.

-  **Impacts on financial markets**
- The US dollar weakened, while US Treasuries are considered safe havens, reflected in the 10-year bond yield falling to 4%.
  - US stock markets saw the biggest correction since the Covid outbreak in 2020. On weekly basis, S&P 500 -9% (-17.4% from peak), Dow Jones -8% (-15% from peak), NASDAQ -10% (-22.7% from peak).
  - WTI fell almost 11% on recession concerns and OPEC+ production increases. Gold prices fell 2.5% from the previous week.
  - European and Emerging Markets also dropped.

-  **Short-term direction**
- Global stock markets continue to fluctuate along with latest news. Chinese and Japanese stock markets fell sharply on April 7, but they opened higher on April 8.
  - US moves forward with tariffs, but open to negotiations. Japan emerged as the first country to negotiate trade with the US.
  - The trade war between the US and China is likely to be prolonged. Trump has threatened China with an additional 50% duty on imports from China if it does not withdraw its 34% counter-tariff.


-  **China economic measures**
- China policymakers discussed measures to stabilize the economy on April 7.
  - Beijing planned to boost domestic consumption, stimulate spending, increase birth rate, and support exports of some products. It planned to establish a stock market stabilization fund.

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