

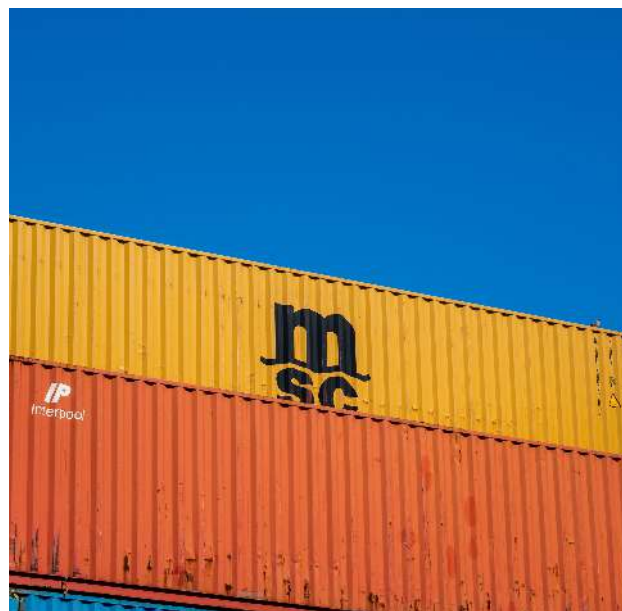
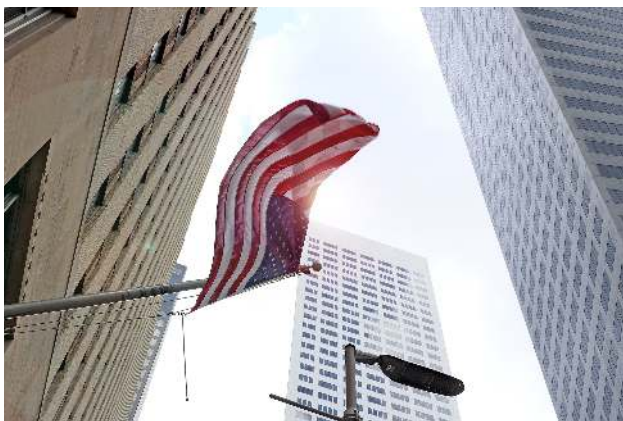
# This Time It Might Be Different

## Macro Overview

US

**Carnage Everywhere.** *US equities ended the week sharply down with the S&P 500 declining to its lowest level in 11 months, losing some \$5.4 trillion in market value in just 2 sessions.* The tariffs announced on Wednesday's "US Liberation Day" far exceeded expectations. While the scale of the tariffs is a concern, the bigger issue is the absence of a clear strategy to reverse course. The administration aims to reduce the US trade deficit by imposing tariffs based on the size of a country's trade balance relative to total imports. That formula won't change significantly unless there is a substantial shift in the relative competitiveness of the two nations. Traders hoping for some conciliatory tone from Fed Chair Powell were disappointed after Powell said the trade-policy shift is likely to slow growth and spur inflation — a vexing combination that could prevent the central bank from cutting interest rates deeply enough to offset the toll. He further said the Trump administration's tariffs "could have a persistent impact on inflation" and stressed the need to keep inflation expectations anchored. Earlier, Trump had pressured Powell to cut rates now. Friday's NFP added 228k jobs beating expectations, with a 4.2% unemployment rate that ticked up from 4.1%. Average hourly earnings MoM came in as expected.

February's JOLTS report earlier in the week revealed a larger-than-anticipated drop in job openings, falling to 7.568 million from January's revised 7.762 million indicating hires & job openings have stabilised. However, a good jobs report won't be enough to quell recession fears because its backward looking. An ounce of caution is warranted though - March Challenger US Job cut announcements printed at 275K. This type of level was only reached 4 times over the last 25 years.



**Trump's absence of signs in backing down from his punitive tariffs are threatening to set off a worldwide recession.** The US was hit the hardest. China retaliated less than 48 hours after with what looks like a negative-feedback loop. China imposed a 34% tariff on all American imports starting April 10, in addition to targeted actions against poultry producers and weapons makers, according to the official Xinhua News Agency. Oil tumbled on speculation demand will slow. The cost to protect investment-grade debt against default surged by the most since the regional banking crisis of 2023. And government bonds rallied as investors rushed in. UST10's and 2's closed at 3.99% and 3.65% respectively.

Now, traders are boosting their expectations for the Fed to cut interest rates this year. Money markets are fully pricing four quarter-point reductions by year-end, with a more than 50% chance of a fifth — up from just three cuts priced in before the levies were announced. In expectations, of a growth slowdown, possibly leading to a global recession.

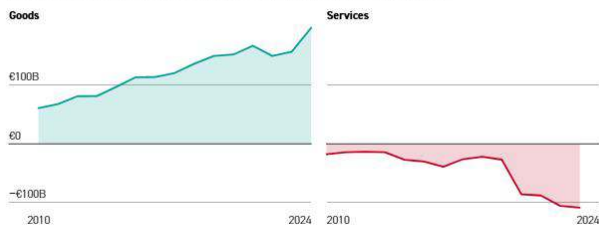
All eyes remain on negotiations and de-escalation if any, to reverse some of this "carnage". Key data releases for the week are CPI and PPI with consensus for core CPI MoM at 0.3% and headline CPI YoY at 2.6% and, core PPI MoM also at 0.3%.

## EUROPE

President Donald Trump dumped the European Union in the worst category of America's trade partners Wednesday, hitting the bloc with a 20 percent tariff on all imports. The Trump administration estimates the tariffs charged by the European Union to the United States at 39 percent, and cuts this figure by half to come up with the 20 percent, in what Trump labelled "kind reciprocal" tariffs. In fact, over 70 percent of imports to the EU are duty-free. And, on a trade-weighted basis, EU tariffs average just 2.7 percent, according to the World Trade Organization.

#### The EU is a net US exporter for goods, net importer for services

Annual trade balance for goods and services between the EU and the U.S., in euros.



Source: Eurostat  
Giovanna Coli/POLITICO

**European Union countries will seek to present a united front in the coming days against U.S.** President Donald Trump's tariffs, likely approving a first set of targeted countermeasures on up to \$28 billion of U.S. imports from dental floss to diamonds. Such a move would mean the EU joining China and Canada in imposing retaliatory tariffs on the United States in an early escalation of what some fear will become a global trade war, making goods more expensive for billions of consumers and pushing economies around the world into recession.

**However, Economy ministers from Italy and Spain are calling for European governments to avoid confrontation with the U.S. over President Donald Trump's tariffs. France and Germany on the other hand, want to see a tougher response to Trump's tariffs.** Emmanuel Macron, in the meantime, wants EU businesses to stop investing in America in response to Trump's tariffs. "It is important that future investments, the investments announced over the last few weeks, should be put on hold for some time until we have clarified things with the United States of America," Macron said on April 3.



## ASIA

**Japan's Nikkei share average slumped to an eight-month low on Thursday – Liberation day. US President Donald Trump's tariffs on Japanese goods are a "national crisis", Prime Minister Shigeru Ishiba said on Friday. Japanese firms are the biggest investors into the United States but Trump on Thursday announced a hefty 24 per cent levy on imports.**

Trump has set a baseline of 10% across all imports and higher duties on some of the U.S.'s biggest trading partners. The China plus one model may be shaky and affect Asian economies like Vietnam, Indonesia, Thailand, Malaysia etc which were often touted as plus one partners of Chinese manufacturing for Global corporates. The big unknown now is how trading partners will react.

US tariffs on China, the world's biggest exporter of goods, will rise to 54 per cent after Trump imposes a further 34 per cent duty on top of 20 per cent levies he placed on the Asian nation earlier this year.

China - Three new buzzwords: silver, ice and snow, and debut.

- The first refers to China's silver economy, products and services catering to the rapidly ageing population.
- The second is the ice and snow economy, the country's burgeoning winter sports and tourism industry that is expected to surpass 1.2 trillion yuan (US\$165 billion) this year.
- There is also the debut economy, the launch of new products, services and flagship stores to influence consumer trends and boost spending.

China's president has abruptly swapped the roles of two elite Politburo members — the heads of the Party's personnel and propaganda departments. Speculation around the why includes to potentially prevent either official amassing too much influence.





In February, official forecasts put Singapore's growth for 2025 at 1 to 3 per cent but this will now need to be relooked, said Mr Gan. "We are at the moment reassessing our economic forecast, and we may need to make adjustments in time to come," he told a media conference. Mr Gan said Singapore will have to double down on its efforts to continue to keep its economy open and uphold open, fair and free trade among like-minded countries. The US had a goods trade surplus of US\$2.8 billion (S\$3.74 billion) with Singapore last year, an 84.8 per cent increase over 2023, according to the United States Trade Representative website. Senior Minister Lee Hsien Loong reiterated that Singapore will not respond with tariffs of its own, although many countries may do so.



## GeoPolitics

**Israel – Palestine:** Defense Minister Israel Katz has announced plans to clear Hamas infrastructure and incorporate more of Gaza into a border security zone, displacing more Gazans.

**China – Taiwan:** China's military on Tuesday (Apr 1) said it had begun joint army, navy and rocket force exercises around Taiwan to "serve as a stern warning and powerful deterrent against Taiwanese independence", calling Taiwan's President Lai Ching-Te a "parasite". The exercises around the democratically governed island, which China views as its own territory and has never renounced the use of force to bring under its control, come after Lai had called Beijing a "foreign hostile force" last month.



**US - India:** Agriculture is a key battleground in US President Donald Trump's escalating trade war. For years, Washington has pushed for greater access to India's farm sector, seeing it as a major untapped market. But India has fiercely protected it, citing food security, livelihoods and interests of millions of small farmers. To be sure, India's transformation from a food-deficient nation to a food-surplus powerhouse is one of its biggest success stories. Today, India is not just feeding its 1.4 billion people but, as the world's eighth-largest agri-produce exporter, also shipping grains, fruits and dairy worldwide. The weighted average tariff - the average duty rate per imported product - in India on US farm products is 37.7%, compared to 5.3% on Indian agricultural goods in the US, according to the Delhi-based think tank Global Trade Research Initiative (GTRI).

**Xi Jinping has argued regional rivals China and India should work more closely together in what he's dubbed a "Dragon-Elephant tango" on their 75th anniversary of diplomatic ties. The two neighbours have gradually managed to stabilise ties since a 2020 border clash left dozens of soldiers dead.**

**Turkey – Syria – Israel:** There are local reports Turkey is moving to take control of Syria's Tiyas air base, arguing it's to deter Israeli airstrikes and hit ISIS operations. Syria and Turkey have been negotiating a defence pact since December that'd potentially see Turkey fill the local void left by Russia and Iran.

## Credit

ISM Manufacturing Index declined: to 49.0 in March from 50.3 in February (Nomura: 49.2, Consensus: 49.5). The details were stagflationary, as new orders, production, backlog orders, supplier delivery, and employment all deteriorated, while the prices paid index jumped sharply to 69.4 in March, the highest since June 2022, posing some upside risk to core goods inflation. Comments from survey respondents stressed tariffs and heightened economic uncertainty that weighed on manufacturing activity, in line with other manufacturing surveys.

March ISM Services printed at 50.8 Vs 52.9 expected. Employment component dropped massively to 46.2 Vs a consensus at 53.0.

**The shape of US Treasury curve did not drastically change last week, the 2years yield dropped by 21bps closing the week at 3.65% even though it briefly touched 3.46% intraday last Friday. 5years & 10years yield lost 23bps, and the long bond lost 19bps. US IG 5years credit spreads widened by 11bps & US HY 5years credit spreads widened by 54bps. The VIX index started the week at 23% and closed last Friday at 45.3%.**

## FX

**DXY USD Index fell 0.98% to 103.02 as safe-haven currencies and EUR led the move upwards against USD. Market fear was at its extreme with the escalation in trade wars.**

President Trump announced a 10% baseline tariff effective April 5 with additional reciprocal tariffs on select countries effective April 9 in addition to incremental tariffs on a country-by-country basis. In response, China imposed a 34% tariff on US imports, matching US reciprocal tariffs. In addition, Fed Chair Powell emphasizing patience and push back against immediate rate cut bets. US macro data was mixed: Strong US employment data with the March nonfarm payrolls rising 228k (C: 140k). The Unemployment Rate edged up to 4.15% (P: 4.14%) alongside a rise in the labor force participation rate Average Hourly Earnings grew 0.3% m/m (C: 0.3%; P: 0.3%). ISM services Index dropped to 50.8 in March (C: 52.9; P: 53.5) with the employment index unexpectedly falling 7.7 points to 46.2, the largest decline in nearly five years. US ISM Manufacturing declined to 49.0 (C: 49.5; P: 50.9) with the new orders and employment indices falling further into contraction, while the prices paid index rises further, reaching the highest level since June 2022. Market is currently pricing 109 bps cut in the US this year.

**European Currencies** was mixed last week with **EUR** (+1.18%) to 1.0956, **GBP** (-0.41%) to 1.2887, **CHF** (+2.27%) to 0.8608. EUR was supported by reports suggesting that the EU was preparing a package of emergency measures to support sectors that will

be hit hardest by the US tariffs. In addition, EU-US yield differentials tightened as market participants may see more downside risks to US growth than EA growth following the trade developments, supporting EUR. GBP, being a risk sensitive currency, weakened among the European currencies. CHF strengthened as a safe-haven currency, driven by extreme market fears.

**Antipodean Currencies** fell last week, with AUD (-3.93%) to 0.604 and NZD (-2.10%) to 0.5596, weighed down by heightened risk of higher tariffs on China. Trade war escalated with China announcing 34% tariffs on all US imports. The RBA left the Official Cash Rate (OCR) unchanged at 4.1% In an accompanying statement the central bank sounded cautious about the outlook and reiterated that returning inflation sustainably to target remains the highest priority, thus failing to give clarity on when the next rate cut might arrive. However, the latest tariff development led market to price a 28 bps cut in May.

**USDJPY** fell 1.94% to 147.93, breaking 147.00 for the first time since October 2024. Expectations for a near-term BoJ rate hike fade amid the heightened uncertainty and as the global risk-off sentiment supports flight-to-quality bids with JPY appreciating.

## Commodity

**Tariff developments also led to sharp declines across commodities. Bloomberg commodity index fell 5.78% last week, with Copper futures (-14.19%) and Aluminium future (-7.42%).**

**WTI crude and Brent crude oil** futures fell significantly last week, with **WTI** (-10.63%) to 61.99 and **Brent** (-10.93%) to 65.58. **OPEC+ unexpectedly announced it will accelerate the unwind of its production quota, agreeing to a larger-than-expected oil supply hike in May.** The group led by Saudi Arabia and Russia will add 411,000 barrels a day to the market next month, the equivalent of three monthly tranches from its previous plan to revive output, according to a statement posted on the OPEC website. In addition, oil prices were further weighed down by demand concerns after the trade war escalations.

**Gold** fell 1.52% to 3038.24, displaying positive correlation with risk assets despite weakness in DXY USD index. Silver, on the other hand, fell 13.30% to 29.59, with majority of the downfall happening last Friday.



## Economic News This Week

- **Monday** – SZ Foreign Currency Reserves, EU Retail Sales
- **Tuesday** – JP BoP Current Acc, AU Westpac Cons. Confid./ Biz Confid., US Small Biz Optim.
- **Wednesday** – NZ RBNZ OCR, JP Machine Tool Orders, US MBA Mortg. App./ Wholesale Inv.
- **Thursday** – JP PPI, CH CPI/PPI, Norway CPI, US CPI/ Initial Jobless Claims
- **Friday** – NZ Mfg PMI, SW CPI, UK Indust. Pdtn/ Mfg Pdtn, US PPI/ UMich Sentiment



# Key Market Moves

4 April, 2025

Name	WTD	MTD	YTD	Last px
MSCI ACWI Index	-7.90%	-7.60%	-9.16%	764.29
S&P 500 Index	-9.08%	-9.58%	-13.73%	5,074.08
Dow Jones Industrial Average	-7.86%	-8.78%	-9.94%	38,314.86
NASDAQ Composite Index	-10.02%	-9.89%	-19.28%	15,587.79
EURO STOXX 50 Price EUR	-8.50%	-7.05%	-0.36%	4,878.31
STOXX Europe 600 Price Index EUR	-8.44%	-7.04%	-2.22%	496.33
Nikkei 225	-9.00%	-11.32%	-20.83%	31,585.93
Tokyo Stock Exchange Tokyo Price Index TOPIX	-9.98%	-12.98%	-16.92%	2,313.61
MSCI AC Asia Pacific Index	-4.45%	-2.10%	-1.87%	178.24
MSCI AC Asia Pacific Excluding Japan Index	-3.11%	-1.15%	0.54%	566.36
MSCI Emerging Markets Index	-2.96%	-1.25%	1.13%	1,087.59
Shanghai Shenzhen CSI 300 Index	-1.37%	-0.66%	-1.87%	3,861.50
Hang Seng Index	-2.46%	-1.17%	13.91%	22,849.81
India NSE Nifty 50 Index	-2.61%	-2.61%	-3.13%	22,904.45
Taiwan Stock Exchange Index	-1.41%	-7.05%	-16.49%	19,236.93
Korea KOSPI Index	-3.62%	-4.99%	-1.76%	2,357.28
Singapore Straits Times Index STI	-3.69%	-9.21%	-4.78%	3,606.59
Thailand SET Index	-4.27%	-2.84%	-19.64%	1,125.21
Jakarta Stock Exchange Composite Index	0.00%	0.00%	-8.04%	6,510.62
Philippines Stock Exchange PSEI Index	-1.13%	-5.02%	-10.08%	5,870.70
Vietnam Ho Chi Minh Stock Index / VN-Index	-8.11%	-7.36%	-4.43%	1,210.67

Source: Bloomberg

Name	WTD	MTD	YTD	Last px
US Generic Govt 10 Year Yield	(0.06)	(0.06)	(0.14)	3.93
Euro Generic Govt Bond 10 Year	(0.05)	(0.06)	0.09	2.58
Japan Generic Govt 10Y Yield	(0.21)	(0.24)	0.02	1.13
MARKIT CDX.NA.HY.32 06/24	16.31%	16.63%	40.90%	438.89
MARKIT CDX.NA.IG.32 06/24	18.02%	17.49%	44.86%	72.20
MARKIT CDX.EM.31 06/24	15.02%	15.22%	23.22%	212.59
EUR-USD X-RATE	1.18%	1.38%	5.90%	1.10
GBP-USD X-RATE	-0.41%	-0.14%	3.07%	1.29
CHF-USD X-RATE	2.33%	3.43%	6.13%	1.17
USD-JPY X-RATE	-1.94%	-2.54%	-7.03%	146.15
USD-CNY X-RATE	0.27%	0.65%	0.06%	7.30
USD-HKD X-RATE	-0.05%	-0.09%	0.06%	7.77
USD-INR X-RATE	-0.27%	-0.27%	-0.44%	85.24
NYMEX Light Sweet Crude Oil	-10.63%	-15.47%	-15.76%	60.42
ICE Brent Crude Oil Future	-10.93%	-14.14%	-14.03%	64.17
VIX Index	109.28%	103.37%	161.15%	45.31
Gold Spot	-1.52%	-3.28%	15.11%	3,021.11
Silver Spot	-13.30%	-10.83%	5.17%	30.40
Palladium Spot	-5.79%	-6.47%	1.53%	926.56
Bitcoin/USD	-4.51%	-4.24%	-15.78%	78,923.74
Etherum/USD	-13.25%	-11.73%	-52.00%	1,606.21

Sources – Various news outlets including Bloomberg, Reuters, Financial Times, FactSet, Associated Press

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