

### Stocks see worst week since March 2020 as tariff fears weigh into the weekend

- **SNAPSHOT:** Equities down, Treasuries up, Crude down, Dollar up
- **REAR VIEW:** China matches US reciprocal tariffs; Trump says China played it wrong, they panicked; NFP tops expectations, unemployment rises; Fed Chair Powell says Fed is in no hurry to cut rates, warns tariffs will likely increase prices over coming quarters; Vietnam to cut tariffs on US to zero, if US reciprocates; Russia says no current plans for Trump-Putin phone call; Trump to sign order to extend TikTok deadline.
- **COMING UP: Data:** German Industrial Output, UK Halifax, EZ Sentix Index, Retail Sales, US Employment Trends. **Speakers:** ECB's Cipollone.
- **WEEK AHEAD:** Highlights include US & China CPI, FOMC Minutes, RBNZ, US Earnings Season, Japanese Cash Earnings and UK GDP. [To download the full report, please click here.](#)
- **CENTRAL BANK WEEKLY:** Previewing FOMC Minutes, RBNZ, RBI; Reviewing RBA, ECB Minutes. [To download the full report, please click here.](#)
- **WEEKLY US EARNINGS ESTIMATES:** Earnings season begins with big banks on Friday. [To download the full report, please click here.](#)

### MARKET WRAP

The risk-off tone in trade since liberation day continued on Friday as tariff fears continued to dominate, escalated by the response from China, who implemented a 34% tariff on the US (matching the US rate on China). Meanwhile, Vietnam spoke with the US and said it would remove all tariffs on the US if it reciprocated (this gave a lift to NKE, ONON, LULU, DECK, etc). Stocks were slammed with traders fearful of equities approaching circuit breaker levels. T-notes rallied to north of 114 at the peaks which coincided with a 10yr yield of 3.86%, the lowest since October 2024, albeit pared after the strong NFP and a hawkish leaning Fed Chair Powell. Gold prices continued to sell with gold longs likely being unwound to cover equity losses. In FX, the Dollar staged a comeback with DXY looking to close the week at 103.00, vs the low on Thursday of 101.26. The moves in FX were chunky, AUD fell over 4% and NZD fell over -3% with both weighed on by China's response given their exposure to the nation. The Yen was weaker despite its haven status and lower UST yields with the Dollar comeback weighing, while there are fears that tariffs would likely delay rate hikes at the BoJ, although not totally derail them - money markets no longer fully price in a BoJ 25bps rate hike this year. CAD was softer vs the buck, with a weak labour market report hitting the CAD at a time of tremendous uncertainty. Crude prices were slammed on the ongoing tariff woes, settling lower by c. USD 5.00/bbl for WTI and Brent from Thursday's settlement. Aside from trade, the highlights were on the US NFP, which was largely looked through, but it did heavily beat expectations on NFP but unemployment ticked up while wages were soft. Fed Chair Powell spoke noting how tariffs are larger than expected, and therefore the impact on the economy will be larger, warning how tariffs will likely increase prices in the coming quarters with more persistent effects also possible. Powell also echoed his line from March when quizzed about a May rate cut, stating the Fed is not in a rush - this saw money markets pull back to just price in c. 8bps of easing for May, from 12bps earlier in the session, while 96bps of easing is priced through year-end, down from the 112bps previously. The Fed Chair also made it clear that due to the uncertainty, the path ahead for policy is not clear, noting tariffs bring upside risks to both unemployment and inflation, putting the Fed in a difficult position.

### US

**TRADE:** In response to the USA's hefty tariffs on China, they responded today and announced additional tariff measures on US goods. China will impose tariffs of 34% on all US goods, and to impose additional tariffs on some US goods from April 10th. Elsewhere in Asia, Cambodia is to cut tariffs on select US imports to 5% from 35%, while Trump posted on Truth that he had a very productive call with Vietnam's General Secretary To Lam. Vietnam wants to cut their tariffs down to zero if they are able to make an agreement with the US, and is looking forward to their meeting in the near future. Following this, Vietnamese state media largely echoed this and To Lam noted Vietnam is ready to cut tariffs to zero and asks US to do the same, and he agreed with Trump to discuss and sign a bilateral agreement to concretize commitments on zero tariffs. To Lam invited Trump to Vietnam, and Trump accepted the invitation. Over the weekend attention will be on any updates or possible deals/resolutions with countries, given the baseline tariffs rate will go into effect on April 5th at 00:01EDT and reciprocal tariffs will go into effect on April 9th at 00:01EDT. Elsewhere, UK PM Starmer's spokesperson said the PM will engage with other leaders over the weekend on trade. Separately, but worth noting, Fox reported that sources close to the White House say Treasury Secretary Bessent is trying to quietly moderate the President's hard-line stance on trade.

**NFP:** Headline NFP beat expectations at 228k, well above the 135k consensus and accelerating from February's 117k (revised down from 151k). It was also above the most optimistic analyst forecast of 185k. The unemployment rate ticked back up to 4.2% from 4.1%, despite expectations for another 4.1% read, although it was accompanied by an uptick in the participation rate to 62.5% from 62.4%. Interestingly, government payrolls rose by 19k, up from the prior 1k (revised down from 11k). The BLS report noted that Federal government employment declined by 4k, less than the 11k in February. Showing that the DOGE layoffs may not be having as much of an impact for now. The earning metrics were on the soft side, rising 0.3% M/M (in line with the consensus) but the prior was revised down to 0.2%, while the Y/Y eased to 3.8% from 4.0%, beneath the 3.9% forecast. Although the labour market is not a cause of inflation at the moment, further weakness in earnings, coupled with fears of inflation upside in the wake of Trump tariffs, will likely dampen consumer spending even further - with a slowdown already feared. Although overall a strong jobs report, the

market is highly focused on trade/tariff updates which is driving market sentiment, thus this NFP report overall had little impact. The reports in the months ahead will be eyed by the Fed to see how the jobs market is holding up in the wake of the aggressive Trump tariffs. Fed Chair Powell said their goals may be in tension, but they are not yet - but upside risks to unemployment and inflation puts the Fed in a tricky position.

**FED CHAIR POWELL** acknowledged that US President Trump's tariffs are larger than expected, which risks higher inflation and slower growth. He warned tariffs are likely to raise inflation in the coming quarters, and more persistent effects are possible. Powell also stated how tariff increases will be significantly larger than expected, and the same is true for the economic effects. Given elevated risks of both higher unemployment and higher inflation, Powell says it is too soon to say what the appropriate path for monetary policy will be, but the Fed is well positioned to wait for greater clarity before considering adjustments - continuing to take a patient, wait-and-see approach. The Fed Chair also noted how most measures of long-term inflation expectations remain well anchored. Overall, it seems Powell is concerned about the impact on the economy from the tariffs, and he seems particularly concerned about the impact on inflation - stating how tariffs are likely to raise inflation in the coming quarters, and more persistent effects of inflation are also possible. He is also concerned about upside risks to unemployment while stressing the outlook remains uncertain. In the Q&A, Powell was asked about the May FOMC, where he repeated what was said at the March FOMC, noting the Fed is not in a hurry to cut rates - implying the Fed does not expect to cut at the next meeting, even after the recent large tariff announcements. The Fed wants to be patient to see the true impact of tariffs on the economy. He also said that policy stance is a good stance to wait, noting policy is modestly restrictive (note, at the March FOMC, Powell said policy is "clearly restrictive"). Powell made clear in the Q&A that it is a good time to step back and let things clarify, reiterating it is too soon to say what the monetary policy response should be and he cannot say with any confidence what it should be. He said they will wait for greater clarity before further adjustments, and that a year from now uncertainty should be much lower.

## FIXED INCOME

### T-NOTE FUTURES (M5) SETTLED 13 TICKS HIGHER AT 113-01+

**T-notes catch bid as China retaliates on tariffs but settles off highs after hawkish leaning Powell; strong NFP largely looked through.**

At settlement, 2s -4.6bps at 3.679%, 3s -3.6bps at 3.655%, 5s -3.6bps at 3.723%, 7s -4.6bps at 3.843%, 10s -5.3bps at 4.002%, 20s -6.1bps at 4.442%, 30s -7.3bps at 4.411%.

**INFLATION BREAKEVENS:** 5yr BEI -15.3bps at 2.298%, 10yr BEI -9.6bps at 2.177%, 30yr BEI -4.6bps at 2.127%.

**THE DAY:** T-notes initially extended to fresh highs on haven demand sparked by further aggressive risk-off trade with the liberation day risk-off trade continuing into Friday. Further risk-off was sparked after China announced retaliatory tariffs on the US of 34%, matching the US rate on China. T-notes peaked at 114-03+, with the 10yr yield hitting a low of 3.86%, the lowest level since October 2024. There was little net reaction to the March jobs report with bigger issues at hand. Fed Chair Powell spoke in the wake of the jobs report, and he had a slight hawkish tilt warning how Trump's tariffs are more aggressive than expected and that the larger the tariffs, the larger the economic impact. He also warned that tariffs are likely to raise inflation in the coming quarters, with more persistent effects possible. In the wake of Powell, money market pricing had pared from the peak dovish extremes with 98bps of easing by year-end, down from the 106bps priced earlier in the session. Fed Chair Powell also reiterated the Fed is not in a hurry in response to a May rate cut, implying the tariffs have not led the Fed Chair to bring forward rate cuts just yet. He warned the upside risks to both unemployment and inflation warrant patience, and the path of policy is not clear - they have to wait to see how the economy reacts. The pushback on a May cut saw money markets price in about 9bps of easing for the next FOMC meeting, vs 12bps previously. T-notes still settled well in the green with the curve bull flattening but T-notes were well off the earlier highs, settling around 113-00, vs earlier peaks of 114-03+.

### SUPPLY:

#### US Treasury to sell:

- USD 58bln of 3yr notes on April 8th.
- USD 39bln of 10yr notes on April 9th.
- USD 22bln of 30yr bonds on April 10th.
- USD 68bln of 26wk bills on April 7th.
- USD 76bln of 13wk bills on April 7th.
- USD 70bln of 6wk bills on April 8th.

### STIRS/OPERATIONS:

- Market Implied Fed Rate Cut Pricing: May 9bps (prev. 7bps), June 31bps (prev. 25bps), July 54bps (prev. 43bps), Dec 99bps (prev. 93bps).
- NY Fed RRP op demand at USD 184bln (prev. 196bln) across 40 counterparties (prev. 46).
- SOFR at 4.39% (prev. 4.37%), volumes at USD 2.577bln (prev. 2.555bln).
- EFFR at 4.33% (prev. 4.33%), volumes at USD 103bln (prev. 104bln).

## CRUDE

### WTI (K5) SETTLED USD 4.96 LOWER AT USD 61.99/BBL; BRENT (M5) SETTLED USD 4.56 LOWER AT USD 65.58/BBL

**The crude complex barrelled lower to end the week as it continued to be weighed on by tariff woes, and heightened today by China announcing retaliatory tariffs on 34% on US goods.** Oil-specific drivers were light, and unsurprisingly moves were driven by the macro risk tone, which sent WTI and Brent tumbling to lows of USD 60.45/bbl and 64.03/bbl, respectively. As such, over the weekend attention will be on any updates or possible deals/resolutions with countries, given the US baseline tariffs rate will go into effect on April 5th at 00:01EDT and reciprocal tariffs on April 9th at 00:01EDT. However, the weekly Baker Hughes rig count saw oil

rise 5 to 489, Natgas fall 7 to 96, leaving the total down 2 to 590. Overall, ING writes "Current WTI price levels provide little incentive to US producers to increase drilling activity. If anything, we could see a further slowdown, particularly when you consider the backwardation in the market."

## EQUITIES

**CLOSES:** SPX -5.97% at 5,074, NDX -6.07% at 17,398, DJI -5.50% at 38,315, RUT -4.37% at 1,827

**SECTORS:** Energy -8.7%, Financials -7.39%, Technology -6.33%, Industrials -6.29%, Materials -6.29%, Communication Services -4.89%, Consumer Staples -4.55%, Consumer Discretionary -4.5%, Utilities -3.27%, Health -3.17%, Real Estate -2.51%.

**EUROPEAN CLOSES:** DAX: -4.66% at 20,705, FTSE 100: -4.95% at 8,055, CAC 40: -4.26% at 7,275, Euro Stoxx 50: -4.83% at 4,866, AEX: -4.12% at 841, IBEX 35: -5.83% at 12,422, FTSE MIB: -6.53% at 34,649, SMI: -5.42% at 11,614, PSI: -4.75% at 6,636.

### STOCK SPECIFICS:

- **China stocks**, particularly in consumer discretionary, were hit hard (Alibaba (BABA), Baidu (BIDU), JD (JD), Xpeng (XPEV)) after China announced extra 34% tariffs on US goods, imposed from April 10th.
- **Brookfield Asset Management (BAM):** Set to acquire Colonial Pipeline for ~USD 9bln incl. debt.
- **AbbVie (ABBV):** Guided next quarter & FY EPS lower.
- **Intel (INTC), TSMC (TSM)** reached a preliminary agreement to form a JV operating Intel's factory, with TSMC taking a 20% stake.
- **Goldman Sachs (GS):** Downgraded at Daiwa to 'Neutral' from 'Outperform'.
- **BP (BP):** Chairman Helge Lund has announced plans to step down "in due course".
- China probes **DuPont (DD)** China on alleged anti-monopoly violation, according to Bloomberg.
- **Nintendo (NTDOY)** to delay Switch2 pre-orders in the US due to tariffs, CNBC reports
- Hedge Funds on Thursday sold global equities on a net basis at the largest 1-day amount since 2010, according to Goldman Sachs.
- Japan's Rapidus is in talks with **Apple (AAPL)** and **Google (GOOGL)** to mass-produce chips, via Nikkei citing co. CEO.#
- **Apple (AAPL):** Mulls expanding iPhone assembly line in Brazil, according to Exame.
- **Meta (META)** plans a nearly USD 1bln data centre project in Wisconsin.

## FX

**The Dollar Index** clawed back a large chunk of Thursday's decline to Trump's tariff announcement, in a day filled with risk events. Firstly, the downside was originally seen on China announcing an additional 34% tariff on the US, but this time they will apply to all US goods rather than to specific imports. That said the Dollar Index found support on the NFP report which saw the headline top expectations (prev. was revised lower), albeit the unemployment rate unexpectedly rose to 4.2% (prev. 4.1), accompanied by an uptick in the labour participation rate. Meanwhile, Fed Chair Powell leaned hawkish relative to May pricing, noting they have time and in no hurry when asked about a May rate cut; amid and following Powell's remarks, Treasuries notably trimmed gains on the short end. Also contributing to a bid Dollar were perhaps economic concerns over tariffs shifting back towards countries outside the US whom China's retaliatory tariffs will hurt, e.g. Australia. Next week is set to be another busy week for the US, with CPI, PPI, UoM Prelim, and FOMC Minutes all due. The main focus, however, will remain on trade with, baseline tariffs (10% on all countries US trades with ex-Canada/Mexico) to go into effect, with higher reciprocal tariffs to go into effect on April 9th. So far, the Vietnamese have seemingly agreed to lower their tariffs on the US but asked the US to do the same.

**G10FX** was hit hard on Friday with CHF the one exception, only seeing marginal losses. The marked outperformance in CHF vs JPY was likely Japanese money markets now seeing ~12bps of tightening this year (prev. 25bps) amid the outperformance in JBS's globally in the fixed space as recession fears from a global trade war ramp up. Overnight, BoJ Deputy Governor Uchida's condition of underlying inflation heightening against a background of continued improvements in the economy to raise interest rates seems unlikely in the immediate term given impending tariffs. Similar to the Fed, in the near term, a wait-and-see approach to any monetary policy decisions seems the base case. Antipodeans were the clear laggards in the G10 space, with the Aussie having its worst day since September 2011. As seen in Scandis, high-beta FX suffered in the risk-off trade, with over a 1/3 of Australia's exports (in 2023) making the Aussie highly prone to a weakening of the Chinese economy from the US-China trade war. Out of the UK, PM Starmer held talks with the Australian PM and Italian PM on the approach to US tariffs; markets await further details and whether the UK will reach a trade deal with the US to avert a trade war.

In Canada, employment in March saw its first decline since January 2022, falling by 32.6k (exp. +10k) while the unemployment rate rose as expected to 6.7% (prev. 6.6%). The decline was largely due to the accelerated decline in full-time jobs (-62k, prev. -19.7k). Despite weakness into the weekend, EUR/USD remains firmer over the week, residing at ~1.0950 against weekly lows of and highs of 1.0776 and 1.1144, respectively. EUR/GBP has seen gains in the past two days despite GBP's perceived risk to US tariffs being lesser than that of EUR. ING believes two factors are at play; 1) The Euro has better liquidity than the Pound. 2) The 'exceptionalism' of high UK interest rates is being unwound.

**EMFX:** USD/CNH saw immediate downside on China matching the latest set of US tariffs. The downside for the Yuan resumed on Trump's response, via Truth Social, "China played it wrong, they panicked". Elsewhere, it was a bloodbath in EMs' amidst the Dollar rebound, LatAm FX were the biggest losers, with BRL leading the losses while CEE's too saw notable weakness.

