

### Volatile trade as markets digest global trade woes

- **SNAPSHOT:** Equities mixed, Treasuries down, Crude down, Dollar up
- **REAR VIEW:** Trump threatens China with additional 50% tariff if China goes ahead with 34% tariffs; Report that Trump was mulling 90-day delay in tariffs denied by WH, calls it "fake news"; Navarro says non-tariff manipulating is what they are focused on; China reportedly considers frontloading stimulus to counter tariff hit; EU won't consider VAT system change, proposes 25% tariff on US goods; Taiwan doesn't seek reciprocal tariffs against the US; US and Iran in direct talks, set to meet on Saturday.
- **COMING UP:** **Data:** Australian NAB Business Conditions, French Trade Balance. **Speakers:** ECB's de Guindos, Cipollone; BoE's Lombardelli; Fed's Daly. **Supply:** Australia, Japan, Netherlands, UK, Germany, US. **Earnings:** Walgreens Boots Alliance.
- **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

It was a very choppy session with assets seeing two-way trade. Stocks and yields gapped lower at the start of APAC trade, with US President Trump showing no signs of easing up on his aggressive approach to trade. However, some countries are aiming for deals with the US to reduce tariffs, although WH Trade Adviser Navarro warned that non-tariff barriers are the issue. Meanwhile, US President Trump threatened an additional 50% tariff on China if they do not remove the 34% tit-for-tat tariff on the US by tomorrow. Note, stocks saw a brief, monumental spike higher while T-notes were slammed after CNBC reported that WH Economic Adviser Hassett said that US President Trump was mulling a 90% pause on tariffing all countries except China. However, this was misinterpreted by CNBC, and the White House were quick to deny the comment, calling it "fake news". This saw markets reverse with stocks then tumbling and T-notes paring the earlier losses. In FX, the Dollar was ultimately bid while the Euro and Yen were sold, but cyclical currencies underperformed, namely GBP, AUD and NZD, with the latter two hit by Trump's retaliation threats on China. The CHF outperformed due to its haven aspects. Gold prices continued to sell, falling sub-USD 3,000/oz with the tariff-fear premium on the yellow metal no longer there given bullion is exempt from tariffs. Crude prices tumbled in very volatile trade but settled over USD 1/bbl lower with a focus on fluid tariffs and the trade situation.

### GLOBAL

**TARIFF/TRADE:** US President Trump threatened an additional 50% tariff on China for their 34% tariff response to the US's reciprocal tariff rate. The US President said if China does not remove these tariffs by tomorrow (April 8th), the US will impose the additional 50% tariff from April 9th - when reciprocal tariffs are set to take effect. Overnight, Trump echoed a strong approach to China, stating that unless they solve the deficit with China, he will not make a deal. He noted how they have massive deficits with China, the EU, and many others. Meanwhile, either fake news or a misinterpreted comment hit CNBC that the White House Economic Adviser, Hassett, stated Trump is considering a 90-day pause in tariffs for all nations, except China. However, this was swiftly denied by the White House as fake news. Hasset did note, however, that Taiwan reached out overnight on tariffs and that he has seen some great deals, but Trump will ultimately decide how great. Meanwhile, WH Trade Adviser Navaro spoke, noting how when Vietnam said they would lower tariff rates to zero, "it means nothing to us". It is the non-tariff manipulation that they are focused on. Navarro added how Trump is seeking cuts to tariffs and non-tariff barriers, and that trade partners zeroing tariffs is the first start - he also called on the EU to drop non-tariff barriers, including VAT.

**TARIFF RESPONSES:** The EU Commission reportedly proposed a 25% tariff on US goods to take effect from May 16th, according to Reuters citing a document. It also removes US bourbon from its list of goods to face counter-tariffs. It proposed counter-tariffs on some US imports to take effect from December 1st and also proposed counter-tariffs on a range of US imports at 25% in response to US steel duties. EU Trade Chief Sefcovic said the EU is to consider all options, but they have not seen engagement from the US, which would lead to a mutually acceptable solution. Note that Sefcovic was touting April 15th and May 15th as dates to implement tariffs. This followed commentary from EU's Von der Leyen, who said the EU had offered a zero-for-zero tariff deal to avert a trade war with the US, noting they are ready to negotiate with the US on tariffs and are ready for a good deal but ready to take countermeasures. Elsewhere, Mexico's President Sheinbaum said she wants to avoid putting reciprocal tariffs on the US. While the Vietnam PM is to address US concerns on non-tariff barriers. South Korea's Trade Minister is to visit the US on Tuesday-Wednesday and will meet with US Trade Representative Greer and is to discuss lowering 25% US tariff rates. The Taiwan President said Taiwan does not seek retaliatory tariffs against the US and we'll start talking about bilateral 'zero tariffs', adding to ensure Taiwan's competitiveness, they will increase US imports and adopt other measures. Japan PM Ishiba said they will continue to ask the US to lower tariffs against Japan, but likely won't get results overnight. US officials state that over 50 countries have approached the US on trade talks.

**FED'S KUGLER** (2025 Voter) said tariffs and shortages are important to consider when forecasting what inflation will do. Kugler

added new tariffs will be 'consequential' and have already started seeing some increase in prices. Further on tariffs, Kugler does not know how businesses will react, and how much of a tariff increase they will pass on to consumers. On inflation expectations, she stated they have moved up, mainly short-term expectations, and for now, long-run inflation expectations are well anchored. Regarding Q1, she added it may show more strength than they may imagine, but consumer confidence is moderating. Further on this, Kugler added there is a lot of uncertainty, and uncertainty is holding back business investment. Ahead, the Fed has to be careful in how to navigate, and that right now, inflation is more pressing.

## FIXED INCOME

### T-NOTE FUTURES (M5) SETTLED 31+ TICKS LOWER AT 112-02

**T-notes see extremely volatile trade as markets digest trade updates.** At settlement, 2s +8.1bps at 3.751%, 3s +11.0bps at 3.755%, 5s +14.3bps at 3.854%, 7s +16.4bps at 3.997%, 10s +17.3bps at 4.164%, 20s +21.0bps at 4.633%, 30s +20.8bps at 4.598%

**INFLATION BREAKEVENS:** 5yr BEI -4.8bps at 2.255% 10yr BEI -0.7bps at 2.187% 30yr BEI +1.9bps at 2.156%

**THE DAY:** T-notes saw two-way price action on Monday, initially gapping higher at the open in risk-off trade with Trump showing no sign of stepping back on his aggressive trade policy. T-notes peaked at 114-10 before then declining throughout the rest of the session. Lows were seen in the 10yr T-note future of 111-16, with lows hit in response to a misleading report from CNBC that WH Economic Adviser Hasset said Trump was considering a 90-day pause in tariffs for all nations, except China. However, this was swiftly denied by the White House, and CNBC later admitted it was a misinterpreted comment. T-notes had then pared before meandering just above 112-00 into settlement. Treasuries were sold heavily across the curve, but more so in the long end with the curve bear steepening. The downside in T-notes coincided with a notable upside in the Dollar while money market pricing ultimately was little changed in regards to the Fed. It may be that longs were profit-taking on T-notes throughout the day in volatile trade, while there may have also been inflationary fears in response to the Tariffs, although economic fears are still front-and-centre. At DoubleLine Capital, Founder Gundlach said what they appear to see is deleveraging in the bond market; Gundlach believes there is some forced selling going on in bonds, and is probably not ending. Money market pricing was little changed, although traders are building bets for front-loaded rate cuts, with 10bps of easing priced for May, up from the 9bps on Friday, which implies a 44% probability of a 25bps rate cut at the May meeting. Meanwhile, 95bps is priced for December, not quite as dovish as the 99bps on Friday. Fed's Kugler spoke, largely echoing Powell, that tariffs will be consequential and they have already started seeing some increase in prices, but long-run inflation expectations are well anchored. She also noted how right now, inflation is more pressing.

### SUPPLY:

- USD 72bln (exp. 68bln) of 26wk bills at a high rate of 4.000%, B/C 2.79x (USD 4bln due to SOMA reinvestments)
- USD 80bln (exp. 76bln) of 13wk bills at a high rate of 4.175%, B/C 2.82x (USD 4bln due to SOMA reinvestments).
- USD 50bln of 14-day CMBs at a high rate of 4.300%, B/C 2.65x.

### US Treasury to sell:

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

### STIRS/OPERATIONS:

- **Market Implied Fed Rate Cut Pricing: May 10bps (prev. 9bps), June 34bps (prev. 31bps), July 55bps (prev. 54bps), Dec 95bps (prev. 99bps).**
- NY Fed RRP op demand at USD 148bln (prev. 184bln) across 30 counterparties (prev. 40).
- SOFR at 4.35% (prev. 4.39%), volumes at USD 2.587tln (prev. 2.577tln).
- EFR at 4.33% (prev. 4.33%), volumes at USD 95bln (prev. 103bln).

## CRUDE

### WTI (K5) SETTLED USD 1.29 LOWER AT 60.70/BBL; BRENT (M5) SETTLED USD 1.37 LOWER AT 64.21/BBL

**The crude complex started the week where it finished the last, lower and continuing to be hit by global risk off as US President Trump refuses to budge from his aggressive tariff approach.** Nonetheless, WTI and Brent did pare off earlier lows of USD 58.95/bbl and 62.51/bbl, respectively, as sentiment improved through the session and as US players entered for the week. Moreover, benchmarks surged to peaks of USD 63.90/bbl and 67.43/bbl, respectively, as the risk tone notably shifted positive after CNBC reported that White House Adviser Hasset said US President Trump is mulling a 90-day pause in tariffs for all nations, except China. However, soon after the White House said that is "fake news", and the moves once then reversed. Further, US President Trump posted on Truth that "if China does not withdraw its 34% increase above their already long term trading abuses by tomorrow..... the US will impose additional Tariffs on China of 50%, effective April 9th". Once again, macro newsflow and risk sentiment dominated the energy space with little oil-specific headlines, or much new on the geopolitical footing.

**OPEC SURVEY:** The Reuters survey showed OPEC's March oil output fell 110k BPD M/M to 26.63mIn BPD, led by Nigeria, Venezuela and Iran.

## EQUITIES

- **CLOSES:** SPX -0.23% at 5,062, NDX +0.19% at 17,431, DJI -0.91% at 37,666, RUT -0.92% at 1,810

- **SECTORS:** Real Estate -2.4%, Materials -1.66%, Utilities -1.53%, Consumer Staples -1.18%, Energy -0.94%, Health -0.6%, Consumer Discretionary -0.54%, Industrials -0.44%, Financials -0.15%, Technology +0.32%, Communication Services +1.03%.
- **EUROPEAN CLOSES:** DAX: -4.26% at 19,762, FTSE 100: -4.38% at 7,702, CAC 40: -4.78% at 6,927, Euro Stoxx 50: -4.31% at 4,668, AEX: -4.76% at 801, IBEX 35: -5.14% at 11,783, FTSE MIB: -5.18% at 32,854, SMI: -4.95% at 11,039, PSI: -5.63% at 6,262

## STOCK SPECIFICS

- **Apple (AAPL):** Reportedly plans to send more iPhones to the US from India to offset the high cost of China tariffs, via WSJ citing sources.
- **Meta Platforms (META):** Plans to invest ~USD 1bln in a data centre in central Wisconsin to expand AI infrastructure
- **Tesla (TSLA):** A leading Tesla analyst at Wedbush cut PT by 43% (from USD 550 to USD 315), attributing the decline to a "brand crisis" driven by CEO Musk & Trump's trade policies
- **Qiagen (QGEN):** Strong Q1 preliminary results & raised FY25 earnings view.
- **Howmet Aerospace (HWM):** May halt some shipments, citing force majeure over Trump's new tariffs.
- **Dollar Tree (DLTR):** Upgraded to 'Buy' from 'Neutral' at Citi, believes the higher-tariff across-the-board environment is going to be a positive for Dollar Tree."
- **Boeing (BA):** Has settled lawsuits with families of two 737 MAX crash victims on the eve of the trial, according to lawyers cited by Reuters.
- Lawmakers will be investigating claims from a fired **Facebook (META)** policy official that CEO Mark Zuckerberg lied to Congress about the company's potential concessions to China, Sen. Josh Hawley (R-Mo.) told Punchbowl.

## FX

**The Dollar Index** was firmer to start the week, benefitting from risk-off FX trade and US yields surging despite the initial selloff last week on US President Trump's tariff announcement. DXY heads into overnight trade at ~ 103.26, against European morning lows of 102.170. Over the weekend and on Monday, Trump kept firm on his tariff policy, indicating no sign of reversing or at least halting his incoming reciprocal tariffs on Wednesday. On this, Trump increased trade tensions, threatening China with an additional 50% tariff, effective on April 9th, if China doesn't withdraw its recently announced 34% reciprocal tariff by April 8th. The White House swiftly shut down rumours that Trump was considering a 90-day pause in tariffs for all nations, ex China. Meanwhile, European trade leaders met in Luxembourg today to discuss the EU's response and relations with China. Thereafter, EU Trade Commissioner Sefcovic announced the collection of duties is to commence on April 15th, while the second response was pushed back around by 15 days to May 15th. He also reiterated that the timing of tariff countermeasures cannot be delayed and will not consider changing its VAT system. Aside from trade, data and Fed speak were limited, with Fed's Kugler remarks not changing the dial with the governor largely echoing Fed Chair Powell, but she was noting how inflation is more pressing. Ahead, US data continues to remain light until CPI on Wednesday; as such, trade will dominate the conversation on Tuesday, for both China's response to Trump's threat and if deals between the US and other countries start to get made ahead of Wednesday's reciprocal tariffs.

**G10 FX** was largely weaker vs USD amid high volatility in equities and bonds. CHF continued to outperform, both as a G10 and a haven relative to the JPY, whose usual strength on a risk-off day is held back by a lessening view of BoJ hikes on a weakening economy due to US tariffs. The day saw a video call between Trump and Japanese PM Ishiba, where negotiations over tariff policies are to continue, yet, similar to other countries who've reached out to the US, a deal remains to be seen. US Treasury Secretary Bessent is to lead US tariff talks with Japan, with the Yen on the agenda, Nikkei reported. CAD saw marginal strength, while the remaining major peers were softer, particularly on the NOK, GBP and NZD.

In Europe, the Trade Commissioner Sefcovic said they offered the US zero-for-zero tariffs for autos and all industrial goods; the EU is open to and prefers talks but will not wait endlessly; EUR/USD was unfazed. In Germany, industrial production fell 4% Y/Y in February (exp. -3.6%, prev. -1.49%). Capital Economics said it's likely industrial production will contract again in the coming months, given that higher defence and infrastructure spending are still months away with tariffs to hit the manufacturing value hard as US demand generates ~ 7% of Germany's mfg value. EUR/USD currently sits at ~ 1.0930, with the 21 DMA of 1.0865 approaching on the downside beneath 1.0900.

**The Yuan** was hurt by Trump's continued aggression on the trade front with China, threatening an additional 50% tariff on China. Furthermore, Trump threatened to terminate all talks with China concerning requested meetings if these tariffs were not removed. The President noted that negotiations with other countries which have requested meetings will begin taking place immediately. Day by day, the likelihood of easing US-China tensions seems ever more unlikely, with the Chinese press noting tariffs will hurt, but "sky won't fall"; China hasn't closed the door on negotiations, but no "wishful thinking" either. WSJ's Lingling Wei also stated that China will not yield to Trump's threats. Meanwhile, Bloomberg reported China is considering frontloading stimulus in order to counter the tariff hit.

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newsquawk.com · +44 20 3582 2778 · info@newsquawk.com