US Market Wrap - 9th April 2025

Stocks see historic gains as Trump dials back reciprocal tariffs

- **SNAPSHOT**: Equities up, Treasuries down, Crude up, Dollar up
- **REAR VIEW**: Trump announces 90-day pause to reciprocal tariffs on 75 countries, includes those who have called the US and not retaliated. 75 countries will receive a substantially lowered reciprocal tariff during this period of 10%, effective immediately; China announces additional 50% tariffs, effective April 10th; Trump raised China tariffs to 125%; Bessent says everything's on the table; AtlantaFed (Q1) lifts growth forecast, but still sees contraction; RBNZ cuts OCR by 25bps as expected; PBoc asked major state banks to reduce USD purchases, will not rush to devalue currency; EIA shows suprise crude stock build; GOOG maintains 2025 CapEx view; WMT reaffirms Q1 sales guidance.
- **COMING UP**: **Data:** Chinese, Norwegian, US CPI, US Jobless Claims, Chinese M2 Money Supply. **Speakers:** RBA's Bullock; BoE's Breeden; Fed's Logan, Bowman, Schmid, Goolsbee, Harker; SNB's Tschudin, Moser. **Supply:** Japan, Spain, US.

MARKET WRAP

Volatility continued on Wednesday but ultimately equities saw historic upside (SPX +9.5%, NDX +12.0%, RUT +8.7%, DJI +7.9%) as US President Trump implemented a 90-day pause on reciprocal tariffs to the 75 countries who approached the US for talks, seeing their tariff rates drop to the baseline 10% to allow time for negotiations. However, Trump also announced he will be increasing China tariffs even higher to 125% from 84% after China responded to the additional US tariffs, by implementing 84% tariffs, up from 34%. Bonds were incredibly choppy but settled well in the red with chunky selling pressure seen overnight. The 10yr auction was very strong thanks to stellar indirect demand offsetting the dire direct demand. In response to the Trade updates, the Dollar rallied from lows with DXY back above 103 from 101.83, while havens were sold with USD/JPY rising to a peak of 148.27 from lows of 144.01, while CHF also plummeted. Gold prices rallied throughout the session but sold off on Trump's reciprocal tariff pause, before buying resumed. Crude prices surged from lows of USD 55.12/bbl to peaks of USD 62.93 as recession risks faded on Trump's tariff pause. Money markets now only fully price in three cuts from the Fed in 2025, vs the four priced on Tuesday.

TRADE

TRADE: US President Trump announced a 90-day pause on reciprocal tariffs with the countries who have been in talks with the US for a trade deal. This takes trading partners' tariffs to the baseline 10% level, for the 90-day period, giving trading partners time to negotiate a deal. However, Trump responded to China's response, and lifted tariffs on China to 125% from 104%, after China raised tariffs on the US to 84% from 34%. Note, that there is still a lot of unknowns about Trump's latest 90-day pause. On Canada and Mexico, a White House official clarified that there's no change to tariffs for these two economies, and more widespread there's no change to autos, steel, aluminium. Meanwhile, Trump said the reciprocal tariff pause was for those who have called the US to negotiate on "Trade, Trade Barriers, Tariffs, Currency Manipulation, and Non Monetary Tariffs", and "these Countries have not, at my strong suggestion, retaliated in any way, shape, or form against the United States". It is not clear if exemptions refer to the EU or not, as earlier the EU Commission said it will impose first countermeasures against the US on April 15th with a retaliation of 10-25% on US imports (so they have not been implemented yet), noting it secured backing from EU countries for the first countermeasures against US tariffs. However, it said countermeasures can be suspended at any time, should the US agree to a fair and balanced negotiated outcome.

FED

FOMC MINUTES: The minutes of the March 19th meeting, noted that All participants viewed it appropriate to keep interest rates unchanged in light of elevated uncertainty around economic outlook. Participants remarked uncertainty about the net effect of government policies on the outlook was high, making it appropriate to take a cautious approach, and assessed that FOMC was well positioned to wait for more clarity on the outlook. Some participants observed the FOMC may face difficult tradeoffs if inflation proved more persistent while the outlook for growth and employment weakened. A few participants cautioned an abrupt repricing of risk in financial markets could exacerbate the effects of any negative economic shock. On inflation, a majority of participants noted the potential for inflationary effects from various factors to be more persistent than they projected. Almost all participants viewed risk to inflation as tilted to the upside, with risks to employment as tilted to the downside. Several participants emphasized that elevated inflation could prove to be more persistent than expected. On the balance sheet, almost all participants supported slowing the pace of balance sheet runoff, but several did not see a compelling case for a slower runoff pace - implying some non-2025 voters agreed with Waller to not slow the pace of the balance sheet runoff.

MUSALEM (2025 Voter): Expects US economic growth this year will be materially below the estimated 2% trend, but the baseline outlook is not for a recession. However, slipping confidence, higher prices and a blow to household wealth point to slowing growth. The St Louis Fed President said that financial conditions have tightened, but he does not see market dysfunction in recent volatility. He noted markets are responding to reassessments of global growth. Musalem noted that going forward, the Fed has tension between its dual mandate goals as risks of slower growth and higher inflation begin to materialize. He noted that inflation expectations remain anchored and it is necessary for the Fed to keep them that way. Musalem warned it is risky to assume the Fed can look through higher prices from tariffs and there is a chance some effects could persist. He will be taking a balanced approach to monetary policy as long as inflation expectations remain anchored. Business contacts say they are not turning to layoffs, but are taking a wait-and-see approach to hiring and capital spending plans.

KASHKARI (2026 Voter): The Minneapolis Fed President said that no monetary policy response, up or down, should be off the table. The hurdle to changing the policy rate has increased due to tariffs, but the bar is higher for cutting, even if the economy and labour market are weakening. Kashkari also noted how a falling neutral rate due to tariffs reduces the immediate need for hikes. Unanchored inflation risk appears to have "increased notably" and it is too risky to look through tariff inflation impact. Once confident on long-term inflation, the Fed could then focus on the trade-off between the Fed's goals. Near-term inflation will climb, purchasing power will fall, while investment is likely to be lower, and GDP smaller due to tariffs.

BARKIN (2027 Voter): The Richmond Fed President said he is watching consumers closely, and he would worry if the US was close to a moment where consumers decide to pull back, however so far this has not happened. He warned the trade war is likely to cause fewer jobs and higher prices, but price hikes may not show up until the summer as companies work through pre-tariff inventories. Barkin thinks the impact of tariffs is going to hit both inflation and unemployment, noting some of the shifts risk being both inflationary and negative for unemployment. He said the data is still perfectly solid, but he thinks people are wondering whether consumer spending is part of the economy is at risk. Barkin also noted how in his talks to contacts, companies typically have 30-60 days' worth of pre-tariff inventory to work through, so for impact on prices, it will likely be more about June than April. He also noted that a home improvement manufacturer said they're not going to do the Memorial Day promotion that they would normally do, as they only have a limited amount of inventory at a lower cost. Barkin also noted there may well be disinflationary forces too, citing lower oil prices and the impact of retaliation on some of their export manufacturing.

FIXED INCOME

T-NOTE FUTURES SETTLED 1 POINT 4+ TICKS LOWER AT 110-10+

Treasury volatility continues as Trump implements 90-day reciprocal tariff pause but ups China tariffs; Very strong 10yr auction. Money markets go back to pricing in just three Fed rate cuts this year. At settlement, 2s +19.5bps at 3.933%, 3s +16.6bps at 3.947%, 5s +16.1bps at 4.070%, 7s +14.1bps at 4.215%, 10s +9.5bps at 4.355%, 20s +3.6bps at 4.794%, 30s +2.4bps at 4.739%

INFLATION BREAKEVENS: 5yr BEI +8.2bps at 2.400%, 10yr BEI +5.5bps at 2.283%, 30yr BEI +3.1bps at 2.222%.

THE DAY: Overall, T-notes chopped to volatile trade updates, and a a stellar 10yr auction. T-notes were sold hard overnight, falling from c. 111-20 to lows of 110-01 with likely further US deleveraging taking place throughout the APAC session with Dollar and US equity futures also sold. There may have also been some further selling due to the APAC response to the weak 3-year note auction, which saw direct demand plummet. The Treasury curve continued to steepen with the long-end selling off. Treasury Secretary Bessent spoke on the bond market, noting he thinks there is nothing systemic about deleveraging in the bond market, and he does expect it to calm down, adding he sees it as normal deleveraging. He also called on banking deregulation to allow banks to buy more treasuries. T-notes had started to revive during the European session, returning to 111-00 but further chop was experienced throughout the session with the risk asset still volatile in response to Trump's tariffs. The latest saw China retaliate against the 50% additional levies, which resulted in two-way price action in T-notes, but ultimately, the move was lower as US assets took another hit in response. T-notes fell back towards 110-04 before paring the move as risk sentiment improved, seeing stocks, T-notes and bonds off lows. The 10-year T-note auction was very strong (more below), seeing futures rally. The upside was extended as US President Trump announced a 90-day pause on reciprocal tariffs with nations who have been in talks with the US over trade deals, but at the same time, he increased China tariffs to 125% from 104%. T-notes then chopped thereafter. The FOMC Minutes were largely ignored with a focus on trade, but it largely echoed recent commentary from officials. It did reveal that "several" did not see a compelling case for a slower runoff pace, suggesting there are other non-2025 voters that agreed with Governor Waller's dissent.

SUPPLY:

US Treasury sold:

- USD 39bln of 10yr notes: Overall, a very strong 10yr auction - helping offset some of the fears after the woeful 3yr offering on Tuesday - attention turns to the 30yr bond offering post-CPI on Thursday. The Treasury sold USD 39bln of 10-year notes at a high yield of 4.435% (above the prior yield of 4.31%). This saw the auction stop through by a whopping 3bps, a much better sign of demand when compared to the prior stop through of 0.5bps and six auction averages of a 0.2bps stop through, and at the other end of the spectrum when compared to yesterday's 3y tail of 2.4bps. The strong auction came despite a collapse in direct demand to just 1.4% from 19.5% in March (similar to what was seen in the 3yr), but this time round it was more than offset by the chunky surge in indirect demand to 87.9%, well above the prior 67.4%. This left dealers with a below prior and an average of 10.7% of the auction, overall showing solid demand.
- USD 60bln of 17wk bills at a high rate of 4,250%, B/C 2.71x

US Treasury to sell:

- USD 22bln of 30yr bonds on April 10th
- USD 75bln of 8wk bills on April 10th
- USD 85bln of 4wk bills on April 10th

STIRS/OPERATIONS:

- **Market Implied Fed Rate Cut Pricing: May 5bps (prev. 14bps), June 21bps (prev. 41bps), July 38bps (prev. 64bps), Dec 76bps (prev. 107bps)**
- NY Fed RRP op demand at USD 168bln (prev. 157bln) across 31 counterparties (prev. 34)
- SOFR at 4.40% (prev. 4.33%), volumes at USD 2.658tln (prev. 2.630tln).
- EFFR at 4.33% (prev. 4.33%), volumes at USD 93bln (prev. 93bln).

CRUDE

WTI (K5) SETTLED USD 2.77 HIGHER AT USD 62.35/BBL; BRENT (M5) SETTLED USD 2.66 HIGHER AT USD 65.48/BBL

Crude prices rally off yearly lows into the green as recessionary fears reduce on Trump announcing a 90-day pause to reciprocal tariffs on 75 countries. Countries included are those whom Trump said have not retaliated in any way, shape, or form against the United States; they will receive a substantially lowered reciprocal tariff during this period of 10%, effective immediately. WTI and Brent spiked to highs on the announcement and edged higher into settlement. Earlier prices were subdued as weakness was maintained as Trump's reciprocal tariffs took effect with participants still weighing OPEC's decision to increase supply. Session lows were seen in the European afternoon on China's announcement to impose an additional 50% tariff on the US. WTI and Brent hit lows of USD 55.12/bbl, and USD 58.40/bbl, respectively. In response, Trump imposed 125% tariffs on China (prev. 104%), effective immediately. Meanwhile, the weekly EIA inventory report unveiled a crude stock build of 2.55mln (exp. 1.421mln) after Tuesday's API surprise crude draw of 1.1mln. On geopolitics, the IDF announced a large-scale operation in Nablus in the West Bank, according to Sky News Arabia. Separately, a Yemeni Houthi spokesperson said two military operations were carried out; the first targeted military targets of Israel in Jaffa, and the second targeted a number of war pieces, including the American aircraft carrier Truman, with a number of drones.

EIA

- Crude Production 13.458M (Prev. 13.58M); -122k, -0.9%.
- Refining Util w/e 0.7% vs. Exp. 0.5% (Prev. -1.0%).
- Gasoline Stk w/e -1.6M vs. Exp. -1.513M (Prev. -1.551M).
- Dist. Stocks w/e -3.544M vs. Exp. 0.264M (Prev. 0.264M).
- Crude Stocks w/e 2.553M vs. Exp. 1.421M (Prev. 6.165M).
- Crude Cushing w/e 0.681M (Prev. 2.373M).

EQUITIES

CLOSES: SPX +9.52% at 5,457, NDX +12.02% at 19,145, DJI +7.87% at 40,608, RUT +8.66% at 1,913

SECTORS: Utilities +3.91%, Consumer Staples +4.22%, Health +4.34%, Real Estate +5.74%, Energy +7.47%, Financials +7.59%, Materials +8.63%, Industrials +8.97%, Communication Services +9.99%, Consumer Discretionary +11.36%, Technology +14.15%.

EUROPEAN CLOSES: DAX: -2.96% at 19,680, FTSE 100: -2.92% at 7,679, CAC 40: -3.34% at 6,863, Euro Stoxx 50: -3.31% at 4,616, AEX: -3.33% at 796, IBEX 35: -2.01% at 11,824, FTSE MIB: -2.75% at 32,731, SMI: -4.64% at 10,860, PSI: -2.85% at 6,254.

STOCK SPECIFICS

- **Google (GOOGL)** Plans to invest around USD 75bln in total CAPEX in 2025 (maintained from view in February 2025).
- **Apple (AAPL):** Upgraded to 'Hold' from 'Underperform' at Jefferies. The firm still assumes Apple would be exempted from US tariffs, given its commitment to invest USD 500bln in the US over the next four years and its belief that it would make additional manufacturing investment commitments in the US.
- **Walmart (WMT):** Reaffirmed Q1 sales guidance; deployed USD 7bln to share repurchases and raised dividend. CEO expects US e-commerce to account for 60% of US sales over the next five years.
- **Delta Air Lines (DAL):** Q2 EPS guidance fell short. Said growth has largely stalled with trade uncertainty; not reaffirming FY guidance given uncertainty. Note, Q1 EPS beat and Q1 revenue were as expected.
- **Pharma names (MRK, AMGN, PFE, JNJ):** Saw weakness following Trump saying the US will soon announce tariffs on pharma imports.
- **Micron (MU):** Raised its market forecast for HBM in light of Nvidia's upcoming B300 and GB300 AI accelerators.
- **Ford (F):** Downgraded to 'Underperform' from 'Market Perform' at Bernstein. The firm believes "downside risk from more stringent US content rules" may also pressure the company's dividend. It believes significant downside risk for Ford shares is not being priced in by the market.
- **Amazon (AMZN):** Has cancelled some inventory orders from China due to the tariff measures, via Bloomberg citing sources.
- **TSMC (TSM):** Trump said he told TSM that if they don't build their plant in the US, they will pay taxes as high as 100%.
- Trump administration reportedly backs off **Nvidia's (NVDA)** H20 chip crackdown after CEO's Mar-A-Lago dinner, via report cited by CNBC.
- Trump administration reportedly threatens to scrap consultancy contracts after "insulting" proposals, via FT. Of note for **Booz Allen Hamilton (BAH)** and **Accenture (ACN).**

FX

The Dollar Index rallied on US President Trump's announcement of a 90-day pause to reciprocal tariffs on 75 countries. Countries included are those in Trump's view that have both called the US and not retaliated in any way, shape, or form against the United States; they will receive a substantially lowered reciprocal tariff during this period of 10%, effective immediately. As such, the 90-day pause has allowed for breathing room and further time for the US to negotiate with countries to reach a trade deal, with US equities and oil prices surging on the lesser likelihood of an inbound recession. That said, Trump kept firm on China, increasing tariffs on China to 125% (prev. 104%), following China announcing 50% additional tariffs on the US earlier in the session. Given that trade was the dominating topic of the day, FOMC Minutes were a non-event and remarks from Fed speakers may be seen as outdated given the tariff policy changes. Ahead, the focus will remain on trade and whether the 90-day pause keeps corporations and the Fed in their current wait-and-see approach. On Thursday, CPI (Mar) is due, alongside a series of Fed speakers and the Federal Budget.

G10 FX performance was mixed, with high-beta FX (Antipodes & Scandi) the clear outperformers on the less aggressive US tariff approach as growth optimism across the globe returns. Amid the risk-on mood, havens lost their attraction with the JPY and CHF seeing notable weakness; USD/JPY rose to ~147.70 into APAC trade from earlier lows of 144.01. Elsewhere, the RBNZ cut the OCR by 25bps to 3.5% as expected, resulting in an immediate upside in the Kiwi, which later reappeared on Trump's pause announcement. As it stands, NZD/USD and AUD/USD have completely pared the last 2 trading days of losses, hovering at ~0.5660 ~0.6170, respectively. EUR/USD ended the session flat, as clarity awaits on whether the EU is part of the 75 countries that have received a 90-day pause. Note, that the EU have announced retaliatory tariffs, although the first round isn't effective until April 15th.

EMFX: The space generally benefitted from the relief offered by Trump, with LatAm FX the main beneficiary as commodity prices surged higher on demand optimism. The main focus was on the Yuan as escalations continued with the US and China. As mentioned, Trump's new tariff of 125% on China came in response to China's 50% retaliatory tariff. Ultimately, USD/CNH finished the session lower, amid the PBoC having asked major state banks to reduce USD purchases, according to Reuters sources; PBoC will not resort to immediate sharp CNY deprecation to counteract the impact from US tariffs. Elsewhere, the ZAR was offered relief from Trump's pause announcement, leaving USD/ZAR in the red after setting fresh record highs. In India, INR underperformed following the RBI's decision to cut rates by 25bps, as expected.