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Article MARKETS COMMENTARY

Weekly round-up: 7 – 11 April

Tom Watts recaps the past week's events and looks ahead to the next.

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This week

"I don't want anything to go down, but sometimes you have to take medicine to fix something."

Confounding medical expertise, US President, Donald Trump's words on Sunday, referring to his views on the recent tariff induced stock market rout, failed to give markets the required shot in the arm.

You didn't need to be an Ophthalmologist on Monday morning to see what a sight for sore eyes global markets were, as financial markets across the globe posted a third day of losses, as investors worried that steep trade barriers around the world's largest consumer market could increase the chances of a recession. Trading volumes on Monday also broke US records for the second session in a row as all three major U.S. indexes touched their lowest levels in more than a year. They had actually briefly rallied on the back of a report that Trump was planning to freeze most of the tariffs he had announced the previous week for 90 days to allow for negotiations, but that was quickly debunked (for now) allowing for markets to sink back into negative territory.

Monday also saw a key symptom of current investor angst, the Volatility Index, known as the VIX, briefly breach the 60 mark, a level not seen since August 2024.

The week was also proved to be an interesting time for the Dermatologists out there, as a series of increasingly rash tariff decisions between the US and China got investor pulses racing. Wednesday afternoon saw China's finance ministry announce an 84% tariff on goods imported from the US, retaliating against recent levies imposed by the White House. The hike in duties, increasing from 34% just a few days pervious, came after a new US implemented 104% tariff on Chinese goods coming into force on hours earlier.

Investor worries had even bled through to the bond market by the middle of the week, with British 30-year government bond yields surging to their highest since May 1998, following another sharp rise in U.S. Treasury yields, bond prices move inversely to yields, showing a degree of selling in the market. Interestingly, futures markets were also pricing in major surgery from the Bank of England for the rest of the year, seeing more than three 0.25% rate cuts to come yet.

Now, any haematologist will tell you that tariffs are obviously in Donald Trump's blood, and so his monumental change of heart on Wednesday evening to pause last week's levies, was on a scale that even a cardiovascular surgeon would struggle with.

US Treasury Secretary, Scott Bessent, attempted to make the point that this had been the plan all along, and that the wild swings in markets were a ploy to bring countries to the bargaining table, commenting that "this was his strategy all along,". Trump, though, later indicated that the panic in markets his policies had caused had in fact entered his thinking when pulling the U-turn. Despite insisting for days that his policies would never change; he told reporters on Wednesday evening: "You have to be flexible."

Always keep pressure on a wound they say, and so Trump chose to keep the pressure on China, increasing all levies on their imports to the US by 125%, up from the 104% announced just hours before, whilst allowing other nations a 90-day respite to negotiate with the White House. Although by Friday, China would have matched this on US tariffs to their own country.

US markets rejoiced at the news, with the S&P 500 closing up 9.5%, its best day since August 2008. The relief also spread throughout Asian and European markets the following day, with Japan's Nikkei the highlight, surging 9%.

US investment bank, Goldman Sachs, also cut its probability of a recession back to 45% after Trump's move, down from 65%, arguing that the tariffs left in place were still likely to result in a 15% increase in the overall tariff rate.

Data showed that prices unexpectedly fell in March for US consumers, coming in at 2.4% on an annual basis, lower than the 2.5% predicted and down from last month's reading of 2.8%. With the US Federal Reserve releasing their meeting minutes from their last summit this week, policymakers were almost unanimous that the economy faced the risk of higher inflation due to Trump's tariff war, so it could be argued that Thursday's reading was just what the doctor ordered…

Next week

With tariff news set to dominate the upcoming week, headlines covering which countries are working together to try and get a deal done should make for plenty of column issues inches going forward.

However, on domestic shores, work in a more general sense will be in many economist's thoughts come Tuesday, as the Office for National Statistics release a raft of domestic labour data. With the UK employment landscape having proven remarkably resilient in the face of rising rates, the beginning of the week will give us the opportunity to check one facet of the employment landscape for weakness, the Unemployment Claimant Count. Measuring the change in the number of people claiming job seeker's related benefits during the previous month, the figures are crucial in understanding the strength of the overall market as the figures contribute strongly to the general unemployment picture.

The data will be twinned with average hourly earnings figures to give us a much more comprehensive picture of the domestic employment landscape and could have an amplified effect on more mid cap orientated markets on its release.

The domestic data doesn't stop there though, as Wednesday brings us UK inflation numbers, another key piece of information, especially when looking forward to gauge just how those on Threadneedle Street may act when cutting rates throughout the rest of the year. With only a few months to go before the government's National Insurance and minimum wage hikes start to feed through into the numbers, the data could take on added impetus, as economists attempt to calculate just what affect those new policies could already be having.

It's over to the continent for the final day before the Good Friday bank holiday, as the European Central Bank (ECB) look set to cut borrowing rates further. Interestingly, minutes released from the ECB's March meeting confirm an increasingly diverging set of views on when to cut interest rates again. An easing bias with the openness to pause was the stance after the March meeting. However, with so many tariffs implemented over the last month or so, the chances have increased for a rate cut next week.

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