WEEKLY MARKET COMMENTARY BY ROB GLEESON
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FE Investments

MARKETS RISE FOLLOWING A CALMER APPROACH BY THE WHITE HOUSE

This week investors enjoyed a rally in global markets, apparently soothed by the more accommodative stance of the White House. After calling for the removal of Federal Reserve chair Jerome Powell, President Trump walked back his criticism and said he would not fire the head of the central bank. At the same time, Trump and his economic secretary were talking up the chances of an agreement with China which would significantly lower tariffs on trade between the two countries. This helped a broad rally in equity markets and government bonds also gained slightly.

After a wild round-trip, markets are heading back to where they were at the start of the month, before Trump's 'liberation day' tariffs sparked the sell-off. But not much has significantly changed – US imports are now subject to 10% tariffs, while the more punitive rates are suspended, not cancelled. There are no trade deals to announce and, in the case of China, little tangible progress towards a solution. So, without a further climb down from the White House, there is a lot of scope for further volatility and it is worth a reminder that investing is a long-term undertaking.

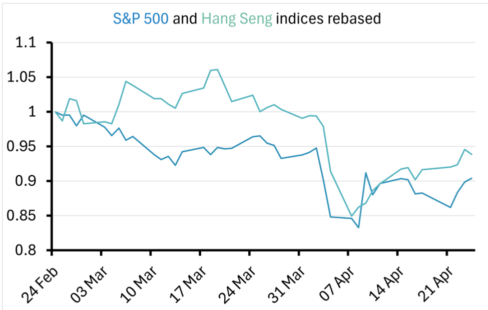
THE MARKETS THIS WEEK

FTSE 100	S&P 500	Nikkei 225	STOXX 600	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Copper	GBP USD
+1.67	+4.07%	+3.42%	+2.66%	+2.87%	-0.03%	-0.06%	-2.34%	-1.01%	+0.35%	+0.70%

MARKETS RELIEVED AS TRUMP STEPS BACK FROM CONFRONTATIONS

A rally in US stocks supported global markets after Donald Trump hinted at lowering tariffs on China and backed away from threats to sack Federal Reserve chair Jerome Powell. US stocks started the week on the backfoot and the dollar fell further as Trump lashed out at the Fed's refusal to cut interest rates. However, Trump later said he had no intention of firing Powell before his term ends next year. Stocks rebounded after Trump and Treasury Secretary Scott Bessent said tariffs on China would be slashed when the two countries agree a deal. But, the positivity was tempered by Bessent warning the US would not cut tariffs unilaterally and that there were no trade talks in play.

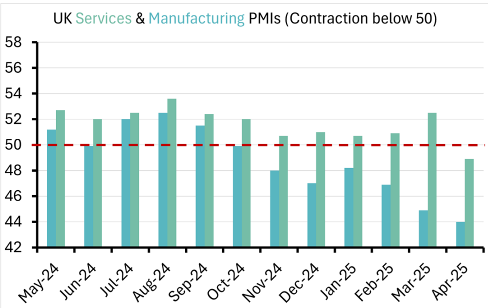
The apparent cooling of the dispute between China and the US helped support US government bonds as the US dollar steadied. Global equity markets gained, including emerging markets. Recent gains helped emerging market equities turn positive for the year to date as investors have become less pessimistic about the impact of Trump's tariffs.



UK: SLOWDOWN IN BUSINESS ACTIVITY JOLTING BOE INTO ACTION

S&P Global surveys show both UK's services and manufacturing contracting, with expectations also weakening. Inflation for business costs accelerated, while employment continued to fall. The IMF cut its UK growth outlook by 0.5% to 1.1%, as it forecast a wave of temporary inflation to pass through the economy due to the disruption from the US-led surge in trade barriers around the world, before falling again. The outlook cut reflects higher gilt yields and weaker private consumption given high energy costs to boot. The fund said the Bank of England has room to cut interest rates three times this year.

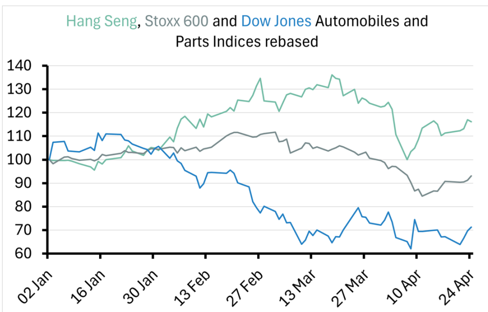
BoE Governor Andrew Bailey said tackling risks from tariffs was necessary, with traders anticipating a quarter-point cut in May and possibly more reductions by the end of the year. Additionally, UK chancellor Rachel Reeves headed to defend British interests in Washington, while grappling with the prospect of tax hikes as UK government's annual borrowing overshot expectations by £15bn in March.



AUTOS: CARMAKERS GRANTED TARIFF RELIEF AS MUSK RETURNS TO TESLA

US car makers were given a slight reprieve from the punitive 25% tariffs levied on cars and car parts imported to the US. The Trump administration said tariffs on completed cars coming in from Canada and Mexico would only apply to non-US made components. The US will also apply only the basic, standard tariffs on cars and car parts rather than stack the full range of different reciprocal tariffs that have been announced. Increasing numbers of US companies have been factoring the effect of tariffs in their earnings updates, as they warn of supply chain disruptions and potential to hit profits.

Meanwhile, Elon Musk promised Tesla investors to cut back his government work and spend more time on the car maker following a dive in revenue and profits in the first quarter. Tesla's shares have slumped this quarter, hit by a combination of tariffs on car parts and falling sales. Tesla and luxury European car makers are facing greater competition from Chinese automakers' move into luxury and their advances in battery and charging technology.



Data sourced from Investing.com, S&P Global and Trading Economics