FE Investments

WEEKLY MARKET COMMENTARY BY ROB GLEESON
4 April 2025

MARKETS STUNNED BY TRUMPS EXPANSIVE TARIFFS

This week as Donald Trump celebrated "liberation day" global markets were far from celebratory. The US president unveiled a sweeping package of additional tariffs on US imports, with the largest hikes being added to goods from its biggest trade partners. But Trump and his trade advisers are in a very small minority that think these measures will be anything other than damaging to US and global economic growth. Rather than liberation, Trump's new measure were closer to demolition as fears grow about a US recession.

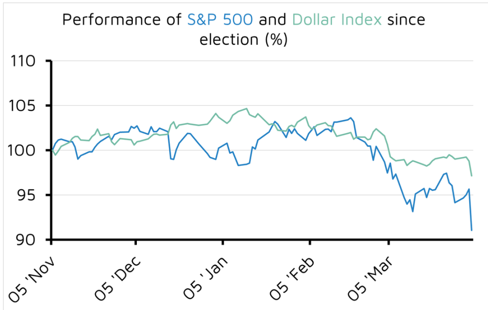
After steep declines on Thursday, equities continued to slide in Asian trading overnight and European markets are down in early trading on Friday. But even without further market movements in the coming days the new tariffs are unlikely to be the end for this debacle. Trump's liking for a deal opens the way for countries to try and renegotiate their rates, and there will be domestic pressure from investors and businesses to water down these measures. And if high tariffs remain in place then central banks face being caught between rising prices and faltering growth.

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
-3.41	-6.09%	-9.69%	-5.67%	-2.46%	-0.37%	-0.32%	-8.59%	+0.19%	-7.43%	+0.39%

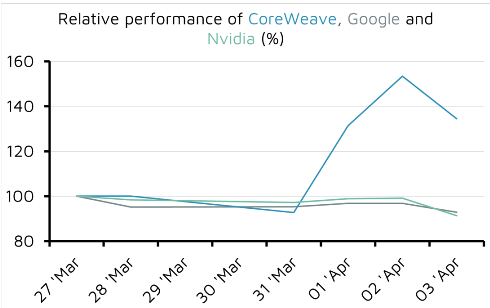
GLOBAL: EQUITIES TUMBLE AS HIKE IN US TARIFFS SHOCKS INVESTORS

Equity markets sold off heavily after Donald Trump announced a big increase in tariffs on US imports. The measures announced went further than expected and caused equity markets around the world to fall heavily. The US has imposed an extra10% tariff on almost all countries it has a trade relationship with starting on Saturday. It will also impose much higher rates for EU countries, China, India, Japan, Vietnam and many others that Trump claims are treating the US unfairly starting on 9 April.



Canada and Brazil have said they are willing to impose higher tariffs on US goods in response. The EU is also considering raising tariffs in reply. Others like the UK and South Korea have said they will consider their response. US equity markets plunged to wipe out gains from earlier in the week. Other developed markets also saw big losses, with the export-heavy Japanese market dropping steeply. The US dollar fell and many investors sought the safety of US and UK government bonds. Large inflows pushed up prices, forcing yields down.

TECH: PRIVATE VALUATIONS JUMP DESPITE PAIN IN PUBLIC MARKETS

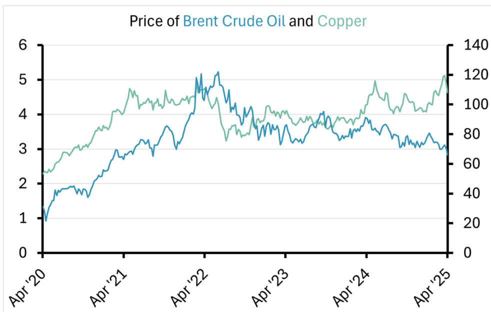


While many listed US tech stocks come under pressure, venture capital firms remain bullish about the prospects for AI. ChatGPT maker Open AI has secured $40bn from a SoftBank-led funding round. This values it at $300bn, comparable to Chevron and a bit less than Coca-Cola. OpenAI was valued at $157bn last October where it raised $6.6bn. Similarly, Elon Musk's start-up xAI, which raised $5bn at a valuation of $45bn in November, is being valued at $80bn as it is set to merge with X, aka Twitter.

Despite turmoil in technology stocks, this week saw AI firm CoreWeave successfully launch on the Nasdaq index. After reducing the size of its IPO, the company saw its shares jump from an initial price of $39 to more than $60, giving it a valuation of $28bn. Meanwhile, Google's DeepMind, whose groundbreaking research was key to today's boom in generative AI, is going to keep its research private so that Google's own Gemini AI can retain a competitive edge over its rivals.

COMMODITIES: TRADING HOUSES ON SHOPPING SPREE ON BUMPER PROFITS

Leading commodity trading houses Trafigura, Vitol, Gunvor, and Mercuria are leveraging their bumper profits from the recent energy crisis to expand and diversify their portfolios. With over $57bn in collective net profits since 2022, they are buying assets to support their core businesses and ward off mounting competition. Hedge funds, as well as new entrants, producers and consumers have taken 10 percentage points of market share from top trading houses since 2019.



While originally focused on oil, Mercuria, Gunvor, and Vitol are now diversifying into metals. They are expanding their trading teams to meet the rising demand for copper and aluminium in the green energy transition, encroaching onto Trafigura's turf. Other acquisitions of the four trading houses span the globe in businesses including mining, biofuels, oil and gas, power and logistics. This helps traders boost profits by gaining more market knowledge and the ability to adjust production to market conditions or their trading needs.

Data sourced from Investing.com