



بنك الإمارات دبي الوطني  
Emirates NBD

## CIO OFFICE MORNING MARKET WRAP

### 3 April 2025

Markets remained volatile heading into the announcement of reciprocal tariffs by President Donald Trump. It was a rollercoaster ride, with the S&P 500 erasing initial losses to close 0.7% higher. The discretionary sector led gains, while IT megacaps ended negative, in a rebound partially driven by short covering ahead of key news flow. Two bellwether equity baskets, one of most shorted stocks and one of unprofitable technology, outperformed the broader market, and so did the small and midcaps. Banks rallied, and Goldman Sachs and Morgan Stanley each rose at least 2.7%. Tesla jumped 5% on hopes Elon Musk would refocus on the automaker following later unsubstantiated reports that his time as top Trump adviser may end soon. Treasuries pared drops with yields losing about 3bps across maturities. Oil and gold edged higher, while the dollar continued its fall. Meantime, American corporations last month announced the fewest stock buybacks since the pandemic period, in a sign of growing worries about the impact of a trade war. China took steps to restrict local companies from investing in the US, in a bid to gain leverage in future trade negotiations. And Europe said it would adopt measures to respond to any trade duties.

On another note, Tesla’s vehicle sales fell 13% in the last quarter, its worst showing since Q2 2022. Despite the drop in deliveries in 2024, the company expects to return to growth in 2025, planning to launch more affordable vehicles and a robotaxi service in the first half of this year.

#### Markets this morning:

There was a sweeping selloff in financial markets after President’s Trump’s bid to reshape the world trade order proved more aggressive than expected. Stocks plunged, Treasuries rallied, and the yen gained in a flight to quality. Gold touched a record high. Losses were widespread from Sidney to Hong Kong, with Japan sinking to an eight-month low. US and European index futures fell, while global corporations from Apple to Toyota and Nike retreated. As of the time of writing S&P futures were trading 2.7% down, though above the opening price and recovering from initial steeper losses, while Europe was dropping a more contained 1.6%. The president announced a minimum 10% tariff on all exports to the United States, as well as additional duties for the major trading partners including China, Japan, and the European Union. Hopes for a lighter touch were dashed and investors will now have to brace themselves for a stretch of trade negotiations against a macroeconomic backdrop that is showing more signs of softening. The more pro-cyclical commodities also fell. Brent crude and copper traded at least 2% lower in the Asian session.

On top of a minimum 10% tariff, around 60 nations with the largest trade imbalances will be hit. Baseline import taxes are set to be effective from midnight Saturday, while the higher duties will kick in from Saturday at 12:01 am on April 9. The European Union will have a 20% levy, Japan will be at 24%, India at 26%, while China at 34% based on the reciprocal plan, that will be stacked on the existing 20% tied to fentanyl trafficking to reach a total of 54%. Without going into further details, the Asian countries were the hardest hit, frustrating Chinese attempts to circumvent US policies by relocating production to Cambodia or Vietnam. Steel, aluminum, automobiles already subject to separate duties will not be subject to the reciprocal ones. Copper, pharmaceuticals, semiconductors, and lumber will also be exempt, as will be bullion and energy not available in the US.

Overall, Trump’s announcement seems to be a platform for trade deals, that could mark peak trade uncertainty and possibly market conditions close to peak volatility. Trump indicated he could consider lowering rates if other nations take measures that support US exports, while Treasury Secretary Scott Bessent in an interview said that “As long as you don’t retaliate, this is the high end of the number”. The flip side is deals may take time and in the absence of significant progress economic hurt from higher prices could come quickly.

#### Upcoming key events/data:

The main highlights for today will be the release of the ISM services index in the United States, and the ECB policy meeting in Europe. Tomorrow all eyes will be on the US jobs reports, expected to see 200,000 payrolls growth for March.

Have a good day!

Chief Investment Office  
Wealth Management  
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