



CIO OFFICE MORNING MARKET WRAP

23 April 2025

Markets staged a powerful rebound Tuesday as sentiment recalibrated around signs of progress on trade negotiations. The S&P 500 surged 2.5% in its strongest session since early April after Treasury Secretary Scott Bessent privately signaled that the US-China tariff standoff is likely to ease. He described the current tariff regime as unsustainable and said a reset in tone was coming soon. President Trump echoed the shift, saying the US would "be very nice" to Beijing and signaling a softer approach. Equities rallied broadly, and volatility fell back. Tesla helped lift the tape during the session, gaining 4.6% after Elon Musk pledged to reduce his time spent in Washington and refocus on the company. The stock trimmed gains post-close after reporting Q1 results that showed clear strain from trade policy. Revenue fell 9% year-over-year to \$19.3 billion, deliveries dropped 13%, and earnings slid to 27 cents per share. Tesla flagged ongoing trade disruptions and political uncertainty as headwinds for both its automotive and energy units. Free cash flow was positive, and AI-driven storage demand was a bright spot, but the overall message was cautious. In Europe, the MSCI Europe index ended up 0.3% led by autos, banks, and basic resources. Novo Nordisk dropped 7.4% as Eli Lilly's new weight-loss pill trial raised fears of competitive erosion. Tech and renewables lagged as concerns over US data center demand and offshore wind subsidies weighed. The euro dipped slightly while rates markets were quiet heading into upcoming PMIs.

Within Asia, Japan's Nikkei slipped 0.2% as the yen strengthened to its highest level since September, pressuring exporters and semiconductors. The broader TOPIX edged higher, helped by defensives. China was rangebound. The CSI 300 was little changed as markets weighed state-led buying against geopolitical pressure. Beijing ramped up criticism of US trade tactics, signaling further scrutiny on American-linked asset flows. Reports emerged of a quiet pause in Chinese sovereign fund allocations to US private equity, underlining the policy freeze. In India, the Nifty rose 0.2% for a sixth straight gain, marking its highest close since January. Banks and consumer names led the move after the RBI loosened liquidity coverage rules, freeing capital for lending. The rally in bank stocks has now added close to \$100 billion in market value this month alone, with earnings tailwinds expected to continue.

Oil prices firmed modestly, with Brent settling around \$67.9. Gold edged lower to \$3,380 after hitting a record earlier, topping the \$3,500 mark, pausing as risk appetite returned to equity markets. The dollar was little changed, showing some stability after recent volatility. The 10-year Treasury declined two basis points to 4.39%.

Markets this morning:

Today, global markets are extending gains on the back of Trump's remarks that he does not plan to fire Fed Chair Jerome Powell, a reversal from recent rhetoric that had raised fears over the central bank's independence. The dollar advanced for a second day, stocks across Asia pushed higher, and futures are positive. Trade optimism is once again driving the narrative, with signs of progress in talks with Japan and India and ongoing expectations that tariffs on China may ease. The mood has shifted, but markets remain alert to headline risk. Washington seeks to calm the narrative, yet lingering uncertainty over policy execution remains. The trade narrative remains central. Bessent's message gave markets room to price in de-escalation, but formal negotiations with China are still on hold. The White House says it is speaking with over 30 countries this week, and headlines suggest near-term frameworks with Japan and India are close. The tone has shifted, but tangible outcomes remain elusive. For now, markets are leaning into the reset, but expectations are still fragile. Policy clarity will need to follow if the relief rally is to sustain.

Upcoming key events/data:

Key events and data today include the Fed's Beige Book, US new home sales, and flash PMIs from the US, Europe, and Japan, alongside earnings from Boeing and Texas Instruments. Thursday brings data on US durable goods orders, jobless claims, Germany's IFO survey, and earnings from Alphabet (after market). The week rounds off Friday with University of Michigan sentiment, Tokyo CPI, Eurozone wage data.

Have a good day!

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