CIO OFFICE MORNING MARKET WRAP

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Global equities fell Tuesday, retreating as tariff concerns gained momentum across regions and sectors. The MSCI ACWI slipped 0.5%, with developed markets down 0.6% and emerging markets off 0.2%. The S&P 500 lost 0.8%, marking a second straight decline after a historic rally on corporate warnings. Tech and consumer names were among the hardest hit, with earnings calls increasingly dominated by tariff-related uncertainty. The US trade deficit jumped to a record $140.5 billion in March as businesses front-loaded imports ahead of new tariffs. Drug shipments from Ireland surged, pushing the bilateral goods deficit beyond that with China. Capital equipment and vehicle imports also accelerated. The frontloading erased much of Q1's growth, with net exports subtracting nearly five percentage points from GDP, the steepest on record. Markets watched President Trump's latest comments with growing concern. In remarks at the White House, Trump said the US would set its own tariff levels and offer take-it-or-leave-it terms to trading partners. He downplayed negotiations with Canada and confirmed no deal was imminent. Talks with the UK are ongoing, with British officials in Washington aiming to protect sectors like autos and life sciences. UK Prime Minister Keir Starmer is resisting pressure for quick concessions and has kept the digital services tax on the table despite American objections. Trade diplomacy with China will resume later this week. Treasury Secretary Scott Bessent and Trade Representative Jamieson Greer are heading to Switzerland to meet Vice Premier He Lifeng. The US has signaled a willingness to de-escalate, but expectations are limited to restoring dialogue rather than securing major breakthroughs. China has insisted that talks be based on mutual respect and has warned against using negotiations as cover for forced tactics.

The EU is also preparing its response. European officials estimate that $622 billion of EU goods could face US tariffs following new investigations. In response, Brussels is preparing up to €100 billion in retaliatory duties. The European Commission has proposed a mix of tariff threats and strategic purchases from the US, but talks have made little progress. The EU is considering countermeasures that would inflict pressure on politically sensitive US sectors and reduce supply chain exposure within the bloc. In the UK, the Bank of England is set to lower rates this week and may open the door to further easing in June. Officials have warned that tariffs are suppressing demand and reducing inflation pressure. Sterling gained as traders positioned for more dovish messaging. Growth has modestly outperformed expectations, but the policy trajectory has flipped decisively from neutral to accommodative. Indian equities declined, with the MSCI India Index down 0.9%, as geopolitical tensions escalated. India conducted targeted military strikes against Pakistan in response to a recent militant attack in Kashmir. The conflict rattled markets, pushing the rupee lower in non-deliverable forwards and prompting a risk-off tone in local assets.

On the corporate front, Super Micro cut its outlook and flagged demand delays. AMD posted solid revenue guidance but disclosed a $1.5 billion hit from China-related export restrictions. Palantir dropped sharply after its update failed to justify the stock's AI-driven run-up. Ford cancelled its full-year forecast and warned of a $1.5 billion tariff cost. Rivian slashed its delivery expectations and said per-unit costs would climb by thousands of dollars due to new duties. Across sectors, companies are pulling guidance or introducing significant caveats, tying revised expectations directly to trade risk.

Commodities moved sharply. Brent crude surged 3.2% to close at $62.2 per barrel, supported by speculation that falling US rig counts may tighten supply later in the quarter. Gold climbed 2.9% to settle at $3,432 an ounce, extending its rally on persistent dollar softness and rotation back into hedges amid macro policy noise and renewed geopolitical stress. Ten-year Treasury yields declined to 4.29% after a strong bond auction. The dollar slipped 0.3%. Risk sentiment weakened as clarity on Fed policy remains elusive. Chair Powell will face questions on Wednesday about how the committee plans to navigate an environment where external shocks are driving a wedge between domestic data and global volatility.

Markets this morning:
Today, market sentiment improved modestly in Asia after China and the US confirmed their upcoming trade talks. The announcement, along with a surprise rate cut from the People's Bank of China, lifted risk assets. The CSI 300 and Hang Seng both gained 0.5%, and S&P 500 futures rose 0.6% in early trading. China's central bank lowered its seven-day reverse repo rate to 1.4% and signaled more liquidity support via a reserve requirement cut. The yuan weakened slightly, and gold fell 1.6%. Market participants viewed the policy moves as a signal that Beijing is actively managing the economic fallout from trade tensions, even as the US holds its line on tariffs..

Upcoming key events/data:
Data today brings Germany factory orders, Taiwan CPI, and China's FX reserves, followed by the Federal Reserve's rate decision and Powell's press conference. Thursday features UK industrial production and the Bank of England's rate announcement, along with Germany's factory output, Taiwan trade, and US jobless claims and productivity figures. On Friday, China's April trade data, Japan household spending, and US consumer credit round out the macro picture. With tariffs touching every corner of the global economy, macro signals are increasingly fragmented. Inflation is easing in places like the UK, accelerating in pockets of the US, and becoming harder to forecast in trade-sensitive economies. Central banks are now reacting to trade policy more than to traditional demand-supply imbalances. For markets, the question is no longer just when rate cuts may come, but whether they will be enough to offset the drag from Washington's shifting economic posture.

Best Regards,

Chief Investment Office
Wealth Management
Emirates NBD.

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