

# Weekly Newsletter

April 11<sup>th</sup>, 2025

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## Musings

*"It's not what we don't know that gets us into trouble. It's what we know for sure that just ain't so."*

—Mark Twain

## Last week in the markets

	Closing level	Weekly change	YTD change
S&P 500	5,363.35	5.70%	-8.81%
Nasdaq Composite	16,724.46	7.29%	-13.39%
10Y UST Yield	4.497	12.43%	-1.66%
Crude oil	61.50	-0.79%	-14.25%
Gold	3,237.93	6.58%	23.38%
DX	99.783	-3.02%	-8.02%
USD/INR	86.16	0.80%	0.74%
Euro STOXX 50	4,870.00	1.27%	0.25%
India (Nifty)	22,828.55	-0.33%	-3.45%
Japan (Nikkei)	33,585.58	-0.58%	-15.81%
China (CSI 300)	3,750.52	-2.87%	-4.69%
Saudi (TASI)	11,502.54	-3.20%	-4.44%
Abu Dhabi (ADX)	9,157.88	-0.32%	-2.77%
Dubai (DFM)	4,966.00	0.29%	-3.73%

## News from the markets

Last week (most of the) financial markets behaved as we had foretold.

As predicted in our weekly report for April 4th, **President Donald Trump dramatically reversed course, dropping his country-specific tariffs down to a universal 10% rate for all trade partners except China.** He also revealed a 90-day pause for steeper-than-baseline rates for many other countries.

Along the way, a tit-for-tat tariff war between the United States and China closed the week with tariffs of 145% on Chinese goods into the US and 125% on American goods into China. China managed to come across as the more mature party by calling Trump's tariff strategy a 'joke' and refusing to engage in competitive tariffs any further.

US markets responded favorably, with the S&P having its best week since November 2023 and closing a hair's breadth below our short-term target of 5,400.

So where do we go from here?

For one, 10% tariffs are not nothing and will have an impact on costs.

Also, 90 days is not eternity and we will soon be faced with the challenge of getting the details in place in time. **And the surrounding uncertainty will mean delayed investment decisions, slower consumption and lower corporate earnings, which in turn is likely to lead to higher unemployment and a downward spiral in the economy.**

As such, absent positive developments such as a scaling back of tariffs between the US and China, **we expect US stock markets to grind down from here.**

An unexpected, and disturbing development, is the sharp increase in US Treasury yields last week. Contrary to the usual flight to quality that is witnessed by funds moving into US Treasuries in times of market crisis, bonds sold off dramatically, particularly at the long end of the curve. Various reasons – loss of confidence in the United States, dumping of US Treasuries by China, large hedge funds getting margin called due to being on the wrong side of basis trade – have been cited as causes. If this escalates, it has the potential to upend the entire US financial system and even global markets.

It is interesting that this happened at the same time as the price of gold shot up.

Something to be watched very carefully.

*(Written on April 12<sup>th</sup>, 2025)*

## Key economic events coming this week

April 14 <sup>th</sup>	<ul style="list-style-type: none"><li>India Markets Holiday (Ambedkar Jayanti)</li><li>Goldman Sachs earnings</li></ul>
April 15 <sup>th</sup>	<ul style="list-style-type: none"><li>China GDP (Q1'25)</li><li>India CPI (Mar)</li><li>Bank of America, Citibank, LVMH, J&amp;J, United Airlines earnings</li></ul>
April 16 <sup>th</sup>	<ul style="list-style-type: none"><li>EUR CPI (Mar)</li><li>US Retail Sales (Mar)</li><li>ASML earnings</li></ul>
April 17 <sup>th</sup>	<ul style="list-style-type: none"><li>EUR Interest Rate Decision</li><li>TSMC, UnitedHealth, American Express, Netflix, Infosys earnings</li></ul>
April 18 <sup>th</sup>	<ul style="list-style-type: none"><li>US, EU, India, Hong Kong Markets Holiday (Good Friday)</li><li>Reliance Industries Earnings</li></ul>

## Chart of the Week



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