Newsletter April 2025

Tariff: From Retaliation to Negotiation ?

CITĒ GESTION
PRIVATE BANK

Key Take-Aways

- President Trump's imposition of extensive tariffs on imports from over 60 countries has triggered a worldwide trade war, leading to disrupted supply chains, higher consumer prices, declining stock markets, and a significant risk of recession in the U.S. and globally.
- Despite the announcement of over $5 trillion in new investments aimed at boosting American industry, the U.S. economy contracted by 0.3% in Q1 2025, with downgraded growth forecasts and warnings from economists about a high likelihood of a trade-induced recession.
- Trump's erratic policy shifts—including tariff threats followed by abrupt reversals—caused extreme bond market volatility, with the 10-year Treasury yield swinging from 4.2% to 3.85% and back to nearly 4.6% within days. His public attacks on Fed Chair Powell and threats to dismiss him raised concerns about central bank independence and further destabilized investor sentiment.
- With Q1 GDP contracting by 0.3% and core inflation rising, signs of stagflation are emerging in the U.S. economy. The Fed faces a growing dilemma between supporting growth and containing inflation, while markets anticipate up to four rate hikes in 2025. In contrast, the ECB responded to eurozone weakness by cutting rates by 25 bps.
- After sharp losses triggered by tariff announcements, global equity markets partially recovered by month-end. The S&P 500 rebounded after a -19% drop to end April down -4.6% year-to-date, while European markets saw modest declines, and China's equity markets showed relative resilience thanks to government stimulus.
- Despite macroeconomic headwinds, several U.S. large caps—including Microsoft, Apple, Meta, Tesla, and UnitedHealth—reported solid earnings, reinforcing investor confidence. In Europe, sectors like consumer staples and defense outperformed, with standout results from Nestlé, Unilever, and Rheinmetall amid growing geopolitical demand.
- The U.S. dollar remains volatile amid ongoing trade disputes, GDP contraction, and inconsistent policy signals. While the Fed's decision to hold rates steady temporarily supported the greenback, risks of renewed weakness persist as markets anticipate potential dovish shifts.
- The euro and Swiss franc are gaining strength on hawkish ECB signals and safe-haven demand, while a surprise surge in the Taiwanese dollar—likely linked to tariff negotiations—highlights how regional currencies are responding to U.S. trade pressure, with implications for broader emerging market FX trends.

Review

April overview

Equity % Change	Price	1 day	5 days	MTD	QTD	YTD	EST P/E
S&P 500	5'569	0.16	3.60	-0.68	7.49	-4.93	19
Nasdaq	17'446	-0.08	4.43	0.88	7.33	-9.47	23
Russell 2000	1'964	-0.61	2.36	-2.31	-6.24	-11.58	19
Euro Stoxx 50	5'160	-0.03	1.42	-1.06	5.55	6.53	14
Stoxx 600 EUR	527	0.49	2.28	-0.50	7.15	5.41	13
FTSE 100	8'495	0.37	1.16	-0.67	11.09	5.40	12
SMI	12'117	0.42	2.61	-2.49	8.02	7.25	16
NIKKEI 225	36'045	0.57	3.37	1.20	-8.99	-8.80	18
CSI 300 China	3'771	-0.10	-0.39	-2.86	10.30	-3.82	12
MSCI EM Index	1'113	0.67	1.61	1.34	10.02	4.37	11

Equity % Change	Price	1 day	5 days	MTD	QTD	YTD	EST P/E
S&P 500	5'569	0.16	3.60	-0.68	7.49	-4.93	19
UTILITIES	401	-0.46	0.75	0.10	23.99	5.04	17
ENERGY	617	-2.56	-0.99	-13.65	-11.50	-4.83	13
TELECOM	322	-0.26	3.65	0.75	14.41	-5.50	17
CONS STAPLES	902	0.71	0.14	1.23	13.81	6.53	21
REAL ESTATE	259	0.57	2.13	-1.20	8.28	2.34	19
CONS DISCRET	1'570	-1.11	3.61	-0.32	6.52	-14.08	24
MATERIALS	530	0.51	2.90	-2.17	-7.72	0.58	18
HEALTH CARE	1'637	0.89	3.54	-3.70	-3.32	2.60	15
INFO TECH	4'084	0.42	5.84	1.62	7.61	-11.24	23
FINANCIALS	811	0.23	2.24	-2.08	17.60	1.33	16
INDUSTRIALS	1'111	0.80	4.05	0.19	5.71	0.00	21

Currency % Change	Price	1 day	5 days	MTD	QTD	YTD
DXY	99.468	0.23	-0.38	-4.55	-4.80	-8.31
EUR-USD	1.1328	-0.52	0.11	4.73	4.99	9.41
USD-JPY	143.07	0.52	-0.26	-4.59	-5.47	-8.99
USD-CHF	0.8258	0.23	-0.58	-6.62	-8.39	-8.99
EUR-CHF	0.9360	-0.22	-0.42	-2.13	-3.81	-0.43
GBP-USD	1.3329	-0.60	0.57	3.18	5.59	6.50
EUR-GBP	0.8500	0.09	-0.43	1.53	-0.57	2.73
JP EM FX Index	45.18	-0.20	0.38	1.27	-2.86	5.56

10 yr Yield Bps Change	Price	1 day	5 days	MTD	QTD	YTD
US	4.16	-1	-22	-4	-4	-41
Germany	2.44	-5	-5	-29	15	8
UK	4.44	-4	-11	-23	51	-13
SWITZERLAND	0.30	-8	-16	-27	-38	-2
Japan	1.32	-0	-2	-17	59	22
US IG Spread	114	3	2	11	16	27
US High Yield spread	372	8	7	20	26	80
EUR High Yield spread	361	0	-5	11	1	37

Fixed Income - % Change	Price	5 days	MTD	QTD	YTD
BBG Global Agg Treasuries TR Index UNH $	207	0.84	3.64	5.57	6.33
BBG Global Aggregate TR Index Value $	490	0.92	2.94	6.08	5.65
BBG Global Aggregate Corporate TR $	301	0.98	0.36	5.80	2.13
BBG Global High Yield $	1'707	0.43	0.85	9.82	2.72
BBG US Treasury TR Unhedged $	2'372	1.30	0.63	5.18	3.57
BBG US Corporate TR Unhedged $	3'364	1.34	-0.03	4.87	2.27
BBG EuroAgg Government TR Index UNH €	245	0.38	1.91	3.29	0.70
BBG EuroAgg Corporate TR Index UNH €	261	0.06	0.99	5.28	0.98

Commodity % Change	Price	1 day	5 days	MTD	QTD	YTD
BBG Commo Index	100.9	-1.42	-1.17	-5.14	1.44	2.19
Gold Spot $/OZ	3'288.7	-0.87	0.01	5.29	47.48	25.31
Crude Oil WTI	58.2	-3.66	-7.57	-18.56	-30.01	-18.84

Volatility	Price	1 day	5 days	MTD	QTD	YTD
VIX	24.7	0.53	-3.75	2.42	89.85	7.35

Source: Bloomberg 30/04/2025

Macro & Rates

Impact of Liberation Day: Tariffs, Investments, and Recession(?) in the US

The global economic landscape has been profoundly shaken as Donald Trump fulfilled his campaign promises by imposing extensive tariffs to the rest of the World.

On April 2, 2025, Donald Trump declared "Liberation Day," announcing extensive tariffs on imports to the United States sparking a global trade war, with reciprocal tariffs from affected countries. These tariffs have disrupted supply chains and increased costs for businesses, leading to higher prices for consumers and potential slowdowns in economic activity. The tariffs imposed by the U.S. range from 10% to 46% on imports from over 60 countries. Key affected countries include China (34%), the European Union (20%), Japan (24%), and South Korea (25%). This move marked the beginning of a global trade war, leading to significant market volatility and a decline in global stock prices. The tariffs aimed to reduce the U.S. trade deficit but have raised concerns about potential long-term economic disruptions and a serious effect on inflation rate and the economy.

Companies like Apple, Dell, and Cisco face increased production costs due to higher tariffs on Chinese manufacturing and Taiwanese semiconductor suppliers. Imports from China by Walmart and Costco are difficult and shelves could be empty in store within a few weeks with some products no longer available. The average vehicle price is expected to rise by $2,700 due to tariffs on imported parts. U.S. farmers are hit hard by retaliatory tariffs, with China halting imports of sorghum and poultry.

In April, the U.S. secured over $5 trillion in new investments, aimed at revitalizing American industry and creating jobs. Major announcements included IBM's $150 billion investment in growth and manufacturing operations, Merck's $1 billion investment, TSMC' $165 billion investment in advanced semiconductor manufacturing. The Swiss Roche and Novartis respectively $50 billion and $23 billion investments into pharmaceuticals and diagnostics in the US.

Meanwhile, the U.S. economy experienced a contraction in the first quarter, with GDP shrinking by 0.3%. This decline was attributed to businesses stockpiling goods ahead of the new tariffs. Economists are increasingly concerned about the long-term effects of the tariff war. The Penn Wharton Budget Model projects that Trump's tariffs will reduce long-run GDP by about 6% and wages by 5%. The risk of a recession in the U.S. is high, with many economists predicting a potential downturn due to the combined impact of tariffs and other economic factors. The International Monetary Fund's World Economic Outlook for April 2025 highlighted a slowdown in global growth due to escalating trade tensions and policy shifts.

The U.S. growth forecast for 2025 was also revised down significantly. The new projection is 0.8%, down from an earlier estimate of 2%. This sharp revision is attributed to the aggressive tariff regime announced by President Trump, which has increased the risk of a recession to 50% but Torsten Sløk, Chief economist at Apollo Global Management, is more pessimistic, assigning a 90% chance to a trade-induced recession by summer 2025.

But the Fed will not cut rates yet. Despite public pressures from President Trump, the Federal Reserve decided to keep interest rates unchanged at 4.25% to 4.5%. This decision reflects the central bank's cautious approach amid economic uncertainty and rising inflation risks. The U.S. unemployment rate remained steady at 4.2% in April. While employment in sectors like healthcare and transportation continued to grow, federal government employment saw a decline as a result of agencies closure announced by Donald Trump and Elon Musk. Similarly, the European Central Bank cut its interest rate by 25 bps to 2.25% aiming to tackle slowing eurozone growth and impact of US border taxes. The pressure and the tariffs escalation had a negative effect on the US Dollar which depreciated significantly against other currencies, and Gold. The Swiss Franc has never been so high against the US Dollar.

Also in April, the U.S. and Ukraine signed a significant agreement granting the U.S. access to Ukraine's vast mineral resources. This deal, known as the United States-Ukraine Reinvestment Fund, aims to bolster Ukraine's economy and ensure continued U.S. support amid the ongoing conflict with Russia. A ceasefire yet has to be agreed and implemented between Russia and Ukraine.

Fixed Income

Yes, stagflation

April was initially dominated by the “trade war noise” coming from the White House. On 2 April, Trump’s so-called “Liberation Day”, the president announced sweeping tariffs against almost all trading partners – with just some awkward exceptions such as Russia for example. Equity markets fell and Treasuries initially rose. The US 10-year Treasury yield fell from 4.2% to as low as 3.85% within 3 trading sessions. The 4% level was reached for the first time since October 2024.

Over the same period, Trump complained again that the Fed’s chairman J. Powell “didn’t do his job” and that “he [Trump] knows much more about interest rates than him”. A quite straight-forward frontal attack against the independence of the Fed and its monetary policy. Threats to fire Powell, although his mandate ends in 2026 and the legal aspects of such a firing aren’t really clear, increased substantially.

Then two events calmed markets. First, better than expected Payrolls showed a still resilient US labor market, Second, on 9 April, Trump backpaddled and postponed most tariffs for 90 days in order to open up the door for negotiations. The “Liberation Day II” date is set for 8 July. The yield of the 10-year Treasury yield then rose in five trading sessions to almost 4.6%. This volatility was quite exceptional and by itself emblematic for the uncertainty that currently reigns markets.

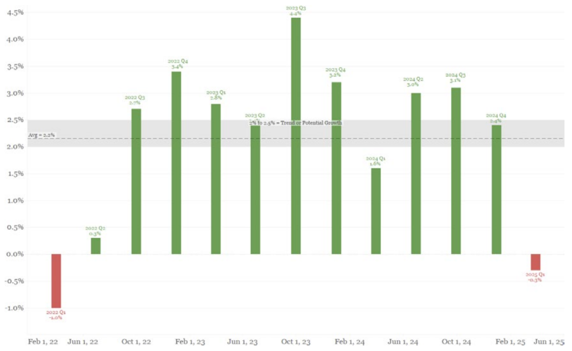
The Easter-period was light in macro data, and hence the market was concentrated on the news coming from the White House. And the news flow coming from the new US administration was confusing, erratic and sometimes even contradictory, to say the least. The confusion and disinformation was so eye-popping that the CEOs of Walmart, Target and Home Depot went to see Trump and warned him that his tariff policy would push prices up and empty store shelves in the US within 15 days if applied. The following day, Trump caved and in a 180° turnaround basically capitulated. Not only did he suddenly say that he has no intention to fire Powell, but he also signaled that “tariffs on China will come down substantially”. It seems that as for now, bond vigilantes have won and rising yields have forced policy makers to adapt to the reality in which they live, that is a country with one of the highest budget deficits and a growing debt to GDP ratio – thus not exactly the best place to suffocate the economy with tariffs and erratic trade policies.

At the end of the month, the QoQ annualized GDP figure of the US was published and was not only lower than expected (-0.3% vs. -0.2%) but also much lower than the last quarter’s reading (2.4%). Coupled with a rising QoQ Core PCE Price Index, the hard data seems to point to a US economy which is entering what is commonly called “stagflation”, a mix of low or now growth with rising prices.

Stagflation would first of all put the Fed in a difficult situation as it would have to decide whether to combat inflation first or stimulate the economy. Given the pressure from Trump and the fact that J. Powell didn’t cave to this pressure in Trump’s first term, we can expect monetary policy to remain independent at least for now. However, the risks of a policy error in such an environment, for example of an overly hawkish Fed, are increasing, too. The market currently expects between 3 and 4 hikes this year. This has led to a marked steepening of the US yield curve thereby leading to nice performances for bonds with moderate durations.

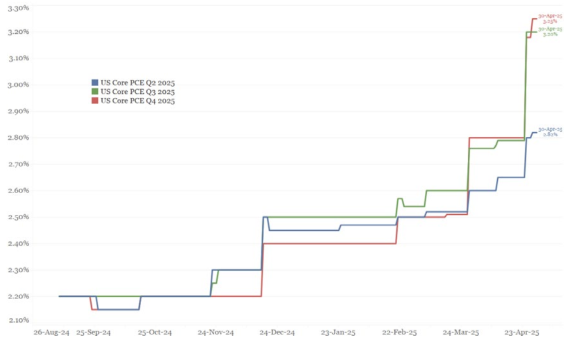
In Europe, the ECB has lowered interest rates as expected by 25bps.

US GDP



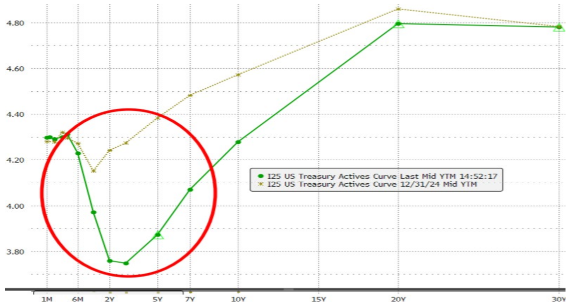
Source: Bianco Research LLC

YoY Core PCE Forecasts



Source: Bianco Research LLC

US Treasury Yield Curve 31.12.24 and 2.5.25



Source: Bloomberg

Equity

Navigating Amidst Volatility: Resilient Performances and Promising Opportunities in Global Markets

Following the turbulence of Liberation Day, markets regained momentum and closed April on a more optimistic note.

April 2025 was a month of significant volatility for global equity markets. The S&P 500 experienced significant volatility, initially dropping -19% the days following President Trump's tariff announcements, but later rebounding +9.5% after a pause on reciprocal tariffs. Despite these fluctuations, the index ended the month down -4.6% year-to-date. European markets, represented by the Euro Stoxx 50, fell by 1.1%, still positive by 6.5% year to date. Despite these challenges, several large-cap stocks reported strong earnings, providing some positive highlights amidst the broader market downturn.

Among the large caps that reported earnings were:

UnitedHealth Group (UNH) reported stable earnings for Q1 2025, with a 5% growth in EPS and an 11% increase in sales. The company's Optum segment, which leverages data and technology to enhance healthcare delivery, continued to perform well. Despite the market volatility, UNH's stock showed resilience, trading at a forward P/E ratio of 19.5, in line with its five-year median.

Apple Inc. (AAPL) reported a solid quarter with a 10% increase in revenue, driven by strong sales of its latest iPhone model and growth in its services segment. Despite supply chain challenges, Apple managed to maintain its profit margins and missed expectations due to weaker China sales and tariff-related costs, showcasing its operational efficiency. The stock remains a favorite among investors, trading at a forward P/E ratio of 24.3, reflecting confidence in its growth prospects.

Microsoft Corporation (MSFT) continued its strong performance with a 15% increase in revenue, fueled by growth in its cloud computing and productivity software segments. The company has Beaten expectations with revenue of $70.1 billion and net income of $25.8 billion. The company's Azure platform saw significant adoption, contributing to its robust earnings. MSFT's stock, trading at a forward P/E ratio of 28.1, remains a key player in the tech sector.

Meta Platforms (META) has beaten expectations with revenue of $42.3 billion and net income of $16.6 billion.

Tesla Inc. (TSLA) reported a 20% increase in revenue, driven by strong demand for its electric vehicles and energy products . The company's expansion into new markets and increased production capacity have bolstered its growth. TSLA's stock, trading at a forward P/E ratio of 35.7, continues to attract investor interest despite market volatility.

Outside the US, China's equity markets showed resilience in April 2025, buoyed by ongoing government stimulus measures. The Krane Shares MSCI All China Index ETF (KALL) posted a 4.6% decline for the month. Key sectors such as technology and consumer discretionary led the gains, driven by strong earnings reports from major companies like Alibaba and Tencent. The Chinese government's efforts to stabilize the economy and support corporate growth have been well-received by investors.

European markets faced challenges in April, with the Euro Stoxx 50 declining by 1.1% but still positive 6.5% year to date. The European Central Bank's decision to cut interest rates by 25 basis points also aimed to support economic growth in the region. However, certain sectors showed strength. The defensive consumer staples and utilities sectors outperformed, providing some stability amid broader market declines. Notably, companies like Nestlé and Unilever reported solid earnings, benefiting from their strong market positions and diverse product portfolios. Rheinmetall had a strong Q1 2025, with sales increasing by 46% to €2.3 billion, driven by defense business growth of 73%. The operating result rose 49% to €199 million, and the order backlog surged to €63 billion, reflecting heightened demand due to geopolitical developments. The company reaffirmed its 2025 forecast, with potential upside adjustments if demand continues to rise.

To conclude, April 2025 was a challenging month for global equity markets, with significant declines across major indices. However, several large-cap stocks demonstrated resilience and strong earnings performance, providing a silver lining for investors. Companies like UnitedHealth, Apple, Microsoft, and Tesla showcased their ability to navigate economic uncertainties and deliver solid financial results. Additionally, China's stimulus measures and Europe's defensive sectors offered some stability. As we move forward, these companies and regions remain well-positioned to capitalize on growth opportunities and drive shareholder value.

Forex & Commodities

Tariffs Spectrum Paves The Way For A New Forex Regim

As we enter May 2025, the global foreign exchange landscape continues to be significantly influenced by the recent downward trend of the US dollar, largely driven by political decisions under President Trump's administration. Several key developments are expected to shape the market in the coming weeks, notably the upcoming trade tariff negotiations and the contraction in US GDP—both of which could bring volatility and further directional shifts for the dollar.

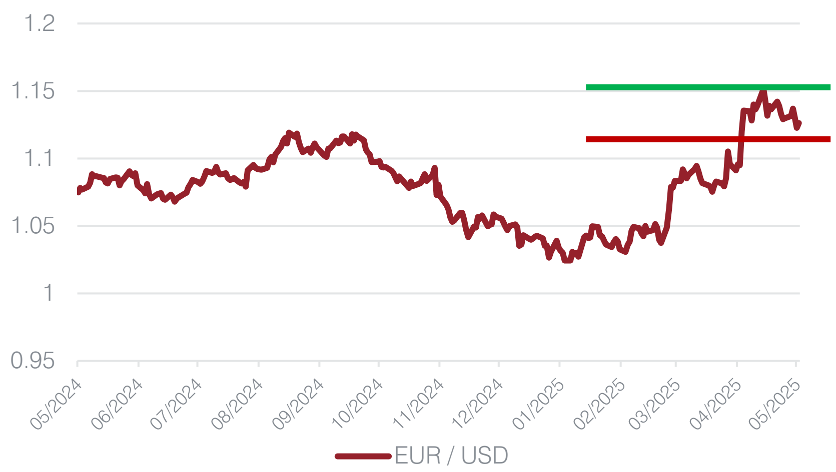
Geopolitical tensions, particularly the ongoing US-China trade disputes, remain central and continue to elevate the role of currency markets in defining the emerging global economic order. With trade talks entering a new phase and economic indicators showing signs of stabilization, there has been a modest resurgence in demand for the US dollar. The Federal Reserve's decision at its May 7th meeting to maintain interest rates unchanged provided additional short-term support to the greenback. Following a brief dip to the 98 level, the US Dollar Index (DXY) has since rebounded to the 100 mark. However, this recovery may be temporary, as market participants remain watchful for any dovish signals from the Fed that could renew downward pressure on the dollar.

The EUR/USD pair is currently consolidating in the 1.12–1.15 range. Despite attempts in April to breach the 1.15 resistance level, the pair failed to gain sustained traction. That level now acts as a key technical barrier. A breakout above 1.15 could open the door to further upside. Fundamentally, the euro remains supported by several factors, including hawkish signals from the European Central Bank, continued economic resilience in the Eurozone, and lingering trade tensions between the US and EU, particularly in light of potential tariff retaliation from Europe.

The Swiss franc is also poised for further gains against the US dollar. The CHF continues to benefit from its safe-haven status amid persistent global uncertainties and escalating US-China trade tensions. With the Swiss National Bank maintaining a neutral policy stance, the franc is expected to remain strong, likely trading in the 0.80–0.85 range versus the dollar.

One of the most notable market events occurred on May 5th, when the Taiwanese dollar (TWD) surged nearly 9% against the US dollar in a single session. While there has been no official statement explaining the sharp move, speculation suggests the appreciation may be tied to strategic maneuvering by Taiwan's central bank, potentially aimed at appeasing the US and avoiding the imposition of a proposed 32% tariff. This move is far from trivial, as it may have broad implications for regional markets. It could trigger upward pressure on other Asian currencies, notably the Japanese yen, and reflects a broader willingness among regional economies to align with the US administration's push for a weaker dollar. This trend may set the stage for further appreciation across emerging market currencies.

(Short-Term) Relief For A Weaker USD ?



A New Regim For Asian Currencies ?

CITÉ GESTION
PRIVATE BANK

By choosing Cité Gestion, you will benefit from our unique business model which sets us apart from most traditional wealth managers.
Learn more on our website: **www.cite-gestion.com**

And follow us on LinkedIn to stay connected to all market news and perspectives.

CITÉ GESTION
PRIVATE BANK

Disclaimer and important information

This document has been published in Switzerland by Cité Gestion SA, Geneva, a private bank regulated by the Swiss Financial Market Supervisory Authority (FINMA). It is not intended for distribution, publication or use in any jurisdiction where such distribution, publication or use would be prohibited, and is not directed to persons or entities to whom it would be unlawful to send such a document. All information provided in this document, in particular opinions and analyses, is for information purposes only and should not be construed as an offer, advice or recommendation to buy or sell any particular security or to enter into any transaction. Nor does this publication constitute - and should not be construed as – an advertisement for a particular financial instrument. The risks associated with some investments are not suitable for all investors, and a precise assessment of the risk profile must be made. Nor should this document be construed as legal, accounting or tax advice. Although Cité Gestion SA makes every reasonable effort to use reliable and complete information, Cité Gestion SA makes no representation or warranty of any kind that the information contained in this document is accurate, complete or up to date. Any decision based on this information must be made at the investor's risk, and Cité Gestion SA declines all responsibility for any loss or damage that may result directly or indirectly from the use of this information.
United States: Neither this document nor any copies thereof may be sent, taken or distributed in the United States or given to a US-Person. This document may not be reproduced (in whole or in part), transmitted, modified or used for public or commercial purposes without the prior written consent of Cité Gestion SA.