

The *Monthly* *Edit* / April 2025

We examine the markets daily, and our monthly update is a selection of key global stories explained through an investment lens.



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Market headlines

Huge volatility hits markets in April. April saw huge volatility in global markets, as investors reeled first from fears over US President Trump's tariff plans, before staging a rally from the month-lows as some tariffs were paused.

Bond markets don't escape tariff uncertainty. While government bonds outperformed global equities over the month, tariff-induced inflation and economic growth worries drove big swings in yields.

Companies cite growing uncertainty on tariffs. Despite calendar Q1 reports broadly meeting expectations, a growing number of companies withheld forward guidance, highlighting growing uncertainty around tariffs.

Not just tariffs, but geopolitical challenges unresolved. While Trump's tariffs dominated markets in April, despite US-led efforts a lasting Russia-Ukraine peace deal continued to prove elusive.

The big topics

Trump's first 100 days and a tariff rollercoaster

29 April marked the 100th day of US President Trump's second presidential term in office, yet the period bookended two very different investment backdrops for markets.

History books will judge April as a month when market volatility came soaring back, triggered by Trump's 2 April "Liberation Day" tariff announcement.

That catalysed a rollercoaster ride for investors, with markets dropping sharply in the wake of Trump's reciprocal tariffs on the rest of the world, only to go on to stage an impressive rally and unwind much of the tariff-induced falls as Trump subsequently paused the more extreme parts of his tariff agenda.

Markets not out of the woods on tariffs

The equity markets rally from April lows saw investors respond to Trump's pause on some of his tariffs, but significant risks for both economies and markets remain.

Markets were sent into a tailspin following the shock of Trump's 2 April tariff announcement. Much worse than expected, it catalysed fears for slower economic growth and higher inflation pressures as trade tariffs could add unwelcome costs to international trade, impacting both businesses and consumers.

Trying to inject some respite into markets, US President Trump subsequently announced a 90-day pause for those higher rates of tariffs on countries outside of China just one week after announcing them. But with that pause due to end in early July, markets are not out of the woods.





Trump challenges US Federal Reserve independence

As well as trade tariffs, US President Trump roiled markets by questioning the decisions of US Federal Reserve (Fed) Chair Jerome Powell.

Much to Trump's frustration, Powell signalled a willingness to keep interest rates higher-for-longer to guard against a trade tariff induced risk of resurgent inflation pressures.

But by implicitly questioning the independence of the Fed, at times during the month it sent the US dollar weaker and US government bond borrowing costs higher. Even though Trump later walked back his rhetoric, there is a risk that the episode causes investors to negatively reassess the relative attraction of US equities and bonds.

Asset allocation positioning turns more cautious

April was dominated by the actions of US President Trump. But while US equity markets, in particular, have staged a decent recovery, there is a risk that business and consumer confidence has suffered a more enduring blow.

It is highly probable that economic activity has been adversely affected by Trump's tariff policies which would not be supportive of risk assets more broadly.

At our latest asset allocation meeting in April, for certain model risk-portfolios we guided to reduce our US equity holdings, adding to UK fixed income. While we continue to see some selective equity opportunities globally, we are now more balanced in our preference between equities, bonds and alternative assets overall.

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