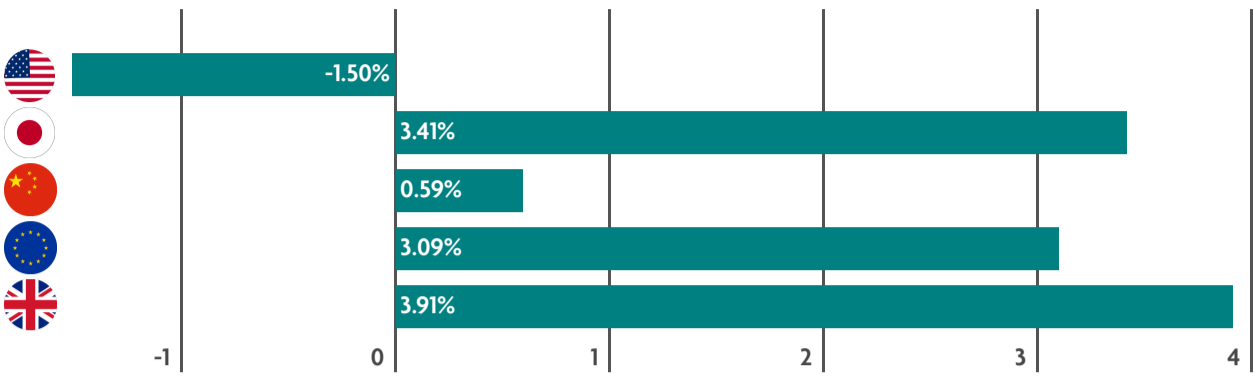




22nd April 2025

Global markets up, but US down

## Market Monitor (%): How did major stock markets perform last week\*?



## Key stories from last week

### US: TRADE POLICY UNCERTAINTY LEADS TO VOLATILE US MARKET PERFORMANCE

The US stock market closed lower over the week with large technology stocks leading the decline. This was due in part to the news that the US government would add new restrictions on exports of chips to China. The news sent the shares of NVIDIA and other companies with artificial intelligence (AI) exposure lower. Furthermore, comments from Jerome Powell, the Chair of the Federal Reserve (the US central bank), added to negative investor sentiment. Powell stated that tariff increases have been "significantly larger than anticipated" and that "the same is likely to be true of the economic effects, which will include higher inflation and slower growth." This has cast doubt about the potential of any interest rate cuts in the near term. Elsewhere, we saw positive data on consumer spending ahead of the tariff increases. Retail sales rose by 1.4% in March and sales at motor vehicle and parts dealers increased 5.3% as consumers rushed to buy cars ahead of the Trump administration's 25% tariff on automobiles.

### JAPAN: TARIFFS WEIGH ON JAPANESE STOCKS AS YEN STRENGTHENS AGAIN

Investor sentiment was boosted by tentative signs of progress in negotiations between the US and Japan. A reminder that Japan is requesting that the tariffs imposed on its imports into the US be reviewed and more favourable trade terms be introduced. On the interest rate policy front, latest comments from the Bank of Japan (BoJ) were interpreted as cautious given the uncertainties arising from tariffs. Markets perceived these comments as suggesting a potential delay to the timing of its next interest rate hike. In a similar vein to last week, the Japanese yen again strengthened versus the US Dollar as the demand for the safe haven assets increased amid signs of an escalated trade war between the US and China.

### CHINA: TRADE WAR WITH US SENDS STOCKS LOWER

Expectations that Beijing will ramp up stimulus to combat the impact of higher US tariffs boosted markets. China is facing 145% tariffs on most of their goods. Many global banks scaled down their 2025 growth forecasts for China over doubts that it can meet its official target of around 5% economic growth. Many economists believe that China has the financial capacity to offset the tariff impact through a combination of government spending and tax cuts. A meeting by the ruling Communist Party's Politburo at the end of April will likely offer greater insight into officials' thinking regarding the size and timing of any economic stimulus.

### EUROPE: ECB RAISE VIGILANCE DURING MARKET VOLATILITY

Investor sentiment was boosted by a combination of President Trump's decision to delay imposing higher tariffs and the European Central Bank's (ECB) signal that there would be more interest rate cuts. The week was marked by the ECB cutting its interest rate from 2.5% to 2.25%, which was largely expected by markets. While the ECB declared that the disinflation path is well on track, it warned that the outlook for growth has deteriorated due to trade policy uncertainty. As a result, market participants interpreted the signal from the ECB that it wants to further cut interest rates in the near term. This was positive for European markets.

### UK: ECONOMIC GROWTH SURPRISES ON THE UPSIDE

Headline inflation in the UK slowed to 2.6% in March from 2.8% in February, which came in slightly below market expectations of 2.7%. Additionally, services inflation, which is closely monitored by policymakers, decelerated faster than anticipated, to 4.7% from 5%. Meanwhile labour market data showed that job vacancies declined to the lowest level in nearly four years, while the unemployment rate remained at 4.4%. The data indicates a drop in the demand for workers as employers face higher employment costs in the face of expected employers' tax hikes in April. On the other hand, weekly average earnings, excluding bonuses, grew 5.9% in the three months through February compared with the same period a year earlier. The Bank of England are set to next meet in May, where they will decide upon whether they change the current interest rate of 4.5%. Contrasting signals in the labour market creates a dilemma for the Bank. The introduction of tariffs could also mean a delay to further interest rate cuts.



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\*Source: Bloomberg. All performance measured in local currency.

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