

Market & Economic Update | April 7, 2025

Making Sense: Tariff Turmoil

Latest Developments

- A new 10% baseline tariff on imports from nearly all US trading partners went into effect Friday night, April 4. The larger “reciprocal” tariffs will take effect April 9 at 12:01am. All in, new policies will raise the average US tariff rate to about 23%, from less than 3% last year.
- According to the White House, dozens of countries are open to negotiating with the US. However, some of the largest exporters to the US have imposed or are readying retaliatory measures. China, for example, has imposed a 34% retaliatory tariff on US exports. Today, the White House announced an additional 50% counter-retaliatory tariff on imports from China.

Market Reaction¹

- This morning, US equities surged and then retreated within a matter of minutes on a dubious headline suggesting the White House may delay tariffs. The intense price moves around the event serve as a reminder of the volatile, headline-driven nature of today’s markets.
- Since the announcement of new tariffs on April 2, equity markets have reacted fiercely.
 - US equities have sold off 10.9% since the April 2 executive order. Today, stocks closed down -0.2% after bottoming at -4.6% in the early trading hours. Since the February 19 all-time high, US equities are down 17.5%.
 - International stocks have suffered substantially as well. European stocks are down 16.0% from recent highs and 12.2% since last week’s order. In Asia, the Nikkei fell 7.8% today and the Hang Seng collapsed 13.2%.
- US fixed income sold off today with the 10-year Treasury yield rising 21 basis points to 4.21%, a level slightly higher than before the April 2 announcement.
- Oil prices traded lower today and are down 14.9% to \$61 per barrel since April 2, the lowest since early 2021 and reflecting expectations for weaker global demand.

What to Expect from Here

- Uncertainty is at extreme levels as investors, businesses, and households contend with one of the largest shocks to US economic policy in decades. We expect market volatility to continue while uncertainty is this high. **In times of uncertainty and volatility, it is critical to remember the importance of a long-term, balanced approach to investing and the essential nature of a financial plan.**
- Markets will be attuned to any changes to tariff US policy, particularly around the April 9 enactment of the next tranche of “reciprocal” tariffs. In addition, the outlook for China’s retaliatory tariffs and the White House’s new 50% counter-retaliatory tariffs will be in focus.

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¹ All market data sourced from Bloomberg as of 4/7/2025 at 4:00pm. US equities is the S&P 500 index. European stocks is the Euro Stoxx 50 index. Oil prices refers to West Texas Intermediate crude oil futures.



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