

Market & Economic Update | April 10, 2025

Relief Deferred as Tariffs and Uncertainty Remain High

Latest Developments

- Overnight, the White House [implemented](#) a 90-day pause on the supplemental “reciprocal” tariff rate it would charge on top of the new 10% baseline tax now levied on all imports except those coming from Canada and Mexico.
- In the same order, the Administration implemented a further increase in the tariff rate charged on imports from China, which the White House stated is actually 145%, not 125% as widely reported yesterday.
- On balance, these two changes amounted to a minor decrease in the total average tariff rate the US will now charge on imports, from about 27% to 26%.¹ The volume of trade covered by the 90-day pause was modest, and the tax hike on Chinese imports was substantial.
- **Although international trade policy is dominating headlines, other policy – and non-policy – factors are still highly relevant.** For example, today Congress passed its budget resolution paving the way for new tax cuts, and Q1 corporate earnings season is underway.

Market Reaction²

- **US equity markets retreated substantially following yesterday’s historic surge, as the [reprieve proved temporary](#) and volatility remained extreme.** The S&P 500 fell -3.5% on the day and was down by as much as -6.2% in the early afternoon.
- **Bond markets were again volatile.** The 10-year yield moved up 8 basis points to 4.40%, and the 2-year yield declined 5 basis points to 3.84% in a steepening reversal from yesterday.
 - Today’s 30-year auction further improved investor confidence in Treasury issuance.
 - Municipal bonds stemmed their losses today after selling off since April 2, bringing the yield-to-worst for the total return index to about 4.4% (7.1% tax equivalent).
- Oil prices retreated 2%, reversing some of yesterday afternoon’s surge.

Next Steps

- **Markets will be watching the pace and tenor of tariff negotiations with US trading partners,** particularly with China, where tensions have escalated substantially.
- First-quarter earnings results have been trickling in, and tomorrow investors will parse large bank earnings, particularly management commentary on the trade and economic outlook.
- Now a full week since the April 2 announcement of higher tariffs, markets will be looking for more details about how companies will handle substantially higher tariffs. After today’s muted (but stale) March CPI inflation report, markets will be attuned to the effect of tariffs on future earnings, inflation, and consumer demand.

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919-716-7964[Sign up](#) to receive regular market & economic updates straight to your inbox.¹ Source: Bloomberg² All market data sourced from Bloomberg as of 4/10/2025 at 4:00pm. US equities is the S&P 500 index. Oil prices refer to West Texas Intermediate crude oil futures.



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