

Market & Economic Update | April 9, 2025

Temporary Tariff Reprieve Drives Historic Equity Market Surge

Latest Developments

- The last 24 hours witnessed extreme swings in global tariff policy.
 - Overnight, the US enacted “reciprocal” tariffs on most major trading partners as well as a new 104% counter-retaliatory tariff on imports from China.
 - This morning, China announced it would retaliate further with an 84% tax on US exports.
 - In response, early this afternoon, President Trump announced a further retaliation raising the import tax rate on goods from China to 125%.
 - Shortly after, President Trump announced a 90-day pause on the supplemental “reciprocal” tariffs for countries that opened negotiations and have not retaliated.
 - Although this marks the first de-escalation since last week’s announcement, it appears the total average tariff rate is likely still above 20%.¹ **With the 10% baseline tariff and a new 125% tariff rate on imports from China still in place, the US economy and global markets still face significant hurdles. Market volatility may persist.**

Market Reaction²

- **The US equity market response to the “reciprocal” tariff pause was historic.** Within minutes the S&P 500 rose 6.5%, and the index finished the day up 9.5%, narrowing the total decline since the April 2nd announcement of higher tariffs from -13% to -3%.
 - **Today’s equity price surge was the 10th largest gain in the S&P 500 since at least 1928, behind two days in 2008 and seven days from 1929-1933. Today’s 12.2% gain in the NASDAQ is the second largest since the index launched in 1971.**
- Bond yields traded with heightened volatility today as the curve bear-flattened. The 10-year Treasury yield rose 4 basis points to 4.32%, and the 2-year shot up 17 basis points to 3.89%.
 - After a lackluster 3-year Treasury auction yesterday, today’s 10-year auction was robust, restoring investor confidence in Treasury issuance.
 - Corporate spreads moved lower on the better news, reflecting lower risk.
 - Expectations for interest-rate cuts declined as growth fears waned on the margin.
- Oil prices traded down -8% this morning, reflecting increasingly negative sentiment. Following the announcement of a 90-day pause on some tariffs, oil prices surged +14%.
- The Dollar surged following the announcement but remains below its April 2nd levels.

Next Steps

- The path forward for new tariffs and their effect on economies and markets is still extremely uncertain. Today’s developments brought major retaliation between the US and China, the world’s two largest economies. But the temporary pause today buys time to negotiate with many other countries. With uncertainty levels still very high, market volatility may persist.

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¹ Source: Bloomberg

² All market data sourced from Bloomberg as of 4/9/2025 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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