



Market & Economic Update | April 16, 2025

Tariff Turmoil: The First Two Weeks

Latest Developments

- Two weeks have passed since the White House [ordered an overhaul](#) of US tariff policy.
 - US importers now pay an additional tax of 145% on goods from China¹, 2% from Canada and Mexico, and 10% on goods from all other countries. In addition, the US now levies a 25% tax on steel and aluminum as well as autos and auto parts. **All in, US importers now pay an average tax rate of 20-25% on foreign goods, up from 2.5% last year.**²
- News on negotiations and the prospect of an “off-ramp” has been mixed so far.
 - Last week, the White House stated that several countries are negotiating on trade policy with the US. On [Wednesday, April 9](#), the Administration scaled back its “reciprocal” tariffs but only on rates in excess of the 10% baseline.³ **This was a notable de-escalation, but the actual effect was minor; the bulk of tariffs remains in place.**⁴
 - Markets have focused closely on the status of negotiations with China, where tariff escalation has been the most significant. Reports suggest both the US and China are open to negotiations, but investor confidence for a swift resolution appears modest.
- The US announced it may soon levy new tariffs on semiconductors and pharmaceuticals.**
 - Last weekend, the White House exempted billions of dollars’ worth of electronics imports. Soon after, however, the Administration clarified that at least some of these products may be subject to new sectoral (as opposed to country-specific) taxes.

Market Reaction⁵

- Financial markets are steadier this week after last week’s historic volatility.**
 - US equities are down 1.6% this week, and intraday swings have been relatively subdued compared to last week. The S&P 500 is down 6.9% from the April 2 tariff announcement and is 10.0% lower YTD. We expect equity market volatility to endure.
 - Bond yields have moved lower this week across the curve. 10-year Treasury yields have declined 21 basis points to 4.28%. Corporate bond spreads have moved a bit wider in recent days but are narrower than a week ago at the height of the market selloff.
- Federal Reserve Chairman Jerome Powell emphasized the unprecedented nature of today’s shock and said the economy would likely face both higher inflation and unemployment.

Next Steps

- Corporate earnings releases and management commentary over the coming weeks will provide incremental clarity on how businesses plan to respond to the tariff shock.
- News flow from the White House on the status of negotiations, particularly with China, will remain top of mind for markets. In the meantime, market volatility may persist.

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¹ Over the weekend, the Administration excluded some semiconductors and electronics imports from the tariff. With these exclusions, the average effective tariff rate on imports from China could be closer to 100% than the headline 145%. But as mentioned in this note, these goods may be subject to a forthcoming sectoral tariff.

² Source: Bloomberg Intelligence. These estimates are based off a highly stylized model and do not account for potential tariff-related disruption to trade flows.

³ Except China (145%) and Canada & Mexico (25% on goods not in compliance with the US-Mexico-Canada Agreement (USMCA)).

⁴ The 90-day pause on “reciprocal tariffs” likely lowered the total average tariff rate by about 2% compared to the 25% in cumulative tariff rate hikes to date.

⁵ All market data sourced from Bloomberg as of 4/16/2025 at 4:00pm. US equities is the S&P 500 index.



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