



## May 2025

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### April 2025 Commentary

“Liberation Day and the tariff announcements sparked volatility in markets, but they recovered as a 90 day pause was introduced”



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After months of speculation, April finally saw the announcement of “Liberation Day” tariffs by President Trump, which were broader and more punitive than had been expected. This subsequently sparked significant stock market volatility, the US Dollar weakened, and gold hit a new all-time high. The uncertainty surrounding US trade policy remained high and markets continued to be volatile throughout the month.

Equities recovered most of the initial losses, after President Trump announced a 90-day pause in the implementation of reciprocal tariffs for countries that had not yet adopted retaliatory measures, as well as the removal of tariffs on a range of electronic products. The US equity market underperformed most of its global peers, with the exception of China. Developed markets on the whole outperformed emerging markets.

Bond markets were not immune from the impact of the tariff announcements. Yields on most global bonds rose, albeit towards the end of the month they had started to fall again. Europe bucked this trend as bond yields fell in the region. Gold benefitted from April's equity and bond market volatility, marking a new all-time high at \$3,500 per troy ounce on 22 April.

## United Kingdom

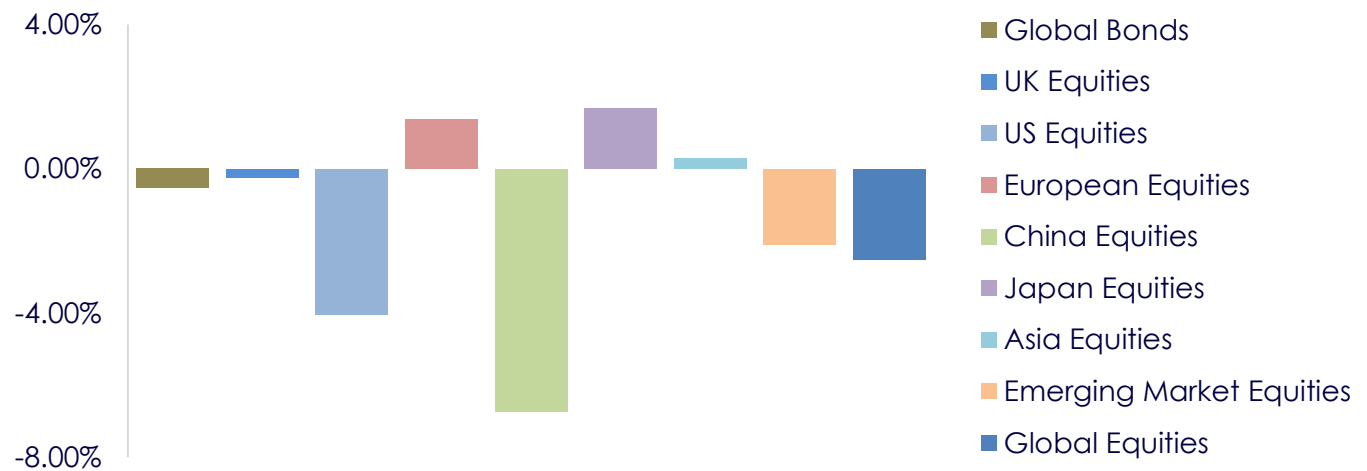
FTSE All Share: -0.25%

UK equities fell slight in April with the energy sector again the main laggard as commodity prices fell. Falling commodity prices subsequently assisted smaller cap domestic focussed stocks to outperform the larger cap international stocks. Inflation fell to 2.6% in March, down from 2.8% in February, according to the Office for National Statistics. Data also

commodity prices, but other more defensive areas of the market, including consumer staples and utilities, performed well offsetting the losses in the energy sector.

The Eurozone economy grew by 0.4% in Q1 2025. The European Central Bank (ECB) cut interest rates by 0.25% and said the outlook for growth had deteriorated given the US tariff announcement.

## Discrete Monthly Performance as at 30/04/2025



showed that UK annual public borrowing was £14.6 billion more than expected in the year to March.

## United States

S&P 500: -4.05%

US equities fell in April, underperforming most other regions and were particularly impacted by the "Liberation Day" tariff announcements. US markets were also rattled by worries over the independence of the US Federal Reserve (Fed) although these fears were calmed mid-month when President Trump stated he had "no intention" of firing Fed chairman, Jay Powell. Data showed that the US economy contracted by 0.3% in Q1 2025. US inflation fell to 2.4% in March from 2.8% the previous month.

German Ifo business climate index rose in April to 86.9, up from 86.7 in March, reflecting increased investor optimism towards the region.

In Germany, incoming chancellor Friedrich Merz struck a deal to form a coalition government with the Social Democrats (SPD).

## China

CSI 300: -6.73%

China underperformed most global regions as it responded to the trade tariffs announced by President Trump with its own levies. This left investor's fearing a trade war between the two largest global economies that may cause a slowdown in global growth.

## Europe

FTSE Developed Europe ex UK: 1.38%

Eurozone shares were positive in April. The general market was impacted by falling

## Japan

MSCI Japan: 1.69%

Equities achieved a positive return in both Yen and foreign currency terms during April. The

market was boosted by Japan securing priority tariff negotiations with the US in wake of the "Liberation Day" trade tariff announcement, although no deal had been concluded by the end of the month.

Many Japanese companies began announcing their full-year earnings and providing guidance for the next fiscal year. It was noticeable that the volume and scale of share buyback announcements significantly exceeded those of the previous year, all of which was positive for equity returns.

## Emerging Markets

MSCI Emerging Markets: -2.51%

Emerging Markets posted a negative return, in part dragged down by the performance of China which remains a constituent of the index. Mexico was the top performing market as it faced no new trade tariffs. India also continued to perform well, supported by easier monetary conditions following the Reserve Bank of India's 0.25% interest rate cut, the improving inflation outlook and a weaker US

Dollar. South Africa also gained, helped by record-high gold prices. Turkey fell the most due to its weakening currency, ongoing inflationary pressure and an unexpected interest rate hike mid-month.

## Global Bonds

Bloomberg Barclays Global Agg: -0.53%

In Europe, yields fell across the Eurozone markets and also in the UK. The ECB lowered borrowing costs by 0.25% in April, bringing the deposit rate to 2.25%. The key message was that disinflation is "well on track", while growth uncertainty has increased. While the Bank of England did not meet in April, market expectations for a cut in May increased. Survey data has weakened significantly, reflecting a combination of trade uncertainty and the impact of higher taxes. Yields in the US rose steeply, but then fell back towards the end of the month.

***All investment involves risk. It is important you understand that past performance is not a guarantee of future performance. The value of investments and any income derived from them may go down as well as up and you might not get back the full amount you invested.***

## Cumulative Performance and Annualised Volatility as at 30/04/2025

	5 Years %	3 Years %	1 Year %	Volatility % <sup>2</sup>
Global Bonds	-11.08	-2.55	2.02	5.39
UK Equities	67.86	22.59	7.53	11.38
US Equities	90.57	30.86	4.66	12.98
European Equities	71.80	29.20	6.56	13.49
Japan Equities	43.80	26.57	1.50	11.91
Asia Equities	49.50	3.76	-1.30	14.33
China Equities	-0.84	-13.62	0.57	19.22
Emerging Market Equities	28.45	5.27	2.20	12.44
Global Equities	81.40	28.77	5.14	12.01

Data source FE Analytics 30/04/2025. Indices used: Global Bonds: Bloomberg Barclays Global Aggregate, UK Equities: FTSE All Share, US Equities S&P500, European Equities: FTSE Developed Europe (Ex UK), Japan Equities: MSCI Japan, Asia Equities: FTSE World Asia Pacific (Ex Japan), China: CSI 300, Emerging Markets Equities: MSCI Emerging Markets, Global Equities: MSCI World. Volatility annualised over 5 years.

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