Crystal Wealth Partners Market Commentary – April 2025

Please find our commentary on investment markets to 30th April 2025.

April began with a dramatic escalation in global trade tensions that continued to rattle financial markets worldwide. On April 2, President Donald Trump formally introduced his long-promised "reciprocal tariffs", triggering immediate turmoil. The announcement included a 10% blanket tariff on all imports, a 34% tariff on Chinese goods, a 25% tariff on automobile imports, and a 20% tariff on products from the European Union. This policy was broader and more aggressive than markets had expected, leading to a sharp selloff across global equities. Major indices dropped by more than 8%, while volatility surged, with the VIX index (a measure of volatility) spiking to 60—its highest level since the onset of the pandemic in 2020.

Of more concern than tariff measures was the sharp deterioration in the US bond market early in the month where yields rose by nearly 0.5%. Coupled with significant protests by corporate America about the tariff ramifications, this seems to have caused the President to rethink the short-term strategy, and a partial recovery followed a week later (bond yields also eased back from their highs). On April 9, the Trump administration announced a 90-day pause on the implementation of certain reciprocal tariffs—targeted mainly at countries that had not retaliated against the U.S. This triggered a sharp rebound in equity markets, with the S&P 500 posting its strongest single-day gain since October 2008. However, the relief was short-lived, as China was explicitly excluded from the pause.

Tensions with China escalated further during the month. The United States appeared to be pursuing a broader shift, raising tariffs on Chinese goods to 145%. In response, China imposed a 125% retaliatory tariff on U.S. imports. This tit-for-tat exchange between the world's two largest economies reinforced perceptions of a deepening strategic rivalry and maintained a climate of persistent economic uncertainty throughout the month. Despite some de-escalation, many tariffs remained intact—most notably the 25% tariff on automobiles, which has significant consequences for global car manufacturers and supply chains (and was the subject of some softening of stance by President Trump at month end).

By month-end, the broader economic impact of prolonged uncertainty was starting to become apparent. Analysts downgraded global growth forecasts, trimmed earnings expectations, and increased the probability of a U.S. recession—some surveys suggesting a near 50% chance within the next year.

April 2025 was dominated by market reactions to the United States' increasingly aggressive trade posture. While temporary policy pauses offered brief reprieve, the overall tone of U.S. trade policy remained confrontational and unpredictable. This left financial markets jittery, risk appetite constrained, and investors acutely sensitive to any signals—positive or negative—emerging from Washington or Beijing.

US Markets

Markets were hit hard following the April 2 "Liberation Day" tariff announcement, with equities sharply lower across the board. However, they have since begun to recover, supported by a rebound in investor sentiment and stronger than anticipated corporate earnings. Growth stocks (such as technology) outperformed Value—a reversal of the year-to-date trend—as investors repositioned in response to evolving trade dynamics.

U.S. GDP contracted by 0.3% in Q1 (annualised growth rate), marking the first negative reading since 2022. The Bureau of Economic Analysis attributed this contraction to a sharp rise in imports, slower consumer spending, and reduced government expenditure. The spike in imports suggests that businesses accelerated purchases in anticipation of incoming tariffs, most of which took effect in early April.

Inflation data for March surprised to the downside, with headline and core rates printing at 2.4% and 2.8% year-on-year, respectively. While inflation is expected to reaccelerate in the coming months, markets are now pricing in four Federal Reserve rate cuts by year-end.

Nobel Prize winner Paul Krugman described the rapid escalation in tariffs as "the biggest trade shock in history." However, he cautioned that it is not the tariffs themselves, but the unpredictability of policy reversals, that presents the greatest economic risk. According to Krugman, this uncertainty could delay business investment decisions and increase the likelihood of a U.S. recession.

U.S. markets struggled in April. Most major indices ended the month in negative territory, with the Dow Jones down -3.17% and the S&P 500 declining a more modest -0.76%. The Nasdaq 100 was the outlier, posting a gain of 1.52%. However, over the past three months (since the start of February), even the Nasdaq has recorded a cumulative decline of more than -7.8%.

Despite ongoing geopolitical and policy headwinds, strong corporate earnings helped limit broader losses. The S&P 500's -0.76% return for the month was cushioned by earnings beats from most reporting companies, although many issued cautious forward guidance due to the impact of tariffs and trade-related uncertainty. Notably, tech giants delivered robust results, buoying market sentiment for now.

Bond markets mirrored the prevailing uncertainty. The yield on the U.S. 10-year Treasury notes briefly surged to 4.5% before easing to 4.17% by month-end, with yields sitting at -1.03% lower than the start of the month.

World Markets

The Monetary Authority of Singapore (MAS) eased its monetary policy for the second time this year in response to deteriorating global trade conditions fuelled by U.S. tariffs. The MAS slightly eased the appreciation rate of the Singapore dollar, keeping the policy band otherwise unchanged. This move aimed to cushion the domestic economy from weakening external demand and tighter global financial conditions.

In the eurozone, the European Central Bank (ECB) cut interest rates by 25 basis points, lowering the deposit rate to 2.25%. The ECB reaffirmed that the disinflationary trend remained on track, though growth prospects had dimmed due to escalating trade tensions. Expectations of further rate cuts supported European bond markets over the month.

In China, early economic data highlighted the mounting pressure from aggressive U.S. tariffs, which now cover most Chinese goods at a combined rate of up to 145%. Chinese markets reflected the strain, with the Shanghai Composite Index (SSE) down -1.7% and the Hang Seng Index falling -4.33%—though the latter remains up 9.37% over the past three months. China's official manufacturing PMI dropped to 49 from 50.5, marking the sharpest contraction since December 2023. Although the government has set a 2025 growth target of around 5%, analysts caution this will be difficult to achieve under current trade conditions.

Globally, asset markets are undergoing a broad repricing amid slower U.S. growth and heightened trade-related uncertainty. According to Goldman Sachs Research, this environment has helped strengthen the euro against the U.S. dollar. As unpredictable policy actions weigh on U.S. corporate earnings and household incomes, European investors appear less confident in the relative strength of American assets—leading to a reassessment of the dollar's role as the world's reserve currency and hence premium price. While fund flow data indicates a gradual shift of capital away from the U.S., Goldman notes that any meaningful dollar weakness is likely to unfold through slow rebalancing rather than a rapid exodus.

In Japan, markets reflected the impact of currency fluctuations and global trade sentiment. Although the Nikkei 225 ended the month with a 1.2% gain—outperforming many peers—it has still underperformed over the past three months, with a cumulative decline of -8.9%. A sharp rise in the yen, reaching a seven-month high, weighed heavily on Japan's export-oriented sectors. Technology and industrial firms led the initial declines. However, as the yen eased, Japanese equities rebounded, driven by exporters and optimism over U.S.-Japan trade progress.

European markets maintained a generally positive tone. Frankfurt's DAX rose by 1.5% for the month, proving to be one of the most stable indices year-to-date. Its relative resilience has helped it outperform many developed market peers and is expected to draw further investor interest. Sentiment was also lifted by anticipation around earnings releases and macroeconomic data, alongside optimism surrounding U.S.-China trade relations. In Germany, newly appointed Chancellor Friedrich Merz finalised his Cabinet, assigning key portfolios to CDU members—a development welcomed by markets. Strong performance was seen across autos, tech, and financials.

The FTSE 100 rebounded post "Liberation Day" but still closed the month down -1.02%. Investor focus remained on upcoming earnings, macroeconomic data, and global trade developments. Notably, consumer goods and homebuilding sectors led gains, with Deliveroo for example surging nearly 18% following a takeover proposal from DoorDash.

Australia

Australia was a relative outperformer in global financial markets during April, with the domestic share market standing out as one of the best performers among developed economies. Despite persistent global uncertainty stemming from the U.S.-China trade conflict, interest rate volatility, and a politicised economic backdrop in major economies, Australian assets were buoyed by firm domestic earnings, rising expectations of monetary easing, and continued inflows into risk assets.

Australian equities exceeded expectations and outperformed many other markets. The All Ordinaries Index returned 3.57% for the month, while the S&P/ASX 200 Index rose 3.6%, largely driven by strength in the banking and resource sectors. Banks rallied strongly throughout April, supported by growing investor confidence that the Reserve Bank of Australia (RBA) may soon cut interest rates. Lower rates are generally viewed as positive for bank margins and lending activity, particularly in a stable credit environment. Additionally, global demand for yield remained robust, supporting buying interest in dividend-paying Australian equities.

On the macroeconomic front, the March quarter Consumer Price Index (CPI) was a key development. Headline inflation rose by 0.9% quarter-on-quarter, bringing annual inflation down to 2.4% from 3.3% in the December quarter. Notably, trimmed mean (core) inflation fell to 2.9%, bringing it back within the RBA's 2–3% target range for the first time in over three years.

Australian bond yields trended lower over the month despite a mid-April spike following Trump's tariff decision. Demand for bonds as safe-haven assets drove yields down overall, with Australian bond yields finishing the month down -6.12% (change in yield).

Looking ahead, investor attention is focused on the upcoming May RBA meeting, the May 3 election result, and a series of key data releases—including wage growth, labour market figures, and household spending—which will shape expectations for monetary and fiscal policy in the second half of 2025. While uncertainty remains, the combination of falling inflation, resilient global risk appetite, and increasing political clarity may offer further support to Australian markets in the coming months.

At this point, the Australian economy is relatively better placed than some others to cope with global tariffs, however a key downside risk still exists with the flow-on effect from indirect impacts – in other words, the impact on our major trading partners from their tariff imposts.

Other Markets

Crude oil markets faced a challenging April, with both Brent and WTI prices falling sharply amid a mix of demand and supply concerns. However, a lower oil price is generally supportive of lower inflation outcomes which is one positive. The ongoing U.S.–China trade war continued to weigh heavily on global demand expectations. While President Trump granted temporary tariff exemptions on select Chinese electronic goods, investor sentiment remained fragile due to the threat of further levies. These trade-related uncertainties dampened the outlook for oil consumption in the world's two largest energy consumers.

Adding to the bearish pressure, OPEC+ signalled a faster-than-expected increase in production, raising fears of a looming supply glut. The group is expected to raise output by 411,000 barrels per day in May, though this may be partially offset by voluntary cuts from members previously exceeding quotas.

The combination of rising supply, softening demand, and trade uncertainty weighed heavily on oil markets. Prices dropped -18% in April, marking one of the steepest monthly declines in recent years. Analysts, including those at Barclays, revised down their 2025 Brent crude forecasts, citing weaker growth and consumption trends.

Gold prices were highly volatile throughout the month, surging to new all-time highs before retreating. Bullion spiked to a record $3,500 per ounce mid-month, driven by a confluence of macro risks:

aggressive U.S. tariff hikes, rising recession fears, and concerns over political interference in Federal Reserve policy.

Safe-haven demand for gold accelerated after President Trump intensified pressure on the Federal Reserve, calling for aggressive rate cuts and reportedly considering the removal of its Chair Jerome Powell (although this threat was subsequently backed off). Nevertheless, the U.S. dollar dropped to a three-year low, further boosting gold's appeal as an alternative store of value for now.

Later in the month, gold's earlier rally lost momentum as trade tensions began to show tentative signs of easing. China exempted some U.S. goods from its retaliatory tariffs, and Trump hinted at "potential" trade deals with India, Japan, and South Korea. Gold fell back below $3,230 by month-end but still posted a 5% gain for April and remained up 30% year-to-date—highlighting ongoing market uncertainty.

Iron ore markets were also caught in a tug-of-war between supply chain disruption and shifting demand. Prices in China fell to a six-month low as tariffs and retaliatory measures disrupted global supply chains. Given its central role in steel production, the iron ore price remained highly sensitive to changes in industrial activity and construction trends, ending the month down -2.6%.

The Australian dollar (AUD) appreciated 2.5% against the U.S. dollar in April, supported by a weaker greenback and improved risk sentiment. The AUD/USD pair reached $0.64—its highest level since December 2024—before pulling back slightly. However, the AUD fell around 2.6% against the euro, as soft commodity prices weighed on performance.

Despite its gain against the U.S. dollar, the AUD remained one of the weaker G10 currencies when measured against the euro and other majors. Australia's significant trade exposure to China, combined with weak Chinese PMI data and persistent trade tensions, kept investors cautious. Moving forward, trade uncertainty and commodity price volatility remain key risks to ongoing AUD performance.

Index*	1 Month	3 Months
US – Dow Jones	-3.17%	-8.70%
US – Nasdaq (100)	1.52%	-8.88%
US – S&P 500	-0.76%	-7.81%
Germany – DAX	1.50%	3.52%
UK – FTSE 100	-1.02%	-2.06%
Shanghai Composite – SSE	-1.70%	0.87%
Hong Kong – Hang Seng	-4.33%	9.37%
Japan – Nikkei 225	1.20%	-8.91%
S&P/ASX 200	3.61%	-4.76%
All Ordinaries Index	3.57%	-5.10%
Gold (USD)	5.29%	17.40%
Oil (USD) – WTI	-18.56%	-18.76%
Iron Ore (USD)	-2.61%	-1.80%
10 Year Aus Gov't Bonds (yield)	-6.12%	-7.20%
10 Year US Gov't Bonds (yield)	-1.03%	-8.26%
AUD/USD	2.51%	3.09%

* Percentage change in local currency unless stated otherwise

The main issue facing investors is the continued volatility and uncertainty around US policy announcements and any responses from other countries. This leads to capital investment decisions being put on pause which is a negative for economic growth prospects. Hence the size of any final tariffs and how long it takes to get there will be important factors here to watch.

If you have any questions in relation to the above, or require any additional information, please do not hesitate to contact your Adviser to discuss your particular circumstances.