April Monthly Economic Market Wrap

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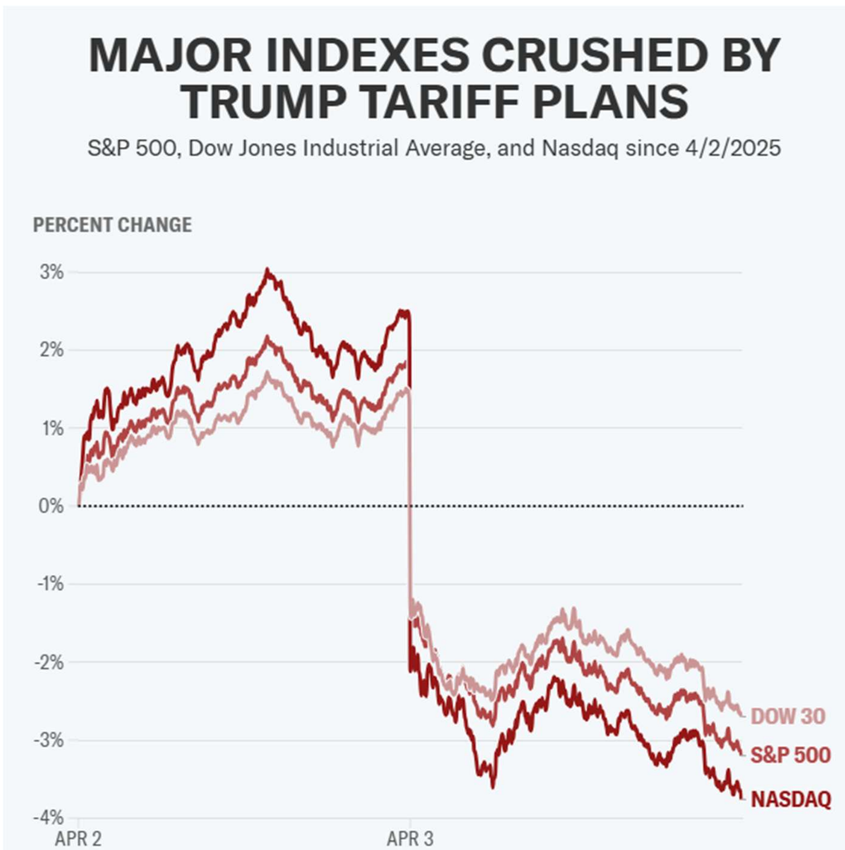
On Thursday the 3rd of April US stocks had their worst one-day sell-off since 2020, with the Dow Jones tumbling almost 1,700 points as President Trump's surprisingly steep "Liberation Day" tariffs sent shockwaves through markets worldwide.

The tech-heavy Nasdaq Composite led the sell-off, plummeting 6%. The S&P 500 sank nearly 5%, while the Dow Jones Industrial Average tumbled 4%. The Dow's 1,700-point drop was the fifth worst in its history.



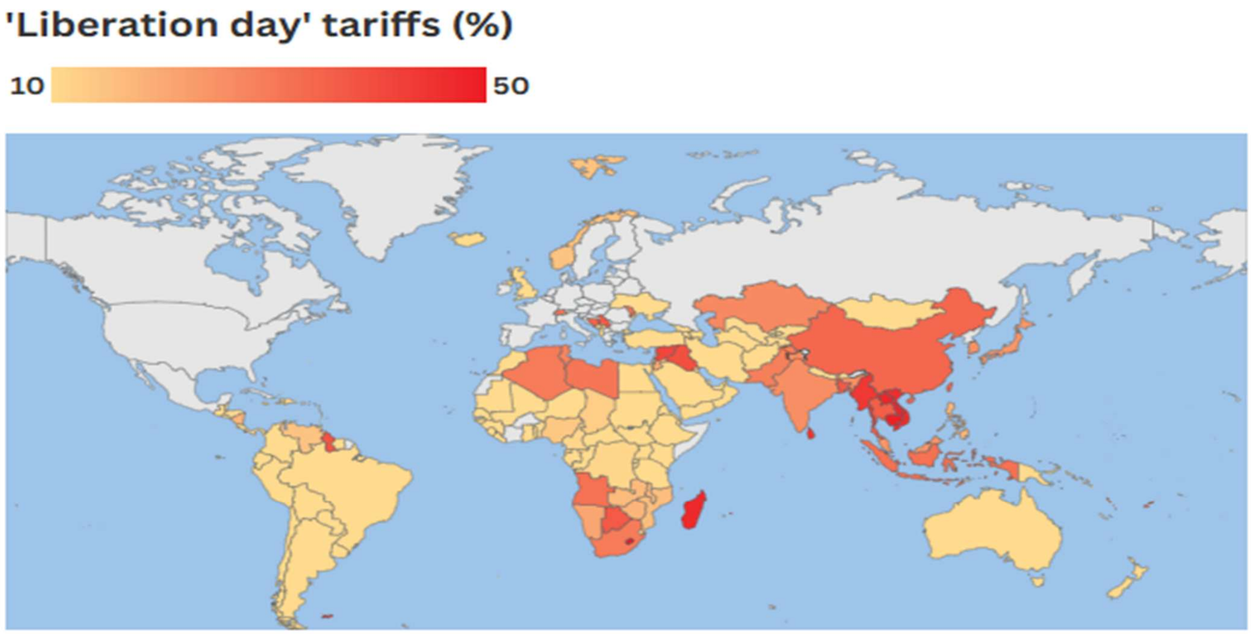
Apple shares fell over 9% amid concerns about disruption to its supply chain. China, the source of key iPhone components, was hit with additional US tariffs that raised its overall rate to 54%.

Nvidia and other chip stocks also tumbled thanks to similar concerns, with the AI chip leader sliding over 7%. The so-called "Magnificent Seven" stocks that led the market rally over the past two years shed over $900 billion in market cap.

S&P 500: Worst Performance through First 64 Trading Days (1928 - 2025)				
Rank	Year	Price Return: First 64 Trading Days	Price Return: Day 65 to Year-End	Price Return: Full Calendar Year
1	2020	-21.8%	48.6%	16.3%
2	1932	-17.1%	2.8%	-14.8%
3	2001	-16.2%	3.8%	-13.0%
4	1939	-16.1%	13.1%	-5.2%
5	1938	-15.5%	47.5%	24.5%
6	2025	-13.7%		
7	1935	-10.7%	58.4%	41.4%
8	1977	-7.7%	-4.1%	-11.5%
9	1973	-7.5%	-10.7%	-17.4%
10	1960	-7.4%	4.8%	-3.0%
11	1953	-7.4%	0.8%	-6.6%
12	2008	-6.7%	-35.0%	-39.3%
13	2009	-6.7%	32.4%	23.5%
14	1978	-6.6%	8.2%	1.1%
15	1982	-6.1%	21.9%	14.5%
16	1994	-5.9%	4.6%	-1.5%
17	1942	-5.6%	19.1%	12.4%
18	1941	-5.4%	-13.2%	-17.9%
19	1980	-5.3%	32.4%	25.4%
20	1957	-4.8%	-10.0%	-14.3%
				(As of 4/4/25)

RFS ADVICE

Stocks around the world sold off as the likelihood of retaliation from trading partners fuelled fears of a full-on trade war and a severe hit to global growth. The pan-European benchmark Stoxx 600 sank over 2.5%, while Japan's Nikkei 225 slumped 2.7% to its lowest level since August.



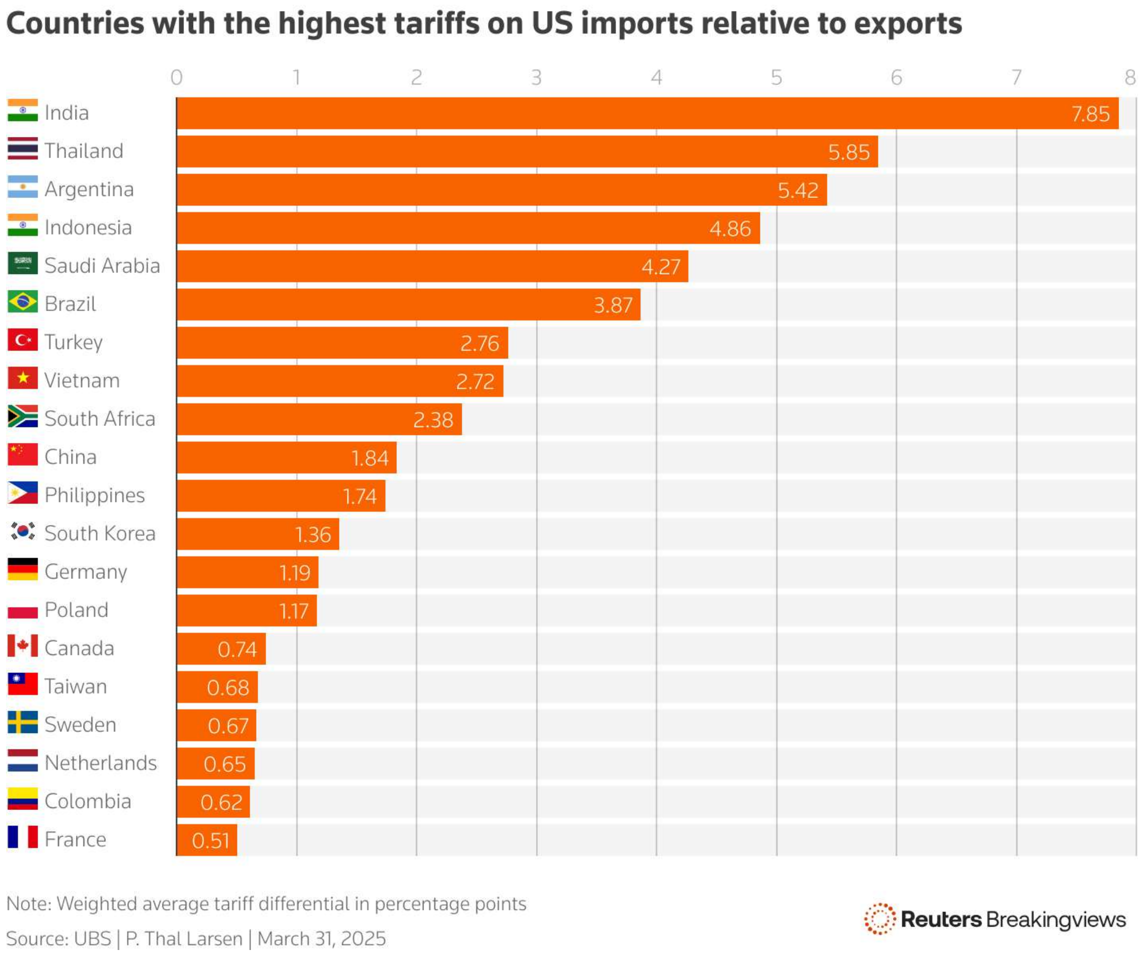
Source: US government
*As calculated by the White House based on tariffs imposed on US goods, as well as non-tariff barriers.

The US has announced a slew of tariffs based on a reciprocal tariff 'formula'.

President Trump announced a baseline 10% tariff on all goods into the US. This was widely expected.

Less expected, however, was the basis for “reciprocal” tariffs.

The US chose a number based on a reciprocal tariff formula – that is, the trade deficit that the US has with a country divided by the size of imports the US takes from that country.



For example, Indonesia has a trade surplus (deficit for the US) of $17.9billion on total exports (imports for US) of $28 billion – so, its supposed tariff on the US is 64%.

What this highlights is that the US is more focused on their poor current account position and will use tariffs to fix it.

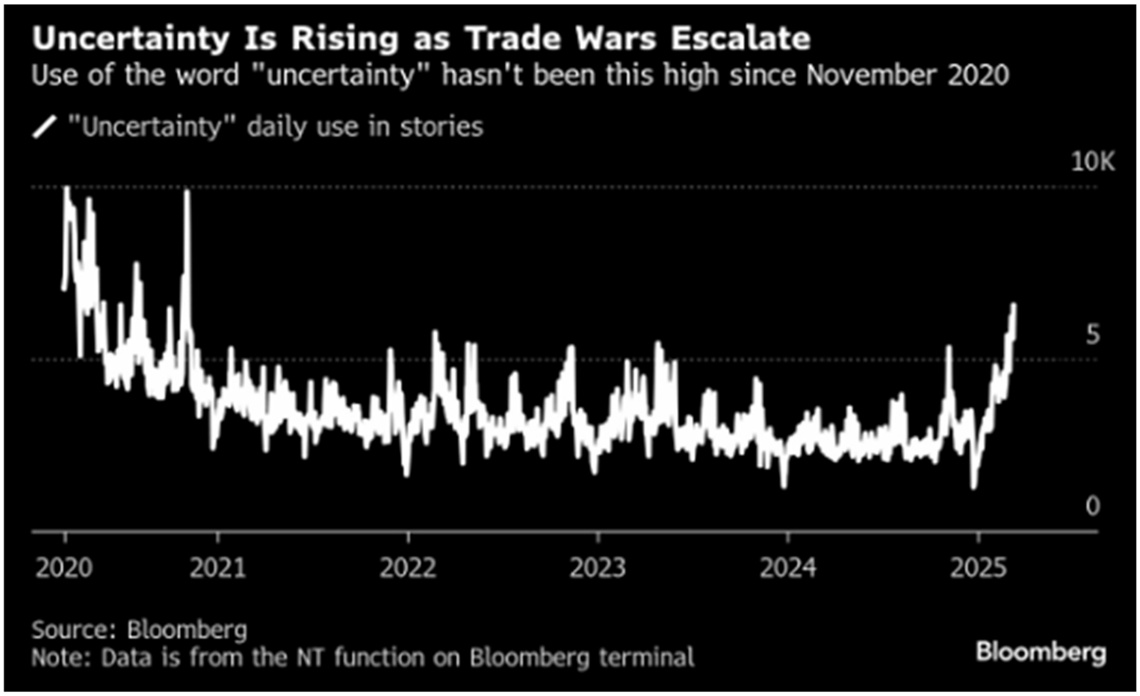
Reciprocal Tariffs

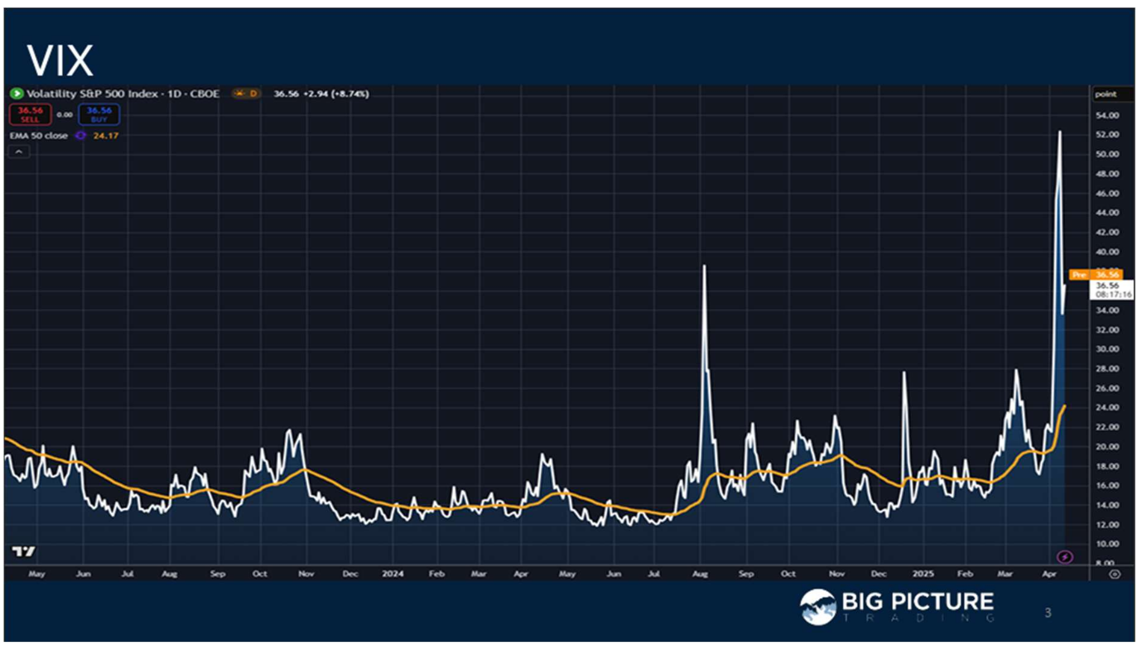
Country	Tariffs Charged to the U.S.A. Including Currency Manipulation and Trade Barriers	U.S.A. Discounted Reciprocal Tariffs
China	67%	34%
European Union	39%	20%
Vietnam	90%	46%
Taiwan	64%	32%
Japan	46%	24%
India	52%	26%
South Korea	50%	25%
Thailand	72%	36%
Switzerland	61%	31%
Indonesia	64%	32%
Malaysia	47%	24%
Cambodia	97%	49%
United Kingdom	10%	10%
South Africa	60%	30%
Brazil	10%	10%
Bangladesh	74%	37%
Singapore	10%	10%
Israel	33%	17%
Philippines	34%	17%
Chile	10%	10%
Australia	10%	10%
Pakistan	58%	29%
Turkey	10%	10%
Sri Lanka	88%	44%
Colombia	10%	10%

Reciprocal Tariffs

Country	Tariffs Charged to the U.S.A. Including Currency Manipulation and Trade Barriers	U.S.A. Discounted Reciprocal Tariffs
Peru	10%	10%
Nicaragua	36%	18%
Norway	30%	15%
Costa Rica	17%	10%
Jordan	40%	20%
Dominican Republic	10%	10%
United Arab Emirates	10%	10%
New Zealand	20%	10%
Argentina	10%	10%
Ecuador	12%	10%
Guatemala	10%	10%
Honduras	10%	10%
Madagascar	93%	47%
Myanmar (Burma)	88%	44%
Tunisia	55%	28%
Kazakhstan	54%	27%
Serbia	74%	37%
Egypt	10%	10%
Saudi Arabia	10%	10%
El Salvador	10%	10%
Côte d`Ivoire	41%	21%
Laos	95%	48%
Botswana	74%	37%
Trinidad and Tobago	12%	10%
Morocco	10%	10%

This meant the reciprocal tariffs being imposed by the US were higher than most expected, with markets reacting with an old-fashioned risk-off move.

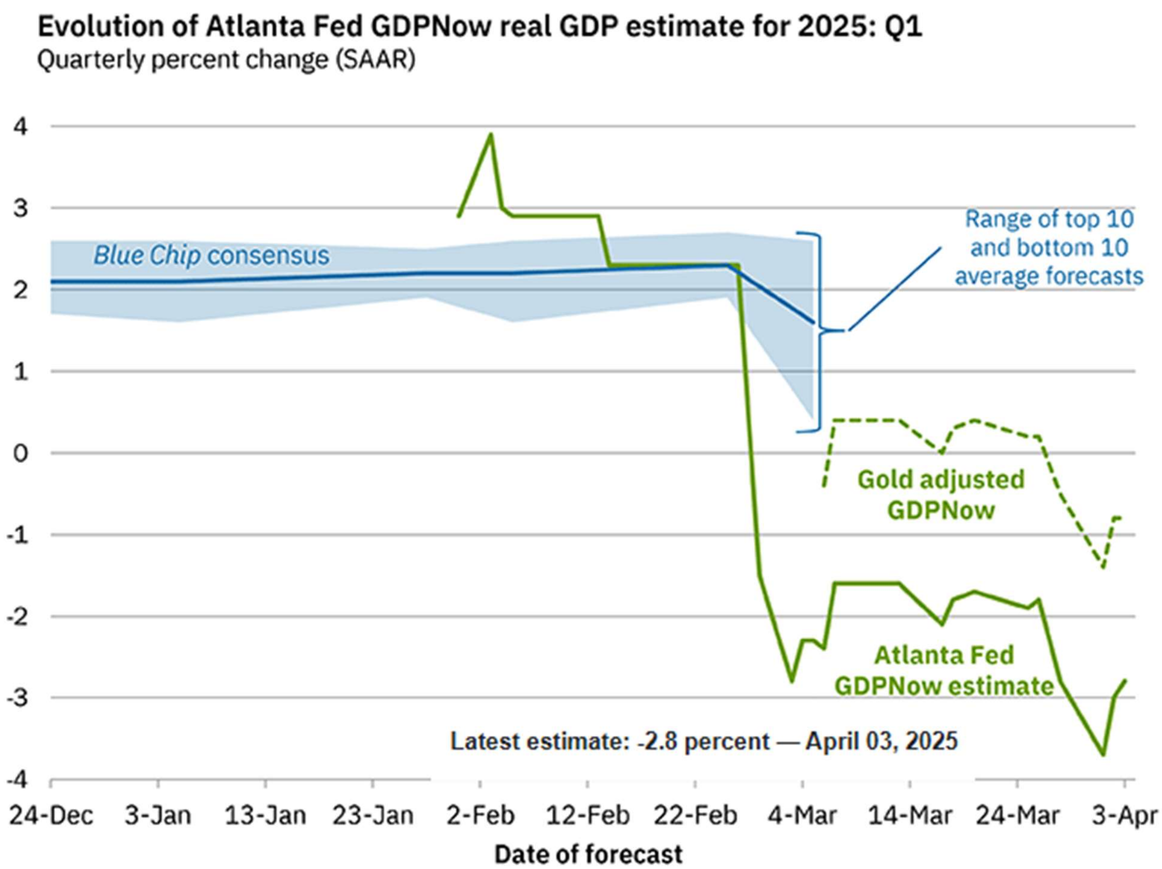




The current net increase in tariffs for the US is around 20%, translating to around an extra 2% to inflation. Part of that may be absorbed by exporters or retailers, but it would be hard to see inflation not being hit by at least 1%.

For growth, the US consumer is 70% of their economy.

If consumers spend the same amount of money, their volume of consumption would fall – leading to a roughly 1% lower Gross Domestic Product (GDP) than anticipated. Employment should be softer near term as the boost from onshoring will take longer to come through.



Sources: *Blue Chip Economic Indicators* and *Blue Chip Financial Forecasts*
Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the *Blue Chip* survey.

The US Federal Reserve is caught between higher inflation and lower growth but would more likely see through the one-off inflation impact and react to the lower growth.

The Fed Funds Rate may need to be cut.

THEN ON THURSDAY

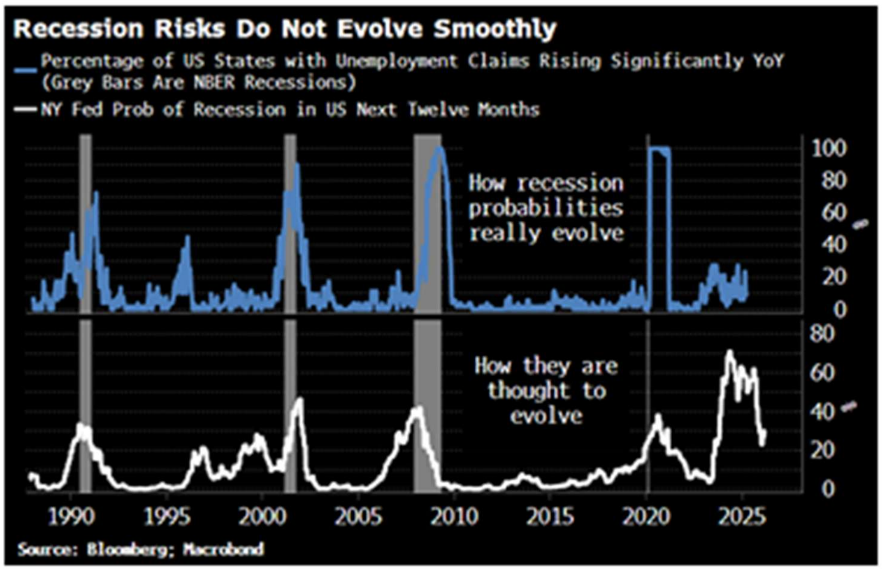
Trump has now backflipped on the proposed tariffs. Tariffs in excess of 10% on all nations have been paused for 90 days to encourage nations to go to the negotiating table. All, except China, which saw tariffs increase to 125% as both countries appear to be gearing up for a trade war.

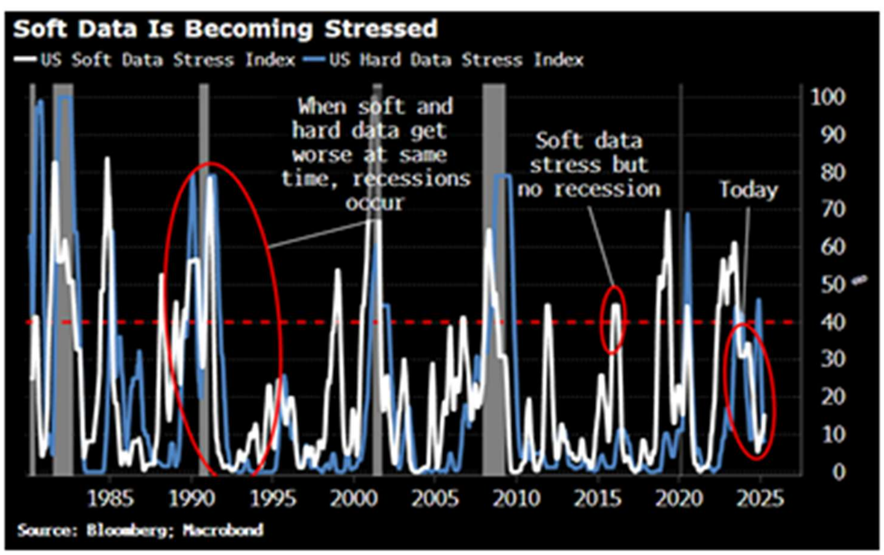
We've seen markets bounce back with the Dow Jones climbing 7.87%, the S&P500 9.52%, the Nasdaq 12.16% and the ASX200 with 4.61% but still moving.


Market Summary > Nasdaq Composite
17,124.97
INDEXNASDAQ: .IXIC
+954.61 (5.90%) past year
9 Apr, 5:15 pm GMT-4 • Disclaimer
1D 5D 1M 6M YTD 1Y 5Y Max
20,000
18,000
16,000
14,000
Aug 2024
Dec 2024
Apr 2025
Open 15,295.44
High 17,202.94
52-wk high 20,204.58
Prev close 15,267.91
Low 15,270.28
52-wk low 14,784.03


S&P500 Futures
S&P 500 E-mini Futures · 1D · CME
5,387.00 −126.50 (−2.29%)
EMA 50 close 5,708.04
BIG PICTURE
TRADING
2

Is the US heading into a recession? Uncertainty is high and the markets perception of likelihood is increasing. Recessions are often caused by a negative feedback loop where markets fall, consumer sentiment drops, investment and spending then decrease and then markets fall again and so on and so on. But it is too early to tell.





What about Australia?

We have a small trade deficit with the US. Under the Trump formula, our $14bn deficit on $88bn of imports should mean we tariff the US 16%.

Our economy will take any hit through Asia, especially China. Almost 90% of our exports go to Asia, so any slowdown there will have an impact here.

However, we should not see any direct inflation hits. In fact, exporters may look to replace some US demand in other markets, which could even see some import prices fall.

Australian financial markets, however, will continue to be buffeted by global events.

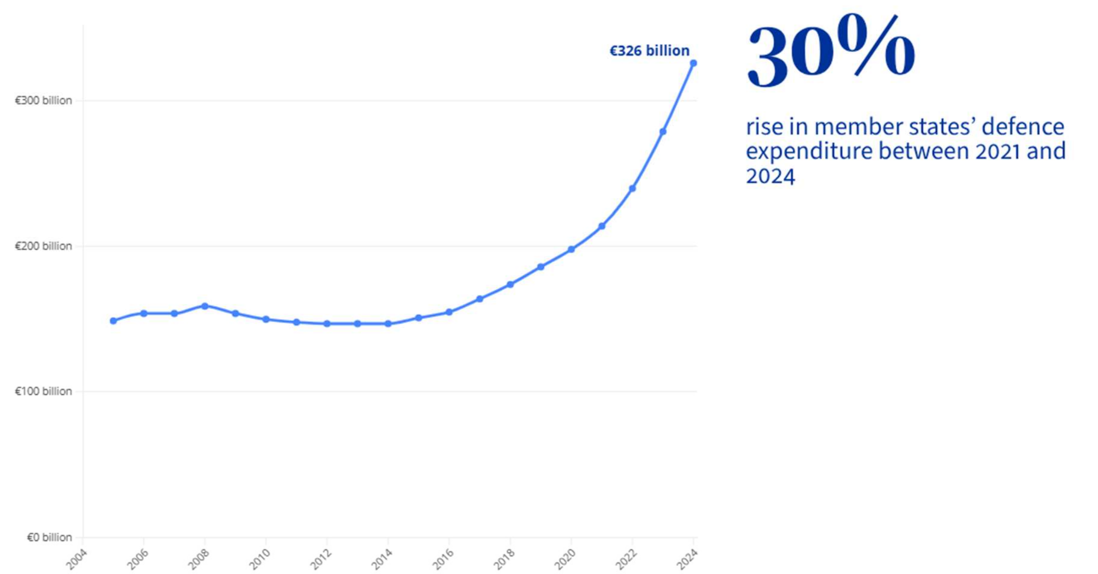
The German – and, indeed, European – moment of truth has clearly come in response to Trump's Ukraine pivot.

The shift is material, with Germany breaking its policy of fiscal restraint and pledging to do "whatever it takes" to defend itself.

It announced a €500bn infrastructure fund and will amend its constitution to exempt defence outlays from spending limits.

It also called on the EU to reform its fiscal rules to allow for greater defence spending – a sentiment echoed by European Commission President Ursula von der Leyen, who said the EU plans to activate a mechanism that will allow countries to use their national budgets to spend an additional €650bn in defence over four years without triggering penalties.

Defence expenditure (2005-2024)

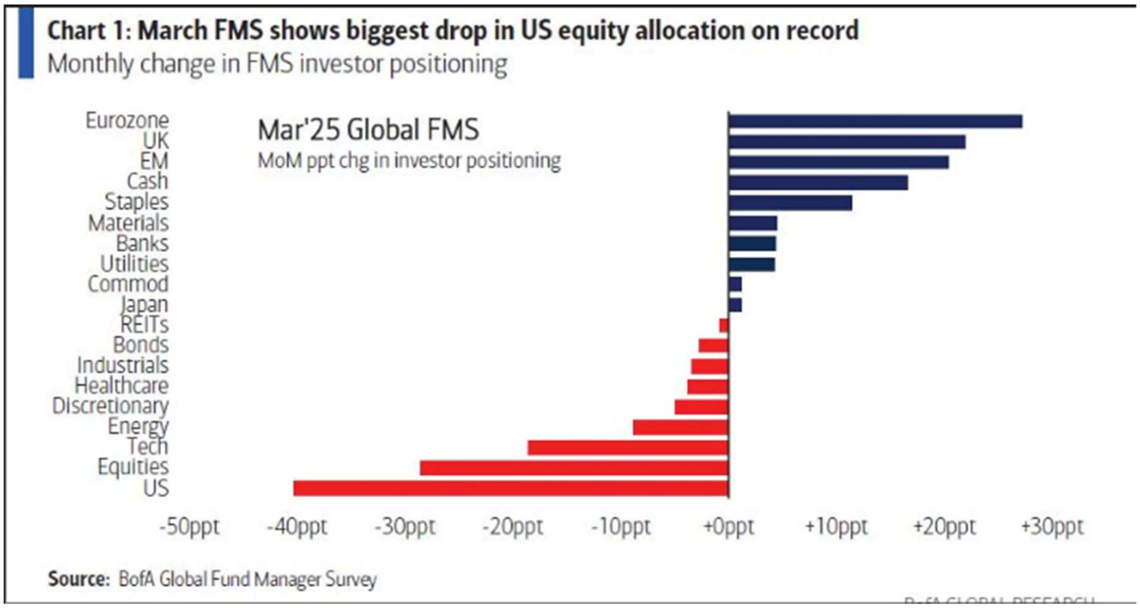


Source: European Defence Agency

While some commentators have dubbed this Europe's "Make Europe Great Again" moment, there is no doubt that Germany's fiscal position is far stronger than others. Its debt-to-GDP ratio is 62%, versus the UK at 99%, Spain at 104%, France at 111% and Italy at 138%.

As such, it is unclear whether Germany alone can drive fundamental change.

We also saw a large rotation out of US equities in March with a large portion moving towards Europe.

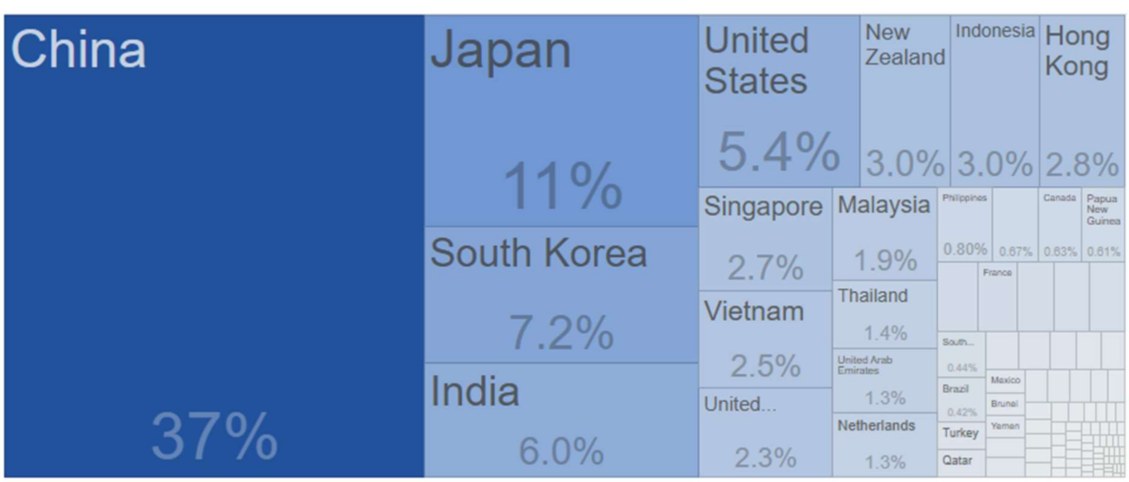


The Australian stock markets have not been spared from the tariff rollercoaster ride.

Coming off a peak in February, markets have responded negatively to Trumps on-again off-again tariff plans but have seen a boost over the last few days, to the relief of many.

As far as trade goes, Australia has so far only been given a 10% tariff by the Trump administration which would not have a large material effect on exports headed for the US.

The larger concern is the implications a trade war between the US and China would have on Chinese demand. Australia exported $102.63 billion worth of good to China in 2024, 37% of total exports.

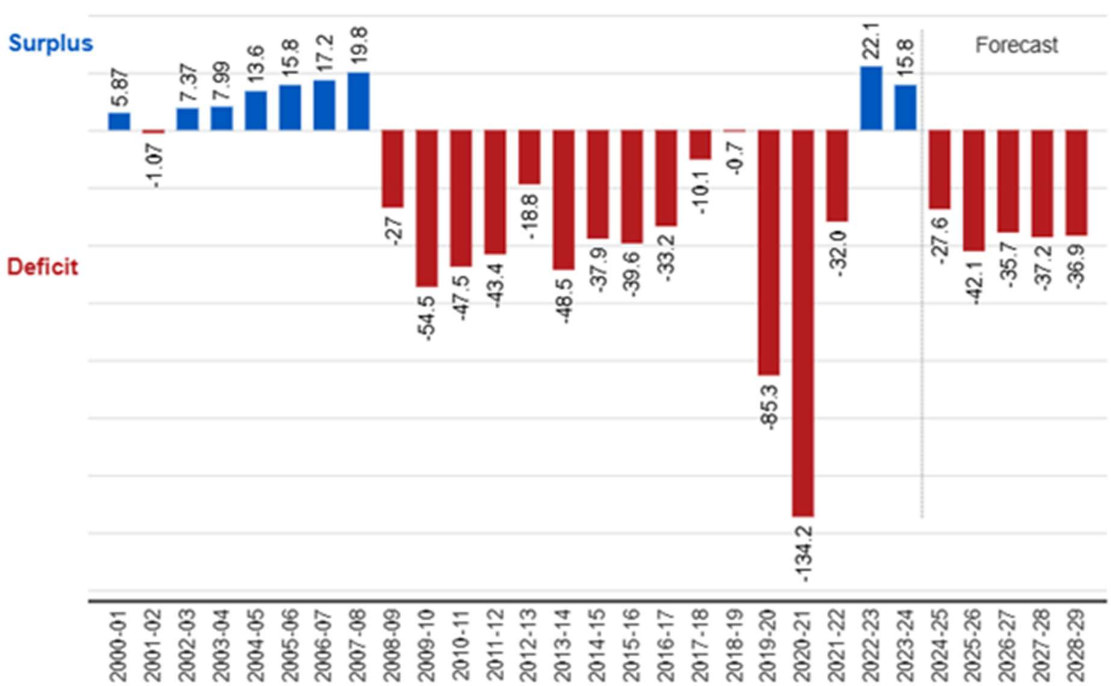


The United States is Australia's fifth largest export destination with $14.73 Billion worth for 2024.

Australia Exports By Country	Value	Year
China	$102.63B	2024
Japan	$30.62B	2024
South Korea	$19.87B	2024
India	$16.48B	2024
United States	$14.73B	2024
New Zealand	$8.24B	2024
Indonesia	$8.13B	2024
Hong Kong	$7.78B	2024
Singapore	$7.34B	2024
Vietnam	$6.88B	2024
United Kingdom	$6.27B	2024
Malaysia	$5.19B	2024
Thailand	$3.77B	2024
United Arab Emirates	$3.60B	2024
Netherlands	$3.49B	2024
Philippines	$2.21B	2024
Germany	$1.83B	2024
Canada	$1.72B	2024

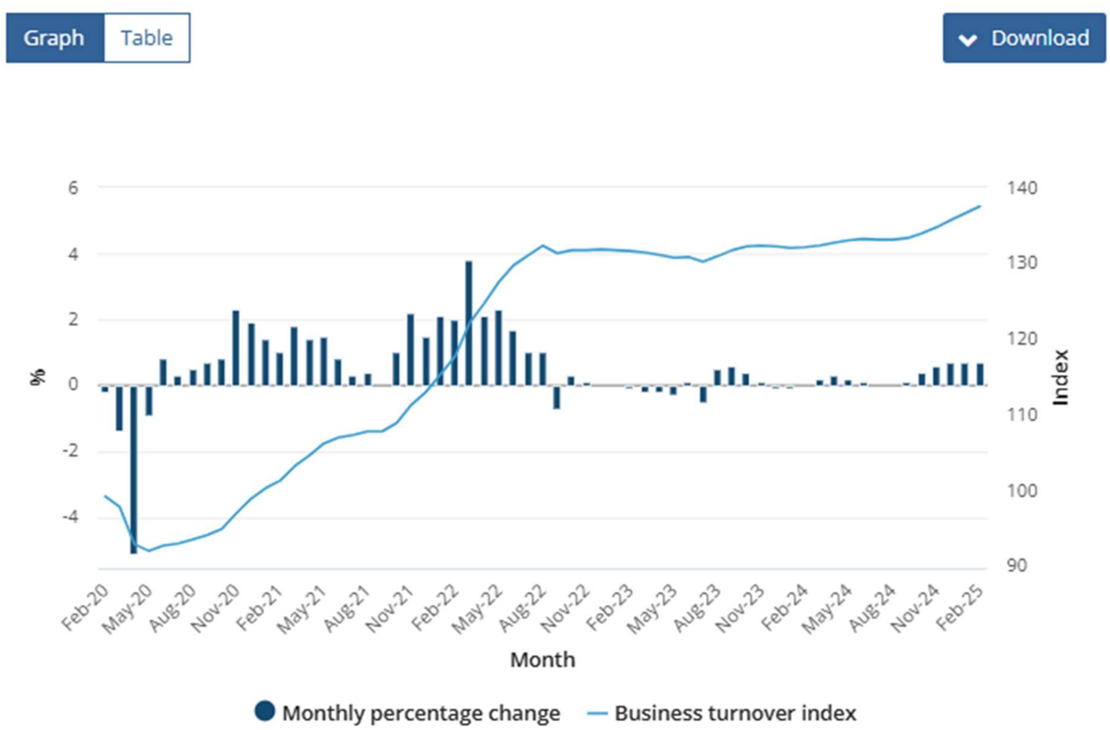
Australia has been running a budget surplus deficit for the last two years but with the recent budget and a federal election in a few weeks, we are projected to run a deficit for the foreseeable future.

Budget surplus/deficit ($billions)



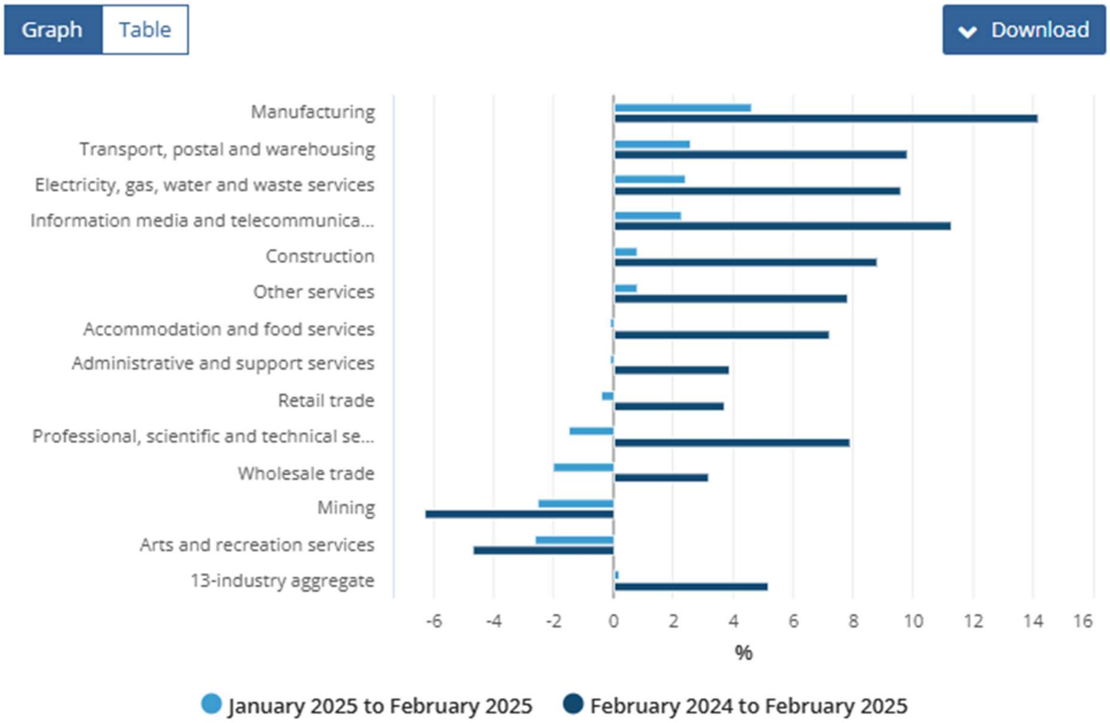
We have seen a slight uptick in business turnover as inflationary pressures ease, the interest rate was dropped and consumer confidence *started* to come back.

Business turnover indicator, 13-industy aggregate, trend



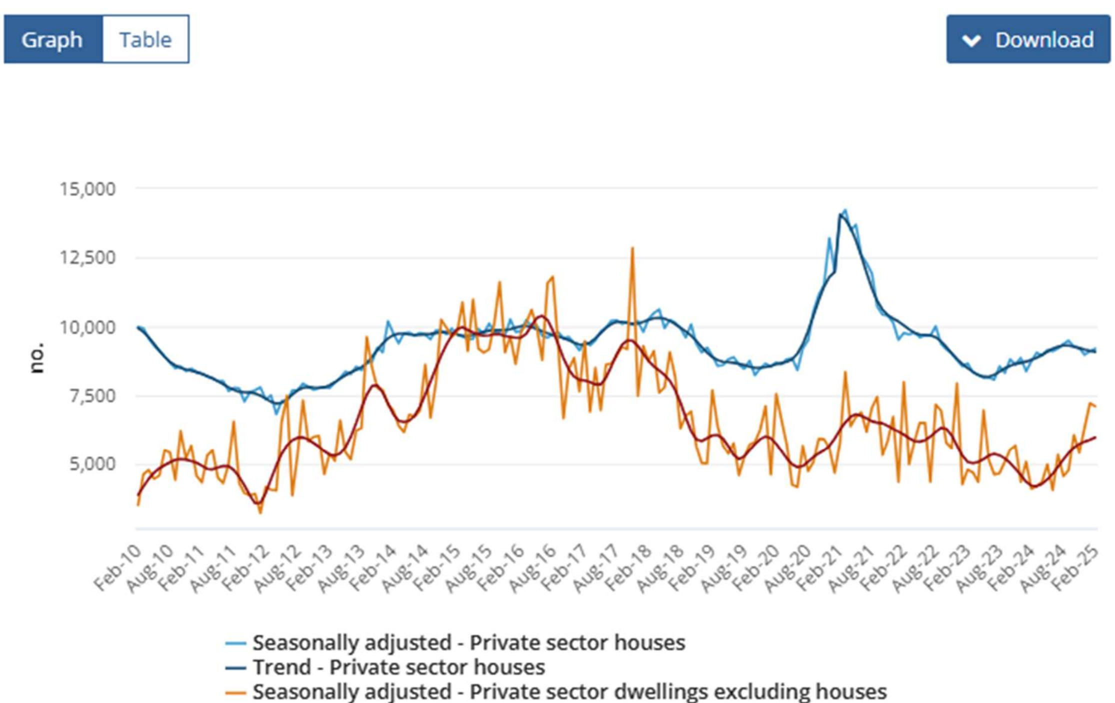
The main contributors were manufacturing, transport and logistics, energy, IT and construction.

Business turnover indicator, change in turnover, seasonally adjusted



We have also had a modest increase in building approvals for the last few months. Although recent data indicates this is slowing down with a slight fall of 0.3% in February.

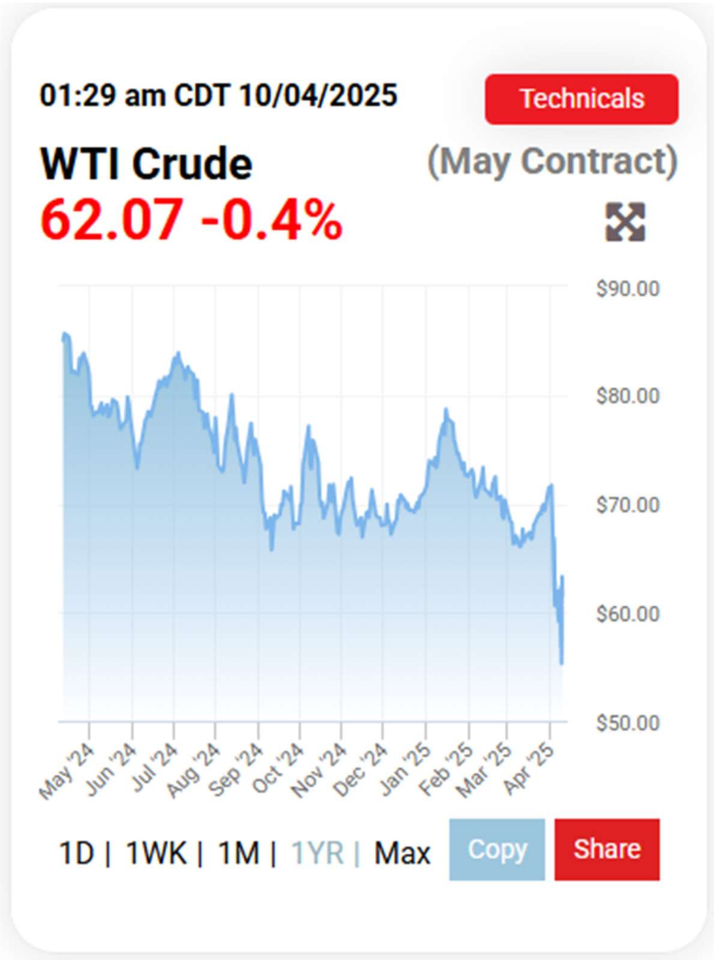
Dwellings approved, by building type (a)

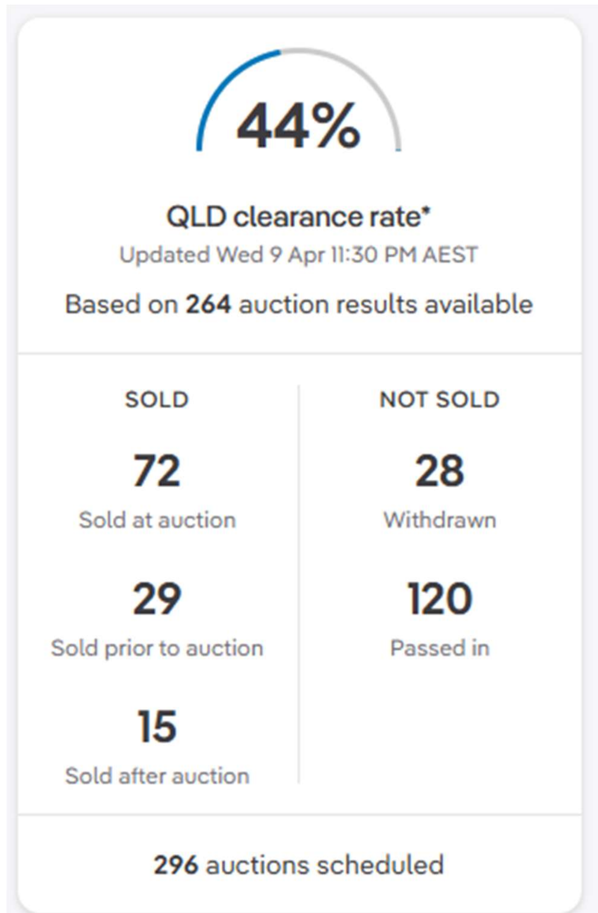


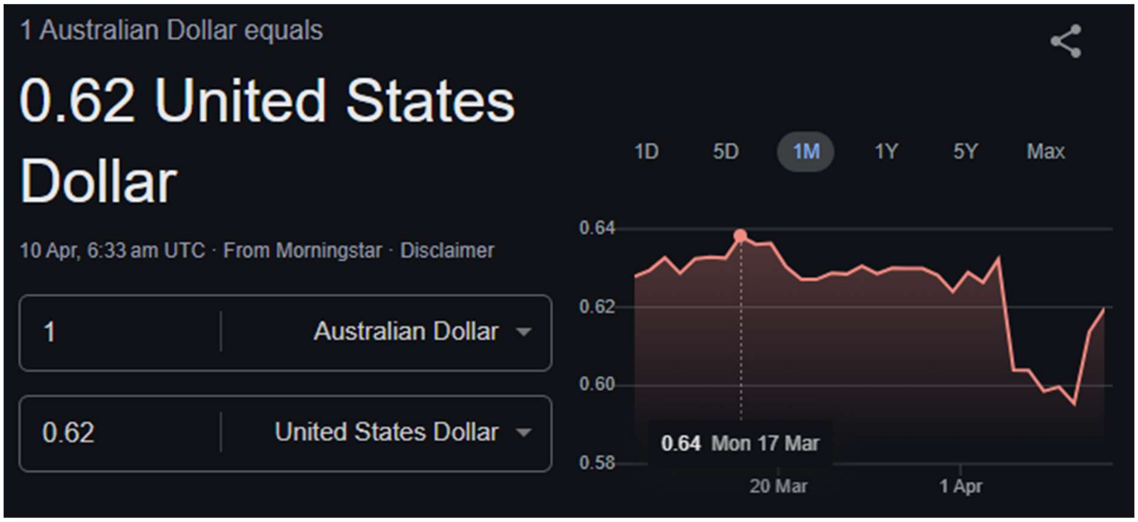
We've seen a drop in oil prices thanks to the tariffs and fears of economic slowdown.

And Auction clearance rates have been hovering around 44% for the last few weeks.

The Aussie dollar has also had a rollercoaster month.






1 Australian Dollar equals
0.62 United States Dollar
10 Apr, 6:33 am UTC · From Morningstar · Disclaimer
1
Australian Dollar
0.62
United States Dollar
1D
5D
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1Y
5Y
Max
0.64
0.62
0.60
0.58
0.64 Mon 17 Mar
20 Mar
1 Apr


Market Summary > All Ordinaries
7,853.70
+6.10 (0.08%) ↑ past 5 days
11 Apr, 4:54 pm AEST • Disclaimer
1D
5D
1M
6M
YTD
1Y
5Y
Max
8,000
7,800
7,600
7,400
7,200
7,686.60 Tue 8 Apr 15:00
8 Apr
9 Apr
10 Apr
11 Apr
Open 7,913.90
High 7,913.90
Low 7,731.30
Prev close 7,913.90
52-wk high 8,882.70
52-wk low 7,343.70