

**EQUITY MARKETS CLOSE TO ERASING EFFECT OF APRIL TARIFFS DESPITE COMPANY WARNINGS**

This week we have seen more evidence of the headwinds that US corporations expect from the introduction of punitive trade tariffs. As second quarter earnings season progresses, more US companies are listing tariffs as a risk for future revenues and profits and many are beginning to quantify the effect. In the case of Apple, the company estimates the impact is close to \$900m in higher costs this quarter. Amazon said so far it has not experienced a drop in sales but its forecast for revenue for the current quarter is at the lower end of its previous range.

Despite a large number of companies raising concerns about tariffs, investors in US equities have been in positive mood as the S&P 500 and many other major equity indices ended April very close to where they started. Donald Trump has further watered down his tariffs but, so far, the highest tariffs are merely suspended rather than scrapped. With more evidence the US economy is slowing, the rapid recovery in markets suggests there is more scope for volatility if investor optimism has downplayed the potential damage from US tariffs.

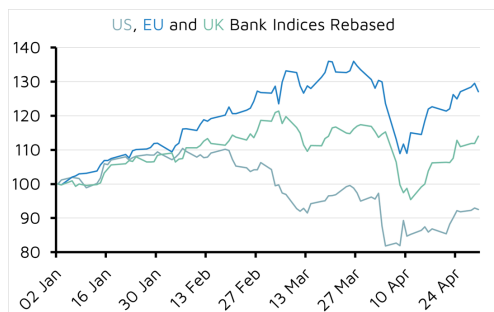
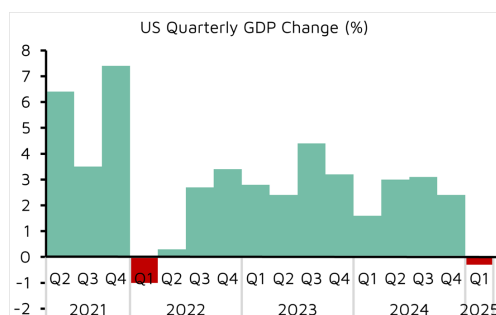
**THE MARKETS THIS WEEK**

FTSE 100	S&P 500	Nikkei 225	STOXX 600	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Copper	GBP USD
+1.66	+2.15%	+3.15%	+2.35%	+2.25%	-0.10%	-0.09%	-6.92%	-1.30%	-2.71%	-0.50%

**GLOBAL: TARIFF EFFECTS BLAMED FOR DROP IN US GDP**

US GDP unexpectedly fell in the first quarter as importers stockpiled goods before new tariffs came into force. GDP shrank by an annual rate of -0.3% during the period, down from 2.4% in the final quarter of last year. In addition to the fall in GDP, manufacturing activity in the US slowed and the Conference Board Consumer Confidence Index fell to its lowest since 2021 and the expectations index (based on consumers' short-term outlooks for income, business and the jobs market) fell to its lowest since 2011. Meanwhile, the US jobs market has cooled as the number of new jobs dropped in March. The data has raised expectations of a rate cut at the next Federal Reserve meeting.

Meanwhile, Eurozone business and consumer confidence fell slightly in April but GDP growth in the first quarter was higher than forecast as annual GDP growth remained steady at 1.2%. Japanese inflation increased to 3.5% in April but the Bank of Japan held interest rates steady at 0.5%, whilst slashing its growth forecasts from 1.1% to 0.5% on tariff fears.

**BANKS: PROFITS SURGE BY RIDING MARKET TURMOIL**

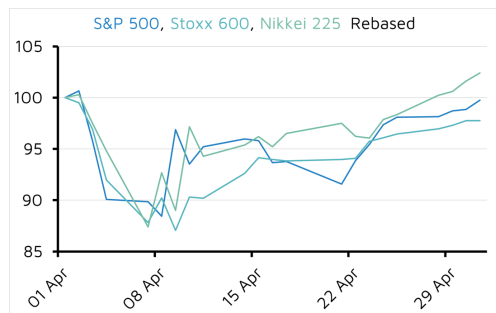
Banks have booked windfall earnings from trading the extreme volatility in global markets, triggered by Donald Trump's erratic attempt to rewire global trade. Barclays, Deutsche Bank, Société Générale and UBS had bumper earnings from trading this quarter, helping them beat profit expectations. Deutsche Bank booked its highest quarterly pre-tax profit in 14 years after a 39% jump. SocGen's net profits more than doubled and Barclays profits rose 20%. UBS's 32% jump in trading earnings offset a slowdown in dealmaking as revenues remained flat. The Europeans join Wall Street's top five banks, which hauled in \$37bn from trading the market volatility in the first quarter.

On the dealmaking side, a new start-up called Rogo AI is hoping to replace junior investment bankers and speed-up the deal making process. It just raised \$50m fresh funding and is already in use at investment banks Moelis and Nomura, as well as investment firms Tiger Global and GTCR.

**MARKETS: MARKETS FINISH ROUND TRIP AS TRUMP DILUTES TARIFFS**

Donald Trump announced further carve outs for US car makers as he reduced the tariffs on some car parts and offered rebates to companies which finish the manufacturing process in the US. The move helped the more positive mood since Trump suspended the highest tariff rates for 90 days as global equity markets have staged a big recovery. After falling more than 11% after the 'liberation day' tariffs were announced, the S&P 500 ended April just 0.3% down. European and UK equities have recorded a similar round trip and Japanese equities experienced even greater movements as a drop of 12.5% turned into a gain of 1.2%.

Second quarter earnings also contributed to the more positive mood. Despite some disappointing updates from consumer facing firms like Starbucks and snack-maker Mondelez, strong earnings updates from Microsoft and Meta helped lift the broad US market. Shares in both gained more than 6% as they reported better sales and profits.



Data sourced from Investing.com and the Bureau of Economic Analysis

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