

April 14, 2025

# Weekly Investment Insights



Please note that the Weekly Investment Insights will be paused over Easter and will resume on the 28<sup>th</sup> of April.

Easter is just around the corner, but this year there may be fewer eggs hiding in the bushes during Easter egg hunts in the US. CPI figures last week showed that egg prices remain elevated following the avian flu outbreaks that sent egg prices soaring in the US earlier this year, prompting some consumers to turn to potatoes and other egg-shaped objects for their Easter traditions this year.

Tariff announcements continued to keep investors on their toes last week as President Trump's trade tariffs went into place for a moment on Wednesday, only to be followed by the announcement of a 90-day pause on the 'reciprocal' tariffs on most countries, with the exception of China. The general 10% tariff on all US imports, as well as the 25% tariff on cars, steel and aluminium, were left in place. The tariff announcements from the US and China continued to escalate as China kept meeting the tariffs put in place by the US. By Friday, the

tariffs announced on Chinese imports into the US were as high as 145%, and tariffs on US imports into China at 125%. Oil fell below \$60 a barrel for the first time since 2021.

Treasuries sold off as the safe haven status of US sovereign debt was put in question by growing fears of a US recession. Gold experienced its best week in five years as investors looked for safety.

Equity markets started this week with a boost by the news that smartphones, laptops and other devices would be exempt from tariffs, despite US warnings that these exemptions would be temporary.

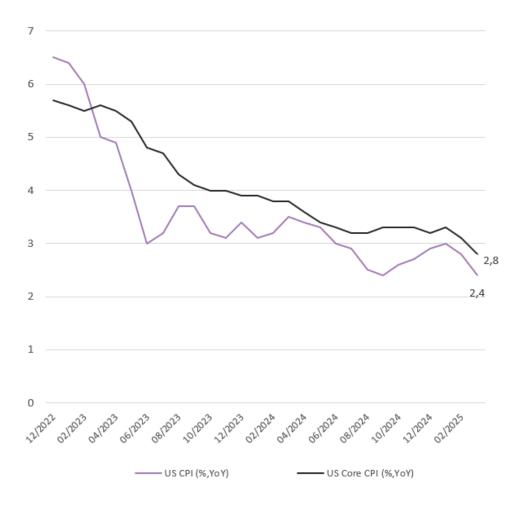
#### WEEKLY HIGHLIGHTS

#### US inflation rate fell to 2.4% in March

US inflation fell more than expected to 2.4% in March, which is the lowest level since September. Looking at the core, which strips out volatile categories, it fell to 2.8%, the lowest since March 2021, in what will be a welcome development for the Fed as it pursues its 2% inflation target, while increasingly being forced to consider prospects for weaker growth ahead.

Digging into the details, gasoline (-9.8% vs -3.1%) and fuel oil (-7.6% vs -5.1%) fell more while natural gas prices soared (9.4% vs 6%). Shelter inflation, which has proven extremely sticky, cooled slightly (4% vs 4.2%).

## US Inflation (%, YoY)



Source: Bloomberg, BIL

Inflation accelerated for food (3% vs 2.6%), with the CPI egg index rising 5.9% from February (or 60.4% on an annual basis). The US Department of Agriculture has indicated in recent postings that wholesale prices are starting to fall as the avian flu comes under control, but those declines aren't yet visible in retail level data.

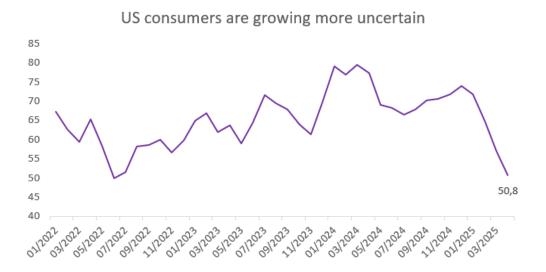
Compared to the previous month, the CPI decreased 0.1%, the first fall since May 2020, compared to expectations of a 0.1% gain. While encouraging, the shock from tariff hikes is not reflected yet.

### Consumer sentiment in the US falls sharply in April

According to preliminary estimates, Michigan consumer sentiment dropped to 50.8 in April, its lowest level since June 2022, down from 57 in March and below expectations. Consumer sentiment fell for the fourth consecutive month amid growing concerns about a potential trade

war. Expectations for business conditions, personal finances, incomes, inflation and the labour market all continued to deteriorate, showing warning signs of a risk of recession.

Notably, the gauge for expectations for economic conditions fell to 47.2, the lowest since May 1980. At the same time, inflation expectations for the year ahead surged to 6.7%, the highest reading since 1981.



Source: Bloomberg, BIL

The uncertainty of the US trade policy continues to weigh down consumer sentiment, as consumers try to anticipate the potential impact the tariffs will have on them.

## Cars pile up at US ports as carmakers halt shipments

Following the implementation of a 25% tariff on all cars imported into the US, thousands of vehicles are being held up at US ports as carmakers delay the entry of cars into the US to protect their businesses from President Trump's trade war. Hopes that the tariffs may yet be eased, and uncertainty over how they will be applied, have led foreign carmakers to halt shipments as they wait for more clarity.

The impact is not only being felt in US ports. European ports are also filling up with cars waiting to be shipped to the US. Whether or not the tariffs on imported cars could be eased, storing cars at ports is a temporary, expensive and limited solution, meaning that carmakers will soon have to make a decision about their US exports.

UK economy grew by 0.5% in February, beating expectations

After no growth in January, the UK economy grew by 0.5% month-on-month in February. Industrial production surged by 1.5%, rebounding from a 0.5% decline in January, driven mainly by a rise in manufacturing output.

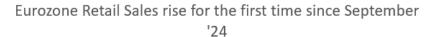
This is the fastest monthly GDP growth rate since March 2024 but, while a promising sign, the figure predates President Trump's announcement of 'reciprocal' trade tariffs, including a 10% tariff on British goods imported into the US, which is expected to negatively impact growth going forward.

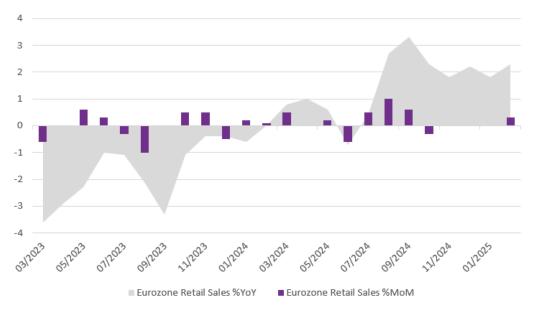
Ongoing uncertainty over trade tariffs is expected to dampen business sentiment and delay investment, weighing on growth over the coming months. This follows the increased taxes businesses are faced with as a result of the Autumn Budget, that came in effect this month.

Investors now expect the Bank of England (BoE) to cut interest rates in May to support the economy and offset some of the negative impact of the tariffs.

#### Eurozone Retail Sales edge up, but confidence remains fragile

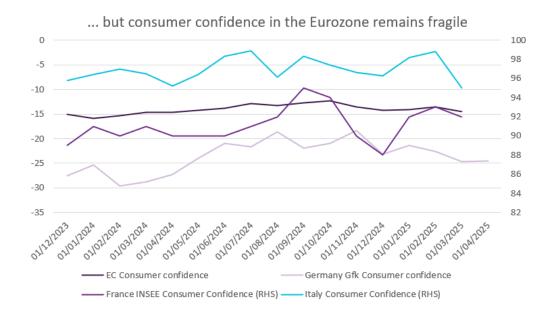
Retail sales in the Eurozone saw an increase in February, marking the first rise since September. Whether the uptick can persist is uncertain, especially given new uncertainties in the global trade arena. Already, Eurozone consumer confidence fell in March, with consumers notably more pessimistic about the future economic situation in their respective countries.





Source: Bloomberg, BIL

Zooming in on Germany, sentiment was little changed in the first take on confidence since the election. The subindex for economic prospects did rise from 1.2 to 6.9, however, the propensity to save reached its highest level since April 2024. A lot now depends on whether the recently adopted fiscal stimulus package is implemented swiftly and effectively.



Source: Bloomberg, BIL

#### CALENDAR FOR THE WEEK AHEAD

Monday - China Balance of Trade (March). US Consumer Inflation Expectations (March).

**Tuesday** – UK Unemployment Rate (February). Eurozone Industrial Production (February). **Eurozone & Germany ZEW Economic Sentiment** Index (April).

**Wednesday** – China GDP Growth Rate (Q1), Unemployment Rate (March). UK Inflation Rate (March). Eurozone Inflation Rate (Final, March). **US Retail Sales** (March), Industrial Production (March).

**Thursday** – Switzerland Balance of Trade (March). **ECB Interest Rate Decision**. US Housing Stats, Jobless Claims.

Friday – Italy Balance of Trade (February).

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