

Global Market Strategy – April 2025

Trump tariffs: spinach now, candy later

Canada's Carney – “elbows out”

Brussels launches 72 hour survival kit in event of war

(Individual stock mentions here are observations and not recommendations to buy.

Individual stock purchases are highly speculative and strict 15% stop-loss limits should be observed.)

Pension buying in the US bolstered the equity markets during the last day of the quarter in something of a reprieve from the lashing most international investors have taken over the last 6 weeks.

Trump's tariffs have thrown markets into disarray. Even European indices which have seen their best outperformance relative to the US for 40 years don't know which way is up. Such is the speed of movement in asset prices that in 50 days money has rotated between continents at a pace which would normally be expected in 50 weeks. Investors switched their weighting toward US stocks from 42% in mid-February to 24% by late March. The last time there was an equivalent swing, according to the trading platform WikiFolio, was during covid, when it took a year for investors to move from an allocation of 17% participation in US equities to 42%.

The German DAX, the Italian MIB were both up 11% for the quarter, while the IBEX was the stand-out, gaining 13%. Despite this, European manufacturing data shows many countries are still in contraction. Berenberg Bank estimates tariffs will result in limited growth and accelerated debt dynamics. The EU is not in a position to retaliate against US tariffs because of its huge trade surplus with the US. The flow of money into Europe is not something to chase despite the likelihood of further monetary easing by the ECB.

In the UK, the international bias of the FTSE100 pushed its gains for the quarter to just over 6%, contrasting with 4% declines for each the FTSE250 and FTSE AIM markets which continue to struggle following the government's ludicrous higher taxes on business announced last October.

Coming into this year the US equity market was felt to be again the best place to overweight portfolios. A third year of 20% gains from US equities was never going to happen but an 8-10% gain, raising the S&P500 to 6,400 from its close of 5,868 on December 31st should have been possible. That demands a gain of 16% from current levels. Given Trump's unpredictability, it could happen. Part of the reason for the market sell-off is uncertainty of the impact of tariffs. Part is fear of corporate earnings collapsing. Part of it is fear of recession. Tomorrow, April 2nd, is Trump's self-proclaimed 'Liberation Day' when tariffs will go into effect.

The auto sector has attracted the biggest publicity as far as the impact from tariffs is concerned because it is such a barometer of consumer resilience, yet autos represent only 3% of US GDP. 53% of US car sales result from production on US soil, so US based car manufacturers ostensibly will not be impacted, however around 75% of the build is imported. The other 47% of US sales and distribution is made up of cars produced in Korea (8%), Japan (7%), Europe (6%), Canada (8%) and Mexico (16%).

Trump says the US doesn't need the rest of the world. Leading economists in unison say tariffs are misguided and have never worked. They lead to currency devaluation, increasing the cost of imports. Central banks have already been diversifying away from US Treasuries (and Eurobonds), instead buying gold and silver as a stabilising factor over recent years. Gold is hitting record after record in the face of tight supply (mining is challenging), diminishing money purchasing power due to persistent inflation, and geopolitical uncertainty.

Consumer confidence is already waning. Credit card debt is high. Despite low levels of unemployment and all the benefits to come from AI (most notably in healthcare), employment security is threatened. In the face of tariffs and consequent higher inflation, consumption will struggle. Producers will find it tough to pass on higher costs. Both gold and silver look set to continue their upward momentum.

Canada and Mexico are due to be hit with tariffs of 50%. Canada's new prime minister, former BOE governor Mark Carney, speaks for much of the country when he says that the damage done by Trump already will take generations to repair, if ever. Carney says he is ready to do whatever is necessary to safeguard jobs and businesses if they come under threat, and he has launched a promotional video with comedian Mike Myers which has gone viral over recent days:



Source: The Independent / YouTube

The slogan “elbows up” refers to the rallying cry from ice hockey players when facing intimidatory behaviour by the opposing team. Two weeks after replacing former prime minister Justin Trudeau in a landslide vote by Liberal Party members, Mark Carney has called a snap general election to try to get a full mandate to take on Trump who has threatened to annex Canada through economic measures and claim the country as an American state.

Yet in the US, Trump enjoys the highest ratings of any US president since Bush in 2004.

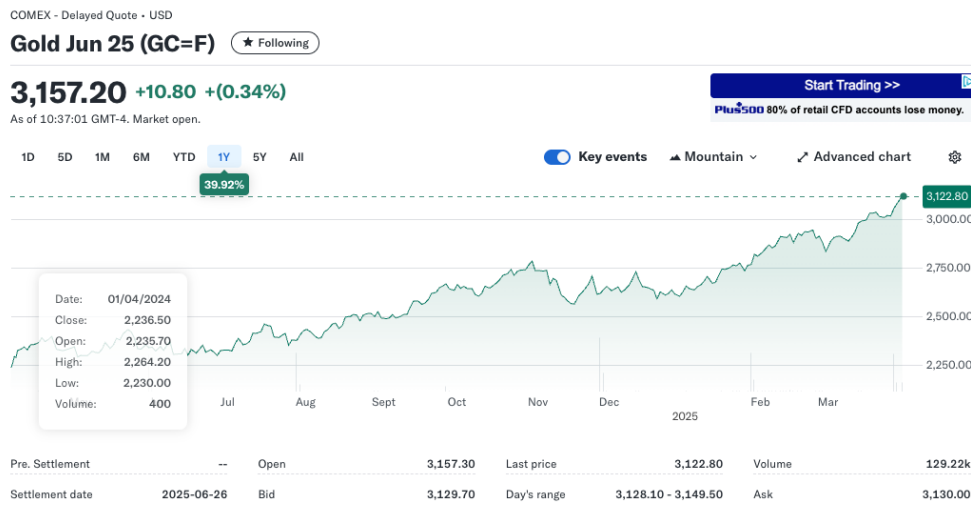
Despite all the bad news, there is a good chance markets will rebound after tariffs come into place on April 2nd. Sell the rumour, buy the fact. Spinach now, candy later, as the Americans say, could however mean the bad taste lasts a while longer. Investors with a planned portfolio for the medium to long term should stay the course. They should not make the mistake of selling positions in a moment of panic.

Brussels has launched a 72 hour survival kit for Europeans: emergency food, battery packs for mobile phones, essential clothing, medicines etc. War might not seem a probability for those in Britain or Spain but for countries like Poland, Sweden, Finland, Estonia and Latvia, then Russia’s behaviour is at the very least unnerving and at worst an imminent threat of war, something Trump and vice-president JD Vance have no apparent concept of understanding. Vance has made clear consistently he has complete disdain for Europe, whom he sees as weak spongers of American generosity.

It’s about time Europe realised its need to bolster its own defence capabilities. From that aspect, Trump and Putin have done European countries a favour, waking up sleepy complacency across much of the continent.

Estonia is a small country with just 1.3m population but it gives four times more in aid as a proportion of GDP to Ukraine’s fight against Russia, than the UK. Last week the BBC reported how Estonia was in a massive drive to halt sabotage of underwater power cables by Russia. In a sign of rising tensions between the two countries, Estonia withdrew from a treaty banning use of anti-personnel landmines. Estonia will soon increase its spending on defence to 5% of its GDP. This compares to Britain’s pathetic target to increase its spending on defence from 2.2% to 2.5% of GDP by 2027. Thankfully, on March 19th the EU Commission launched a white paper titled ‘ReArm Europe/Readiness 2030’ which will facilitate payments of €800 bn toward increasing defence capabilities across the continent. The concern must be however, that Putin will act further, sooner than 2030. If push came to shove, the US would surely act to defend Europe in the interim.

The threat of a major war in Europe, combined with a topping of interest rates and a weaker dollar have contributed to gold rising to repeated record levels, the latest push to a record \$3,149 per troy ounce. Year to date gold is up 20.85% versus the HUI gold miners index which is up 24.93% year to date. Gold miners have lagged the price of the precious metal which is unusual; it would be normal to expect a 3:1 leveraged outcome for miners to the underlying metal. Silver is up 19.98% year to date.



Comex gold, 1 year (Source: uk.finance.yahoo.com)

Technical

There is a tendency since the October budget, to shy away from pensions, now they have been brought into the IHT net (from 2027). Yet for higher rate taxpayers and those who may be able to enjoy equal or better contributions by their employer, they should be a first port of call for accruing a long term tax exempt growth in a retirement fund up to the Lifetime Allowance (LSA) of, currently, £1,073,100.

For those higher rate taxpayers whose income is in the £100,000 to £125,140 bracket, pensions are particularly beneficial. These earners face a tax rate of 67.5% on the loss of their personal allowance. A net contribution to their pension of £20,112 by someone earning £125,140 will not only give them an extra £25,140 in their pension pot but also save them £15,084 in tax.

The 67.5% tax trap

Adjusted net income	100,000	125,140
Personal allowance	12570	0
Tax @ 20%	7540	7540
Tax @ 40%	19892	34976
Total tax	27432	42516

Current favoured investment plays (in **Bold** immediate, *Non-bold* long term)

Cautious risk: Cash / National Savings Premium Bonds

Balanced risk: **Managed / Multi-asset funds**

Market risk: **Multi-asset funds**, UK equity

Adventurous risk: **Asia**, Europe, **US equity**

Speculative risk: **Technology**, **Healthcare/Biotech**, New Energy, **Emerging Markets**, **China**, India, US smaller companies, **Gold & Silver**

Disclosure:

Nicholas Chappell has the following personal investment exposure: Technology (all US, including fintech) 41%, Other US Equity 2%, Energy (including New/Green & NatGas/Propane) 3%, Crypto 5%, Pharmaceuticals (US) 1%, Global Multi-Asset 8%, US smaller companies 9%, UK Equity 4%, China 14%, Gold/Silver 6%, Cash 7%

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