

Global Market Strategy – May 2025

S&P500 rebounds 50% from April lows but outlook hesitant

(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.)

“As perhaps you've heard, last week I placed new duties on some Japanese products in response to Japan's inability to enforce their trade agreement with us on electronic devices called semiconductors. Now, imposing such tariffs or trade barriers and restrictions of any kind are steps that I am loath to take. And in a moment I'll mention the sound economic reasons for this: that over the long run such trade barriers hurt every American worker and consumer. But the Japanese semiconductors were a special case. We had clear evidence that Japanese companies were engaging in unfair trade practices that violated an agreement between Japan and the United States. We expect our trading partners to live up to their agreements. As I've often said: Our commitment to free trade is also a commitment to fair trade.

But you know, in imposing these tariffs we were just trying to deal with a particular problem, not begin a trade war. So, next week I'll be giving Prime Minister Nakasone this same message: We want to continue to work cooperatively on trade problems and want very much to lift these trade restrictions as soon as evidence permits. We want to do this, because we feel both Japan and the United States have an obligation to promote the prosperity and economic development that only free trade can bring.

Now, that message of free trade is one I conveyed to Canada's leaders a few weeks ago, and it was warmly received there. Indeed, throughout the world there's a growing realization that the way to prosperity for all nations is rejecting protectionist legislation and promoting fair and free competition. Now, there are sound historical reasons for this. For those of us who lived through the Great Depression, the memory of the suffering it caused is deep and searing. And today many economic analysts and historians argue that high tariff legislation passed back in that period called the Smoot-Hawley tariff greatly deepened the depression and prevented economic recovery.

You see, at first, when someone says, “Let's impose tariffs on foreign imports,” it looks like they're doing the patriotic thing by protecting American products and jobs. And sometimes for a short while it works -- but only for a short time. What eventually occurs is: First, homegrown industries start relying on government protection in the form of high tariffs. They stop competing and stop making the innovative management and technological changes they need to succeed in world markets. And then, while all this is going on, something even worse occurs. High tariffs inevitably lead to retaliation by foreign countries and the triggering of fierce trade wars. The result is more and more tariffs, higher and higher trade barriers, and less and less competition. So, soon, because of the prices made artificially high by tariffs that subsidize inefficiency and poor management, people stop buying. Then the worst happens: Markets shrink and collapse; businesses and industries shut down; and millions of people lose their jobs.”

Source: Ronald Reagan Presidential Library & Museum , excerpt of April 25th 1987

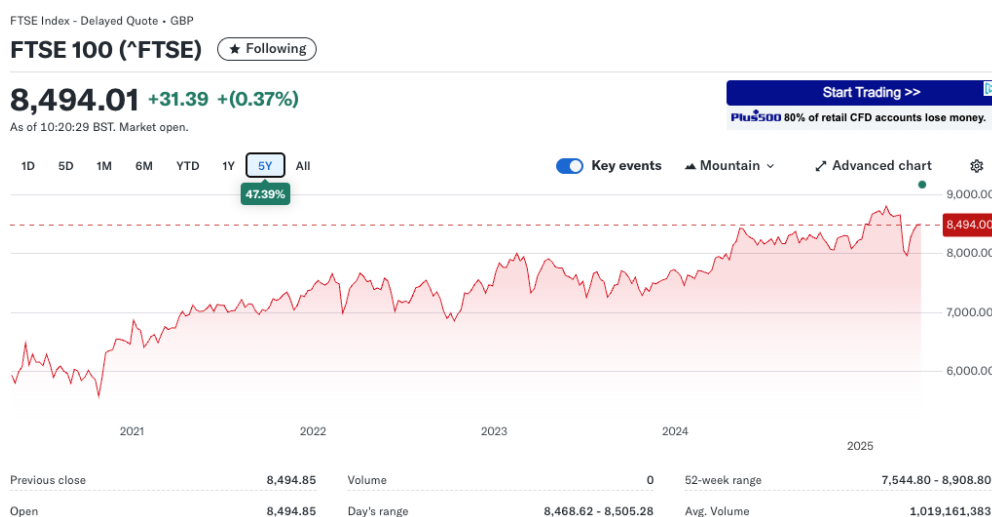
Although after 100 days of his presidency Trump's approval rating is at an historic post-war low (see BBC's excellent report: “Trump's first 100 days - in numbers”: <https://www.bbc.co.uk/news/resources/17e9c07b-93f4-45b3-9558-7590b9eaf3ad>) despite 90% of Republicans still approving of his actions, Trump and his cohort are becoming increasingly autocratic. Just this week a statement from the White House ‘warned’ Amazon that the online retailer's consideration of posting on their website the percentage impact on consumers of higher prices due to tariffs was “hostile and political”. Clearly, the White House's threatening language worked because AMZN almost immediately issued a statement saying they were only considering posting the information, and in fact would not do so.

This to-and-fro is typical of the whole environment around Trump's second term. US markets are struggling to come to terms with what is going on in what appears to be haphazard government. The Nasdaq100 is down 9.65% since January and the S&P500 down 5.31%. Much of the fall is down to weakness in sentiment toward the Mag7 stocks following (China's) DeepSeek announcement in late February that they were able to do much the same as Nvidia at a fraction of the cost. After tariff announcements on April 2nd, the S&P500 fall precipitated to 19%, just avoiding a technical bear market, so to have recovered much of that fall by the end of the month illustrates the heightened volatility, nervousness and FOMO being experienced.

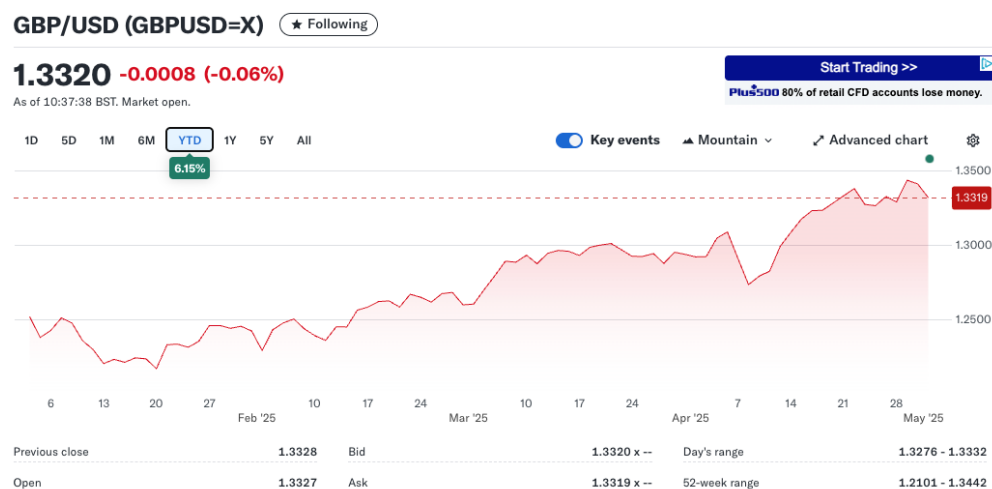
There has been a general move out of US assets by both US and international investors since April 2nd's 'liberation day'. Goldman Sachs estimates \$60bn of US denominated investments have been sold since then by foreign investors. Valuations of US stocks are still expensive at, currently, 21x earnings compared to the long term average for the S&P500 of 15x. US stockmarket falls provide an opportunity for investors who felt they'd missed out on companies at the forefront of Ai technology, to reorganise their portfolios and now get into the sector.

The fast 10% fall in the value of the dollar (the dollar index, DXY, fell from 109.96 on 13th January to 98.28 on 21st April) is due largely to global 'dedollarisation' - a wish to shun the wealthiest country in the world because its leadership is behaving like a loose canon. While many in the US say there is no true threat to the status of the US dollar as the world's leading currency, such is the increasing international anti-US feeling, actually the dollar's status could be under threat. Canada's tourist flow to the US is down 40% since their closest ally, to whom they export 75% of their exports, slapped a 25% tariff on all exported goods from Canada, and Trump promised to annex Canada as the US's "cherished 51st State". Mark Carney's election as Prime Minister of Canada opens the way for the former Bank of England - and erstwhile Bank of Canada - governor to coordinate a united force among Europeans and Britons in defiance of Trump.

Movement of capital away from the US during the first quarter saw more than €187bn placed in European assets, comprising €69bn into bonds, €46bn into money market funds and €72bn into equities. UK stocks have also appealed to foreign investors in recent weeks despite fund outflows of £1.7bn in January, the worst then for eight months. This time last year the UK suffered the heaviest outflow of funds on record when a total of £108bn was withdrawn from investment by the retail and institutional investor. Currently, the price earnings ratio of 12.22 for the FTSE100 is still just over half that of the S&P500.



FTSE100 5 years (Source: uk.finance.yahoo.com)



GBP/USD year to date (Source: uk.finance.yahoo.com)

iShares MSCI EAFE Intl Idx Inv A (MDIIX) ★ Following**16.99** **+0.04** **+(0.24%)**

At close: 20:04:18 GMT-4

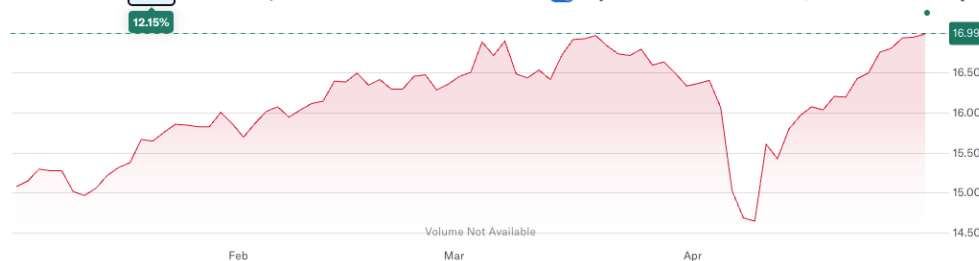
[Start Trading >>](#)

Plus:500 80% of retail CFD accounts lose money.

1M 3M 6M **YTD** 1Y 5Y 10y All**12.15%****Key events**

▲ Mountain ▾

↗ Advanced chart



Previous close	16.95	Last cap gain	9.00	Net assets	10.8B	Holdings turnover	4.00%
YTD return	8.00%	Morningstar rating	★★★★	Beta (5Y monthly)	1.07	Last dividend	0.48
Expense ratio	0.35%	Morningstar risk rating	Above average	Yield	2.91%	Inception date	31 Mar 2011
Category	Foreign Large Blend	Sustainability rating	★★★★★	5y average return	--		

iShares EAFE (international equities ex US) year to date (Source: uk.finance.yahoo.com)

Selling of the **dollar** has been to the detriment of the swiss franc which has strengthened to the point where Switzerland fears going into recession because their produce is becoming too expensive for their overseas markets. Switzerland's benchmark interest rate is currently 0.25% and it is anticipated that the Swiss National Bank at its next meeting will reduce rates to zero. Negative interest rates are being considered which will encourage banks to lend and consumers to borrow and spend amid a threat of deflation.

Gold has been on a bull run since March 2024 when it broke from a 13 year technical 'cup and handle' chart formation - an extremely bullish move. Supported by central bank buying and crucially, a bond bear market, the likelihood is that this gold bull market is just getting started. Further bull factors for gold are the geopolitical unrest and a weaker dollar. Traditionally, the DXY below 95 has been positive for global stocks. With tariff barriers in place it remains to be seen if that will be the case this time around, however gold which is priced in dollars should appreciate to maintain its true value. If there is a recession, which is put at 50:50 by Goldman Sachs, albeit a shallow one, stocks will sell off and gold, silver and their associated mining stocks will rise. Furthermore, gold miners' profitability is at an all-time high but their share prices have yet to reflect this.



Gold spot price 2020 forward (Source: Yardeni Research)

NYSE ARCA GOLD BUGS INDEX (^HUI) ☆ Follow

388.19 +2.04 (+0.53%)

As of 11:53:00 GMT-4. Market open.

Start Trading >>

Plus500 80% of retail CFD accounts lose money.

1D 5D 1M 6M YTD 1Y 5Y All

41.86%

Key events

Mountain

Advanced chart

⚙

**Gold bugs index (HUI:US) year to date (Source: uk.finance.yahoo.com)**

This current week has been the busiest of the **US first quarter earnings** reporting season. Companies have reported generally satisfactory results but guidance has been guarded. Starbucks (SBUX) for example had its share price marked down by 10% after its earnings came out. They have big operations across China. Trump's tariffs have made the outlook for all American companies with international trade extremely precarious.

Coca-Cola (KO) maintained their earnings forecasts for the year, saying tariffs will be "manageable" but despite their earnings beating analysts' estimates, their sales declined because of weaker demand in their home market. This is poignant because it demonstrates that the US consumer is feeling maxed out by a combination of credit card debt and erosion of the stockmarket wealth effect.

After the market closed on the last trading day of the month, MSFT shares rose 9% after the company reported better than expected quarterly results driven by its Azure cloud business, and the company issued surprisingly strong guidance. META also reported strong results after the close, with Q1 sales growing 16% ahead of expectations to \$42bn. With an S&P500 close yesterday at 5569, there is added hope for investors that US equities will hold up. Current support from a technical perspective is at 5125. If that breaks then the next support is at 4500. On the upside, resistance is at 5783. If that can be broken convincingly then prospects of equity valuation destruction fade substantially. American indices futures today indicate a very positive start to May.

There is evidence economic growth in **China** is slowing due to factors such as rising global interest rates and trade uncertainty. Businesses in China are having to lay off workers. China has already launched multiple stimulus measures, beginning last September, in an effort to boost consumption and the property market. The slowdown could lead to social unrest and instability if income inequality accentuates, so further stimulus measures are likely from Beijing, perhaps even 'the big bazooka' which investors have been waiting for.

Bitcoin has shown itself to be uncorrelated to gold. It too fell amid the downturn in equities in April (overall down 13% for the month) but it, like Palantir (PLTR), can be seen to be Trump-favoured. PLTR deploys software for counterterrorism in the US and UK in particular. Its share price has performed the best of all stocks in April, up 37%. Netflix (NFLX) was also a top performer for the month, up more than 20%.

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 equityAdventurous 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) 30%, Other US Equity 2%, Energy (including New/Green & NatGas/Propane) 3%, Crypto 4%, Pharmaceuticals (US) 1%, Global Multi-Asset 10%, UK Equity 5%, China 13%, Gold/Silver 28%, Cash 4%

Important information: This communication is for informational purposes only. **It is not intended as an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction.** The price of shares and the income from them may fall as well as rise. Past performance is no guarantee of future returns and investors may not get back the full amount invested, particularly in the early years. Exchange rates may also cause the value of underlying overseas investments to go down or up. Investments in emerging markets and hedge funds can be more volatile and the risk to capital is greater. All market prices, data and other information are not warranted as to completeness or accuracy and are subject to change without notice. Some quoted analysis is a resume of data supplied to McLaren Wealth Management by some of the world's leading investment houses and although McLaren Wealth Management has given its opinion as to how the data can be interpreted, investment should not be embarked upon without full analysis of the risks involved and a careful study of the sales prospectus, where applicable.

McLaren Wealth Management UK Limited

Telephone 0208 133 8070

Email: info@mcclarenwealthmanagement.com

Registered in England & Wales No 10604965 at Abbotsmere, Tilford, Farnham, Surrey GU10 2DD
 Authorised & Regulated by the Financial Conduct Authority No 775263

