

## Month Overview

What was initially intended to be "Liberation Day" quickly turned into "Panic Day" for financial markets. The announcement of reciprocal tariffs triggered an immediate and severe reaction, causing a sharp, synchronized selloff across global markets. Rather than inspiring confidence, the move raised fears of escalating trade tensions and a broader economic slowdown, sending equity markets into a tailspin. Just a few days later, in a stunning reversal, the U.S. President announced a 90-day pause on reciprocal tariffs for most countries, with the notable exception of China, whose tariffs were further increased to 125%. This news was well-received by Wall Street, and markets quickly rebounded. Ultimately, U.S. stock markets recovered in the final days of the month, erasing much of the early losses. Solid earnings, stable economic data, and positive technical factors contributed to the month-end rebound in oversold markets.

According to the U.S. administration, several countries have expressed a willingness to enter tariff negotiations. However, without concrete progress during the 90-day window, market volatility is expected to persist. Given Americans' sensitivity to stock market fluctuations, both financially and emotionally, the sharp correction serves as a clear warning that a more measured and balanced approach to trade policy may be in the administration's best interest.

The IMF, reassessing the potential impact of the new U.S. trade policies, revised its global growth projections downward, with the United States facing the largest downgrade. This adjustment reflects the growing consensus among economists that the shift in the trade framework is likely to lead to slower-than-expected economic growth.

## Economic Environment

In response to the unprecedented tariff levels, which are negatively impacting global growth and contributing to elevated policy uncertainty, the IMF has revised its economic outlook. Global growth is now projected to slow to 2.8% in 2025 (a downward revision of 0.5%) and 3.0% in 2026 (down by 0.3% points) from previous estimates. Advanced economies such as the U.S. and the euro area are expected to see slower growth, with the U.S. emerging as the most impacted. Its forecast has been revised down by 0.9 percentage points to 1.8%, reflecting trade tensions, policy uncertainty, and weakening demand.

Emerging market and developing economies, particularly China, are also expected to face more pronounced slowdowns. The IMF has also raised its U.S. inflation forecast by roughly 1 percentage point to around 3%, which contributed to an upward revision in global inflation expectations to 4.3% for 2025, up from 4.2%.

The Federal Reserve did not meet in April and likely welcomed the opportunity to avoid making a rate decision in the immediate aftermath of the "Liberation Day" tariff shock.

Nonetheless, the Fed expressed concern about the dual risks of rising inflation and slowing growth. Despite growing political pressure for a rate cut in May, markets currently expect the Fed to hold rates steady due to the high degree of uncertainty. In contrast, other major central banks are expected to move toward easing, supported by the anticipated disinflationary effects of falling oil prices.

## Equity

Following the U.S. tariff announcement, global equity markets experienced a broad and sharp selloff, with major indices declining by more than 10% before the announcement of a pause in implementation. The easing of trade tensions prompted a gradual recovery, as investors moved to capitalize on the correction. Bolstered by stronger-than-expected growth data, Germany's equity market closed the month in positive territory, alongside the Nasdaq. While other markets posted modest losses, they managed to recover the bulk of the early-April declines. Volatility remained elevated throughout the month.

## Fixed Income

When equity markets corrected sharply, the yield on the 10-year U.S. Treasury spiked well above its end-March level, raising concerns about whether Treasuries could still serve as a safe haven during a trade war especially as many of the main exporters to the U.S., who are also major holders of its debt, were directly impacted. This sudden move may be partly explained by investors selling Treasuries to raise liquidity for margin calls, as government bonds are often used as a cash reserve in times of stress. However, yields have since retreated, with the 10-year yield falling to 4.17%, below where it began the month. Meanwhile, both the eurozone and Swiss yield curves experienced a pronounced downward shift in April. Yields across maturities declined, driven by expectations of further monetary easing in response to moderating inflation and weakening economic growth.

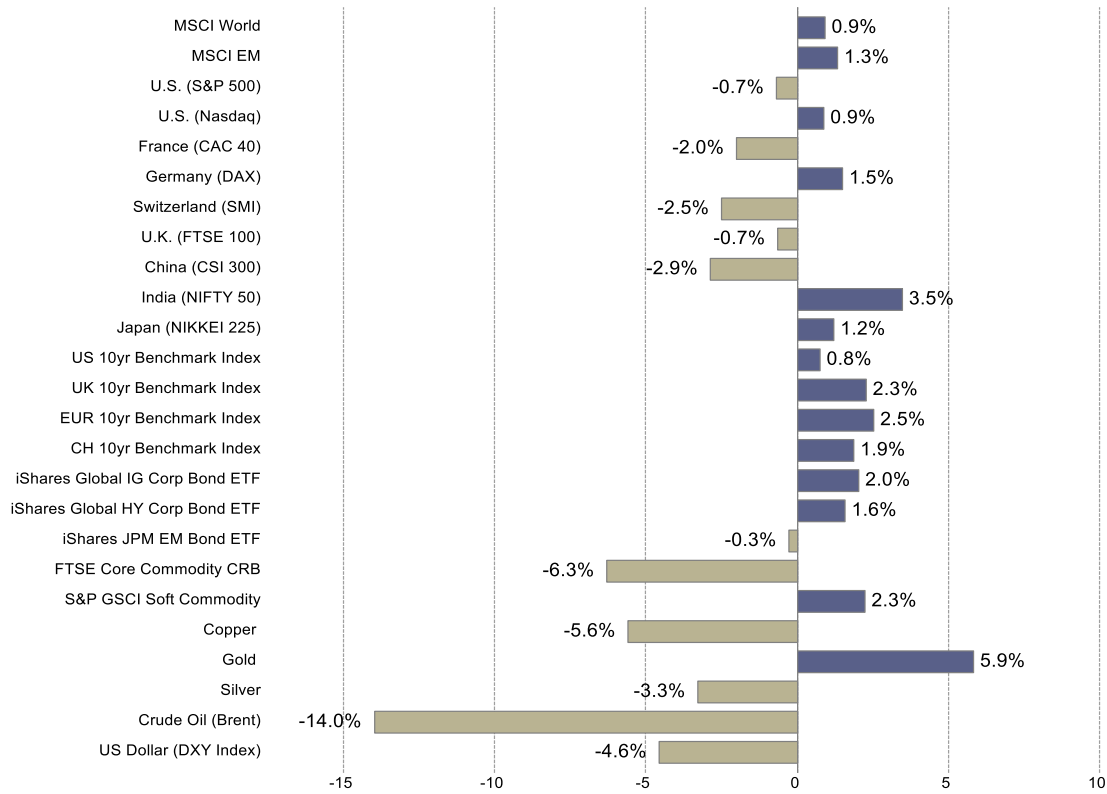
## Commodity

Gold continued its upward trajectory in April, gaining nearly 6% to reach \$3,316 per ounce, supported by heightened market uncertainty related to global trade tensions and a weaker U.S. dollar. The metal now appears poised to test the \$3,500 threshold. In contrast, deteriorating global growth prospects weighed heavily on oil, dragging prices down to levels not seen in over four years.

## Currency

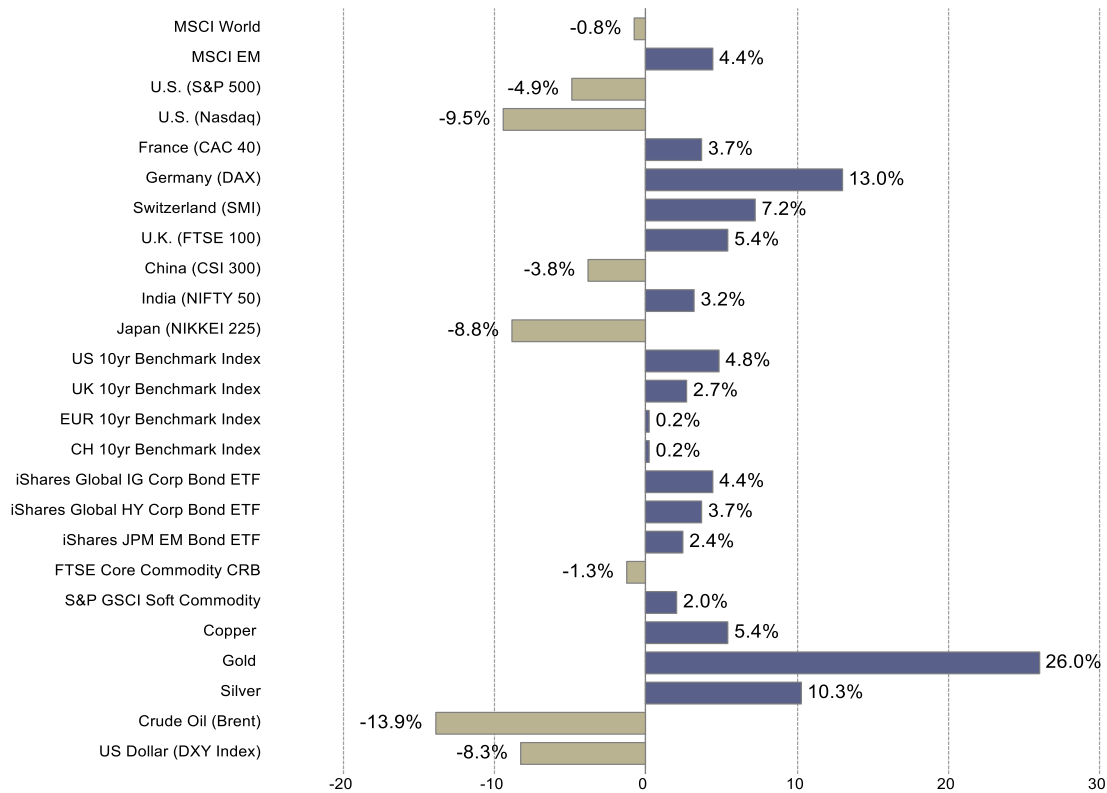
The U.S. dollar experienced a sharp depreciation in April, driven by a mix of domestic policy developments and evolving global economic conditions, which weighed on dollar-denominated assets. The USD Index declined by 3.2%, with the euro and Swiss franc among the primary beneficiaries. Market expectations suggest that this dollar weakness is likely to persist in the foreseeable future.

April 2025 Performance



Source: LSEG Datastream, Anarosa Asset Management AG

Year-To-Date Performance (until 30.04.2025)



Source: LSEG Datastream, Anarosa Asset Management AG

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