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Market Snapshot

Published 25 April 2025

Donald Trump's trade war loomed large at the start of earnings season as investors questioned senior executives on the outlook for their company. In general, first-quarter earnings were better than expected but markets were lifted by some soothing words from Donald Trump and high-ranking members of his administration.

Nevertheless, companies such as Boeing reported significant consequences from the trade war alongside their first set of results for 2025. Chinese airlines are refusing to take delivery of planes ordered from the US manufacturer. Businesses across multiple sectors reduced financial guidance for the year as uncertainty related to the US trade war pushed up costs, fractured supply chains and economic worries mounted.

The FTSE 100 has bounced sharply over the last two weeks from its early April sell off. In UK equities, the FTSE 100 was up 1.9% over the week by mid-session on Friday, with the more UK-focused FTSE 250 rising 1.2%.

Donald Trump and markets

The Trump administration made several overtures to try and reassure markets this week.

After criticism of Federal Reserve Chair Jerome Powell for not cutting interest rates fast enough, which led to concerns about the independence of the US central bank, Mr Trump said he did not intend to try to oust "major loser" Jerome Powell from his role. If he attempted to remove Mr Powell, it is likely the flight from US assets would accelerate and long-term borrowing costs for the US would increase significantly.

He softened his stance on Chinese tariffs, telling reporters in the Oval Office that the exceptionally large tariffs on Chinese goods will "come down substantially." He promised to not use hardball tactics, vowing to be "very nice" at the negotiating table. He even pledged not to mention the origins of the Covid-19 pandemic. Beijing responded by demanding Mr Trump remove all tariffs on Chinese goods. China also warned it will hit back at countries

that make deals with the US that hurt Beijing's interests.

US Treasury Secretary Scott Bessent said there is an opportunity for a "big deal" between the US and China on trade. Asked about an upcoming meeting between the countries, Mr Bessent said it would be an "incredible opportunity" to strike an agreement, if China was "serious" on making its economy less dependent on manufacturing exports. "China needs to change. The country knows it needs to change. Everyone knows it needs to change. And we want to help it change because we need rebalancing too," Mr Bessent said.

Beijing is considering the relaxation of some of the tit-for-tat tariffs it has imposed on US goods including semiconductors. A meeting of the politburo was convened to discuss China's economic situation on Friday. "We must strengthen bottom-line thinking, fully prepare emergency plans, and do a solid job in economic work," the politburo said. As for Donald Trump, a readout of the meeting said Beijing would "work with the international community to actively uphold multilateralism and oppose unilateral bullying practices".



China has sent back planes it ordered from the US in its latest retaliation over tariffs

Nevertheless, Donald Trump's policies – and others' reactions to them are already having a significant impact on companies and markets.

Spot gold prices, which have surged more than 30% this year as demand for a safe haven rose, climbed above \$3,500 a troy ounce for the first time ever, before easing after Mr Trump rowed back on his comments on Jerome Powell's tenure at the Federal Reserve.

China has sent back planes it ordered from the US in its latest retaliation over tariffs, the head of aircraft

maker **Boeing** said. Kelly Ortberg said two planes had already been returned and another would follow. Mr Ortberg said that 50 more planes were due to go to China this year but their customers had indicated they will not take delivery.

Tesla boss Elon Musk has pledged to "significantly" cut back his role in the US government after the electric car group reported a huge drop in profit and sales for the start of this year. Mr Musk said his "time allocation to Doge" (the Department of Government Efficiency) would "drop significantly" from next month, adding he would spend only one to two days per week on it after accusations he has taken his focus off Tesla. The company reported a 20% drop in car sales for the first three months of the year, compared with the same period last year, while profits fell more than 70%.

Apple plans to shift the assembly of all US-sold iPhones to India as soon as next year, according to the Financial Times, as the trade war forces the tech giant to pivot away from China. The newspaper said the push built on Apple's strategy to diversify its supply chain. However, it argued that the pivot went "further and faster than investors appreciate", with a goal to source from India the entirety of the more than 60mn iPhones sold annually in the US by the end of 2026.

DHL Express has suspended deliveries to the US worth more than \$800 because of a "significant increase" in red tape at customs following the introduction of Donald Trump's new tariff regime "until further notice".

The US Commerce Department announced plans to impose tariffs of up to 3,521% on imports of solar panels from four South East Asian countries - Cambodia, Thailand, Malaysia and Vietnam. The proposed levies are in response to allegations of subsidies from China and the dumping of unfairly cheap products in the US market. Some solar equipment exporters in Cambodia face the highest duties of 3,521% because of what was seen as a lack of cooperation with the Commerce Department investigation.

The International Monetary Fund (IMF) has cut its forecasts of global growth after assessing the impact of Donald Trump's trade war, but it thinks the world can avoid a recession. The IMF thinks the Bank of England could cut interest rates three more times this year despite the UK grappling with higher-than-expected inflation.

Chancellor Rachel Reeves has signalled the UK could lower tariffs on US car imports as she tries to broker a trade deal with the Trump administration. The UK is seeking to lower trade taxes imposed by President Donald Trump of 25% for cars, steel and

aluminium and 10% on other British exports. One of the contentious issues in trade talks historically has been food standards, but Ms Reeves said the UK would not be reducing these.

Economics

There was some bad news for the UK economy.

The UK government borrowed more than expected last year, placing more pressure on the public finances. Borrowing, the difference between spending and income from taxes, was £151.9bn in the year to March, up £20.7bn from the prior year. Ruth Gregory, deputy chief UK economist at Capital Economics, said the borrowing overshoot "even before the influence from the tariff chaos is felt" raised the chances of "more tax hikes".

Donald Trump's tariff turmoil is already starting to damage the British economy with private sector output falling in April for the first time in 18 months, according to a key business survey. The latest "flash" reading of the S&P PMI Composite Output Index showed a sharp fall in the reading from 51.5 to 48.2 this month. A reading of less than 50 denotes falling output. Chris Williamson, Chief Business Economist at S&P Global Market Intelligence said: "While recent months have been characterised by UK businesses trading water, broadly stagnating since last autumn's Budget, businesses are now reporting more of a struggle".

Although UK retail sales unexpectedly rose in March, the data was from a period before Donald Trump announced his tariff policy. The volume of goods bought rose 0.4% year-on-year, exceeding economists' expectations of a 0.4% contraction. However, consumer confidence in the UK in April slumped according to the latest barometer of sentiment from the data company GfK. Its UK consumer confidence fell by four points to -23 as domestic tax increases and rising bills added to worries about the Trump tariffs to weigh on householders' outlooks.

Geopolitics

US peace envoy Steve Witkoff is expected to travel to Moscow over the weekend for further talks with Russia, including President Vladimir Putin, on Donald Trump's peace plan for Ukraine. The administration is believed to want a settlement before Mr Trump marks 100 days in office next week.

Russian President Vladimir Putin has offered to stop the invasion of Ukraine at the point where the frontline currently stands. According to the Financial Times, Mr Putin has told the US special envoy that Moscow could relinquish its claims to those parts of the four Ukrainian regions that it claims but does not completely control. The report also said that

European officials briefed on Washington's plans had warned that Moscow would use the "apparent concession" as bait so that Donald Trump accepted Moscow's other demands.

Companies

Alphabet reported a strong first quarter, exceeding Wall Street's revenue and earnings expectations. The outperformance was driven by its Search operations. There was broad-based advertising strength. Cloud's revenue growth rate moderated but margins beat expectations. Management reiterated that strong demand, particularly for artificial intelligence, continues to exceed available capacity.

Consumer goods giant **Unilever** posted better-than-expected first quarter sales growth of 3% driven by price increases. The market had expected growth of 2.8%. As a result, management said it expected a "modest" improvement in its full-year operating margin and reaffirmed its annual guidance. The company also expects that the impact of US tariffs would be "limited and manageable".

Reckitt Benckiser reported a 3.1% rise in like-for-like net revenue for its core business in the first quarter, as revenue in Europe and North America declined. Volume growth of 0.3% in 'core Reckitt' was led by emerging markets, which posted a 10.7% increase in net revenue, driven by double-digit gains in China and strong contributions from India.

Miner **Anglo American** reported a mixed first-quarter operational performance, with notable declines in the output of several key commodities. Copper production fell 15% as planned lower output

in Chile offset higher grades in Peru and platinum group metals output dropped 17%. Steelmaking coal production was down 41% to 2.2 million tonnes, largely due to the lingering effects of the Grosvenor underground fire. Rough diamond production declined 11% to 6.1 million carats amid ongoing weak demand. In contrast, iron ore production rose 2%, driven by a strong quarter at Minas-Rio, and nickel output increased 3%.

Management at brick maker **lbstock** maintained its annual guidance after trading conditions improved in the first quarter, reflecting increased demand in new-build residential homes and a relatively weak comparative period in 2024. Sales volumes and revenues across its core business were in line with expectations and well above the prior year, the company said in a trading statement.

Engineer **Weir Group** reported continued strong trading in the first quarter, underpinned by high levels of mining activity and robust demand for both original equipment and its aftermarket services. Management reiterated its full-year guidance, citing a strong order book and favourable activity levels.

The EU has ordered **Apple** and **Meta Platforms** to pay a combined €700m in the first fines it has issued under legislation intended to curb the power of big tech. It has issued a €500m fine to Apple over its App Store, while Meta has been fined €200m over how much choice users had to consent to data collection. Meta accused the EU of "attempting to handicap successful American businesses" and Apple said it was being "unfairly targeted" and forced to "give away our technology for free."

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