

GLOBAL MARKET SQUARE



Wall Street Soars on Tariff Truce: Markets Post Best Day Since 2008 as Trade Pause Sparks Rally and Inflation Data Looms.

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The U.S. and European stock markets closed with mixed results, and Wall Street staged a sharp midday rally following President Trump's announcement of a 90-day suspension on the rollout of new tariff rates. Under the revised framework, general tariff rates will be reduced to 10% for most countries, while tariffs on Chinese imports are set to rise sharply to 125%. However, the White House clarified that the pause does not extend to existing sector-specific tariffs, such as those affecting autos, steel, and aluminum. Major indexes jumped between 6% and 10%, with the tech-centric Nasdaq leading the charge with a 10% gain. Treasury yields also climbed, though they remain below recent highs. The 10-year yield has rebounded to 4.34% after reaching 4.01% last Wednesday. Overall, this shift represents a de-escalation of global trade tensions. Overall, this shift represents a de-escalation of global trade tensions. While tariffs—especially on China and key sectors—will still weigh on economic activity and prices, we believe the environment supports modest growth in earnings and the broader economy.

Volatility Brings Opportunity

When volatility spikes, so do long-term return prospects. This week, the VIX index surged past 50—a level historically associated with strong market rebounds. On average, when the VIX reaches such extremes, markets have delivered 12-month forward returns of around 20%*. It often takes about eight months for volatility to normalize. Still, investors should remember that bear markets typically occur once every three years and are usually followed by longer, stronger bull cycles. With markets flirting with bear territory earlier this week, much of the pessimism may already be reflected in asset prices. If the feared recession does not occur, a recovery could follow. We continue to stress the importance of portfolio diversification and long-term positioning. Staying invested through market turbulence has historically delivered better outcomes than attempting to time exits and reentries.

Inflation in Focus This Week

All eyes now turn to inflation data, with March's Consumer Price Index (CPI) release scheduled for Thursday. The Inflation Nowcasting has the headline inflation slowing to 2.49% y-o-y, down from 2.8% last month, while core CPI is at 2.99%, a slight dip from 3.1%. This reading is not expected to reflect the most recent tariff increases enacted on April 9. We believe the new tariffs will likely exert near-term upward pressure on inflation as U.S. importers pass higher costs to consumers. We do not expect these measures to alter long-term inflation expectations fundamentally. The 10-year breakeven inflation rate—a market-based gauge—has dipped below 2.3%, consistent with its three-year average. This suggests inflation expectations remain anchored and that the drag on growth from tariffs could outweigh the inflationary push. This dynamic may give the Federal Reserve flexibility to cut rates should signs of an economic slowdown become more pronounced.

Economic Data Update:

- **US Wholesale Inventories MoM:** rose to 0.32%, compared to 0.80% last month and 0.37% last year.

- **US Crude Oil Stocks WoW:** fell to 2.553M, down from 6.165M last week and down from 3.21M one year ago.
- **China Inflation Rate:** fell by -0.70%, compared to 0.50% last month and 0.70% last year.
- **China Producer Price Index YoY:** fell by -2.20%, compared to -2.30% last month and -2.70% last year.

Eurozone Summary:

- **Stoxx 600:** Closed at 469.89, down 17.02 points or 3.50%.
- **FTSE 100:** Closed at 7,679.48, down 231.05 points or 2.92%.
- **DAX Index:** Closed at 19,670.88, down 609.38 points or 3.00%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 40,608.45, up 2,962.86 points or 7.87%.
- **S&P 500:** closed at 5,456.90, up 474.13 points or 9.52%.
- **Nasdaq Composite:** closed at 17,124.97, up 1,852.06 points or 12.16%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,231.61, down 18.39 points or 0.57%.
- **Birling Capital U.S. Bank Index:** closed at 5,284.99, down 17.36 points or 0.33%.
- **U.S. Treasury 10-year note:** closed at 4.34%.
- **U.S. Treasury 2-year note:** closed at 3.91%.



CPI & Core CPI Inflation Nowcasting

Inflation Nowcasting	CPI Forecast	Core CPI Forecast	Updated
March	2.49%	2.99%	4.9.25



Wall Street Recap

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