

Global Market Outlook: Trump Tariff Uncertainty Weighs on Markets

The global financial markets have been navigating heightened uncertainty, particularly regarding Trump's proposed reciprocal tariffs policy scheduled for April 2nd announcement. While economic uncertainty has increased, financial market uncertainty appears to be stabilizing. The distinction between these two types of uncertainty is crucial for investors. Post-tariff announcement, market themes may shift toward tax cuts, potentially leading to a reevaluation of risk assets and renewed U.S. market strength.

PART 1: MACROECONOMIC OVERVIEW

Global economic momentum faces headwinds from trade policy uncertainty, with divergent monetary policy paths across regions. Central banks are balancing inflation concerns against growth risks, with most developed markets maintaining or beginning to ease policy rates.

Japan:

- * Spring wage negotiations resulted in a 5.46% average wage increase, exceeding last year's 5.28%
- * Core CPI remains elevated at 3.0% year-over-year, well above BOJ's 2% target
- * Household sentiment remains weak due to high food prices and energy costs
- * BOJ likely to maintain its gradual tightening stance with potential rate hike in October 2025

United States:

- * Economic data showing mixed signals with Atlanta Fed GDPNow indicating possible Q1 contraction
- * Core PCE inflation moderating but remains above the Fed's 2% target
- * Labor market showing resilience despite some sectors experiencing layoffs
- * Fed officials increasingly concerned about stagflation risks, balancing growth and inflation concerns
- * FOMC projecting three 25bp rate cuts through 2025, with two cuts expected this year

China:

- * National People's Congress prioritized expanding domestic demand but lacked specific stimulus measures
- * Exports moderated to 2.3% YoY growth in January-February after surge in late 2024
- * Government announced ¥1 trillion national venture capital guidance fund
- * Tech innovation becoming a key focus with emphasis on "new quality productive forces"

India:

- * GDP growth accelerated to 6.2% YoY in Q4 2024, driven by domestic demand
- * RBI cut rates and shifted stance to "accommodative" from "neutral"
- * Manufacturing competitiveness improving, with India becoming world's second-largest smartphone producer
- * Dual stimulus from monetary easing and income tax cuts expected to accelerate recovery

South America:

- * Brazil facing growth slowdown amid continued monetary tightening, with policy rate at 14.25%
- * Mexico's economy under pressure from U.S. tariff concerns, though USMCA-compliant goods exempted
- * Brazilian central bank expected to pause rate hikes by mid-year but delay rate cuts until late 2025

PART 2: WEEKLY MARKET SUMMARY

Global markets experienced significant volatility, with U.S. equities showing weakness while European and Chinese markets demonstrated relative strength. Safe-haven assets like gold were favored as investors shifted away from "Trump trades" amid concerns about the impact of reciprocal tariffs.

U.S. Markets:

- * S&P 500 entered correction territory, falling over 10% from February highs before recovering
- * Bond market dynamics shifted with deteriorating supply-demand conditions pushing yields higher
- * Fed maintained rates in March but reduced balance sheet reduction pace from \$25B to \$5B monthly
- * Corporate earnings outlook remains resilient with 2025 EPS forecasts only modestly reduced (-1.4%)
- * REITs outperformed equities year-to-date, benefiting from tight real estate supply conditions

Japanese Markets:

- * TOPIX showing resilience despite foreign investor selling, supported by corporate buybacks
- * Forward EPS continues to expand, with banking, construction, and tech sectors performing well
- * JGB yields rising amid inflation concerns and potential BOJ tightening
- * J-REIT market recovered in mid-March with increased focus on capital efficiency and buybacks
- * Yen facing potential strengthening pressure amid U.S. concerns about currency weakness

European Markets:

- * STOXX Europe 600 initially sold off on tariff concerns but recovered on German fiscal stimulus hopes
- * ECB expected to cut rates to 2% before pausing, with inflation showing signs of moderation
- * German fiscal policy shift toward defense spending and infrastructure investment marks major change
- * UK economy remains stagnant with BOE expected to continue quarterly rate cuts

Emerging Markets:

- * Chinese tech stocks outperforming on innovation expectations and government support
- * India positioned favorably to navigate U.S. tariff environment with strong domestic demand
- * ASEAN markets under pressure from potential tariff impacts, particularly Malaysia and Thailand
- * Vietnam awaiting potential FTSE index upgrade decision on April 8th

PART 3: TECHNICAL OUTLOOK

Nikkei 225:

- * Trading around ¥37,608, down 6% from January highs but maintaining long-term uptrend
- * 200-day moving average providing support around ¥36,000 level
- * RSI showing neutral readings, suggesting consolidation rather than reversal
- * Year-end target of ¥43,000 represents 14% upside from current levels

S&P 500:

- * Recently recovered above 200-day moving average after correction
- * Significant technical damage occurred with 10% drawdown from peak
- * P/E multiples compressed, particularly in technology sector

- * Support established near 5,000 level with resistance at February highs around 5,600
- * Year-end target of 6,600 represents 14% upside from current levels

TOPIX:

- * Demonstrating relative strength compared to Nikkei 225
- * Corporate buybacks providing strong technical support
- * Trading near all-time highs despite macroeconomic headwinds
- * Forward P/E of 15x remains reasonable relative to historical averages
- * Year-end target of 3,000 represents 8% upside from current levels

Disclaimer::

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