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Citi says short-term oil weakness could set up bullish outlook into 2026

https://www.investing.com/news/commodities-news/citi-says-shortterm-oil-weakness-could-set-up-bullish-outlook-into-2026-3991687

Investing.com -- Oil prices are set to face more pain in the months ahead as crude demand dwindles, but the opportunity to buy the dip is coming as falling prices will force OPEC+ and U.S. shale producers to curtail oil supply.

"We continue to see $60/bbl Brent (or lower) in our base case over the next three months, as demand is likely to undershoot for a period owing to the onset of US trade tariffs," Citi analysts said in a recent note.

Citi has been bearish on oil prices for months, calling for a $60-65/bbl target as early as December 2024, but turned even more bearish on concerns that U.S. tariffs will hurt global economic growth and squeeze oil demand.

"Our economists downgraded their global GDP growth forecast to around 2% for 2025, resulting in us lowering our global oil demand growth expectation by 0.2-m b/d to just over 0.7-m b/d," the analysts said.

The pressure in oil prices, however, could subside by the second half of the year as non-OPEC and OPEC+ countries will be forced to rein in supply and rebalance the market.

The analysts expect OPEC+ to keep production flat at May 2025 levels through mid-3Q’25 and continue to phase out its production cuts from Aug’25 onwards, "instead of bringing forward the whole production profile by three months."

With fewer barrels expected to come market , hte analysts forecast oil prices rebounding to around $60 to $65 per bbl range through 2H’25.

Citi’s call for a rebound in the H2, however, faces a threat from "the trade shock impact on global oil demand, less proactive OPEC+ policy, and the potential for an earlier resolution to the Russia-Ukraine conflict and an Iranian deal," the analysts said.

Is China offloading its dollar assets?

https://www.investing.com/news/economy-news/is-china-offloading-its-dollar-assets-3986014

Investing.com -- Speculation over China’s potential divestment of dollar assets has resurfaced following recent swings in U.S. bond markets and exchange rates. But a closer look at available data suggests there is little concrete evidence that Beijing is engineering a large-scale shift away from U.S. assets.

According to Capital Economics, China’s state institutions still hold over half their foreign portfolios in U.S. assets, despite escalating geopolitical tensions.

“China’s main state institutions own at least $3 trillion in dollar assets,” said Mark Williams, Chief Asia Economist at Capital Economics.

It is “almost certain” that Chinese reserve managers were active in markets during the recent volatility, particularly given the sharp currency movements, Williams said.

Yet, there’s no clear indication they were behind the bond market sell-off. “China would have been one seller among many,” the report noted, adding that the intervention was more likely aimed at stabilizing the renminbi-dollar exchange rate rather than offloading assets to pressure the U.S.

According to Williams, a full-scale divestment would carry significant risks for China. Any fire sale of dollar assets could strengthen the renminbi, hurting Chinese exports at a time when trade tensions with the U.S. are already elevated.

Moreover, developed markets outside the U.S. would likely resist absorbing large inflows that could drive up their currencies. “Doing that now, with the export sector facing the onslaught of U.S. tariffs, would be an act of self-sabotage,” the economist wrote.

Even if Beijing did attempt to weaponize its holdings, the impact on the U.S. might be limited. The Federal Reserve could step in as a buyer of last resort to stabilize markets, while other investors might see value in the dislocation.

There is evidence that China is gradually reducing its exposure, as seen in long-term U.S. Treasury data. Still, the scale and pace of these moves remain modest, and much of China's activity may be hidden in custodial accounts outside the U.S.

"The TIC data don't tell us whether China's asset holders really are reducing their dollar exposure or simply trying to make it less visible," the note said.

Despite rising tensions with the U.S., China's overall dollar exposure remains high. While there is speculation that Chinese reserve managers might be shifting assets, the use of custodians outside the U.S. complicates tracking flows. Even the upcoming TIC data release is unlikely to offer clarity on recent activity.

Available figures suggest that dollar holdings by the PBOC, CIC, and commercial banks have not declined more quickly than global averages. This appears puzzling given geopolitical concerns, including the freezing of Russian assets in 2022, which highlighted the challenge of protecting reserves from Western sanctions.

"The other option is to shift more assets into alternatives like EM sovereign debt and real assets. But this only makes sense for the portion of the portfolio that exceeds China's perception of its foreign exchange needs," Williams said.

Such assets carry high risks and poor liquidity and often experience sell-offs at times of market stress.

20250415 20:37 Watch These Apple Price Levels After Gains on Tech Tariff Exemptions

20250415 - Here's Why Citi Downgraded US Stocks on Monday

Key Takeaways

- Citi analysts on Monday downgraded U.S. stocks to "neutral," and recommended investors increase their exposure to Japanese, European, and U.K. equities.

- The U.S. stock market, they said, is expensive relative to its peers but faces substantial risks from President Donald Trump's tariffs and international blowback.
- The unpredictability of U.S. policy has already weighed on international demand for U.S. Treasurys and the dollar, a dynamic that could spread to stocks, the analysts warn.

Citi became the latest investment firm to voice skepticism about the outlook for U.S. stocks on Monday as tariff uncertainty continues to weigh on sentiment.

Citi analysts on Monday downgraded U.S. stocks to "neutral" from "overweight," citing "still-high valuations and mounting downgrade pressures." The analysts also upgraded Japanese and U.K. stocks to "overweight," joining continental Europe in Citi's group of preferred regions.1

Tariffs, the analysts said, are likely to reduce both U.S. GDP and corporate earnings, undermining two of the core drivers of the "U.S. exceptionalism" of the past decade-plus. At the same time, Citi estimates U.S. stocks as a whole are historically expensive, "trading at c80th percentile valuation multiple vs. history" even after the recent sell-off.

U.S. stocks have outperformed their global peers for most of the past 15 years. The post-Global Financial Crisis order of low interest rates and low inflation favored the fast-growing tech stocks that have come to dominate the U.S. stock market. As a result of Wall Street's outperformance, international investors have bought far more U.S. stocks than the other way around. Citi warns that, against this backdrop, "small shifts in allocation decisions can have an outsized impact."

As U.S. stocks have lost their sheen, international equities have taken on a fresh luster. European and Japanese equities, Citi says, trade at attractive valuations. Japanese equities appear to be pricing in a more substantial earnings contraction than other markets, but "Japan seems as likely as any market to see reprieve from US tariffs," the analysts note.

Citi also forecasts that the U.S. market is made even less attractive relative to Europe and Japan by the White House's unpredictability. "While tariff risks have abated, macro/policy uncertainty remains elevated. ... Investors have also shown signs of shunning other US assets, with the dollar weakening and US Treasury yields rising," the analysts wrote. "Therefore, we believe investors could continue allocating away from US equities as well."

20250415 14:58 Dow Jones Futures Fall After Key Economic Data; Bank Of America Jumps On Earnings

Futures on the Dow Jones Industrial Average and other major stock indexes fell in premarket action Tuesday as Wall Street digested key economic data that could haven shown the early impact of the President Donald Trump's tariffs. Three early movers were **Nvidia** (**NVDA**), **Tesla** (**TSLA**) and **Bank of America** (**BAC**), the latter of which which beat earnings estimates.

Prior to the opening bell, Dow Jones futures fell 0.3%. S&P 500 futures lost 0.2%, while tech-heavy Nasdaq 100 futures declined 0.1%.

The 10-year Treasury yield ticked higher to 4.37% early Tuesday. And oil prices dipped, as West Texas Intermediate futures traded near $61.10 per barrel.

Among **exchange traded funds**, the Invesco QQQ Trust (**QQQ**) fell 0.3%, while the SPDR S&P 500 ETF (**SPY**) lost 0.4% ahead of the open.

Tesla stock moved 0.6% lower in premarket action Tuesday, threatening to erase Monday's modest gain. Shares of the Elon Musk-led company remain around 48% off their record high of 488.54, reached on Dec. 18.

Nvidia stock hovered around the break-even point in Tuesday's premarket trading, on pace to add to Monday's 0.2% fall. The artificial intelligence giant is approaching its 50-day and 200-day moving averages, which are key levels to watch.

Trump Tariff News

The fast-moving impact of Trump's tariffs on the economy may show up in the Empire State manufacturing survey. The manufacturing index fell less than expected, at -8.1 on the month. It was expected at -10.0 in April vs. March's -20.0 reading.

Meanwhile, import prices fell 0.1% in March, with a year-over-year rise of 0.9%. Import prices were expected flat on the month, per Econoday.

In stocks, Bank of America, **Citigroup** (**C**) and **Johnson & Johnson** (**JNJ**) were key earnings movers.

Bank of America shares jumped nearly 2% after the company reported better-than-expected results for its first quarter, while Citigroup stock added 0.8%.

Finally, J&J stock slipped 1.1% in premarket action.

20250415 - S&P 500 Gains and Losses Today: Palantir Stock Jumps as NATO Enlists AI Military System

Key Takeaways

- The S&P 500 gained 0.8% on Monday, April 14, 2025, after smartphones and other electronics were exempted from President Donald Trump's "reciprocal" tariffs.
- Palantir Technologies shares pushed higher after NATO acquired the data analytic firm's AI-enabled military system.
- Kidney dialysis treatment provider DaVita said it was the victim of a ransomware attack, and its shares fell.

Major U.S. equities indexes ticked higher to start the new trading week after the Trump administration announced smartphones, computers, and other electronics would be exempt from "reciprocal" tariffs, even as Commerce Secretary Howard Lutnick suggested that the carve-outs could be only temporary.

The S&P 500 and the Dow ended Monday's session approximately 0.8% higher, while the Nasdaq gained 0.6%.

Charles River Laboratories (CRL) posted the strongest daily gain of any S&P 500 stock, as shares added 6.9%. With Monday's push higher, the stock clawed back a portion of the sharp decline posted late last week after the Food and Drug Administration said it would phase out animal testing requirements in the development of monoclonal antibodies and other treatments.

Palantir Technologies (PLTR) shares surged 4.6% after the North Atlantic Treaty Organization (NATO) announced it acquired an AI-based military system developed by the data analytics software firm. NATO said the procurement, "was one of the most expeditious in NATO’s history, taking only six months from outlining the requirement to acquiring the system."

Several stocks in the health care sector lost ground as health insurers gave back some of the gains posted last week after the government said payments to Medicare insurers next year would be higher than previously expected.

Humana (HUM) shares, which have been under pressure over the past year amid downgrades to its Medicare offerings and soft membership additions, sank 3.5%, marking the weakest performance in the S&P 500. UnitedHealth Group (UNH) shares fell 2.1% ahead of its earnings report expected later this week.

DaVita (DVA), which provides dialysis services for patients with kidney disease, announced it had been affected by a ransomware attack. According to a filing with the Securities and Exchange Commission, the incident resulted in the encryption of certain elements in DaVita's network and affected parts of its operations, but the health care company said it is taking measures to mitigate the issues. DaVita shares dropped 3% Monday.

Southwest Airlines (LUV) shares declined 2.4% after the carrier said its travel credits would expire 12 months from the purchase date of the original ticket for most flights, ending its policy of providing credits with no expiration date. The new policy marks the end of another longstanding perk for the airline, which moved toward a paid baggage model last month, raising concerns that more Southwest travelers could be required to gate-check their carry-on luggage.

20250415 - Did Consumers' Tariff Fears Affect Their Spending in March?

Key Takeaways

- Retail sales are expected to improve in March as consumers likely hurried to purchase items before U.S. tariffs took effect in April.
- Economists expect that car sales pushed consumer spending higher last month as buyers sought to avoid 25% tariffs on auto imports.
- The retail sector likely experienced its worst first quarter since 2020 and lagging consumer sentiment could worsen the sales outlook for later this year, economists said.

Consumers say they're worried about the economy's direction, but those fears aren't expected to appear in the March retail sales report.

Backed by high auto sales, consumers likely rushed to stores in March to avoid potential price increases spurred by tariffs. Economists surveyed by *Dow Jones*

Newswire and *The Wall Street Journal* expect March retail sales data to increase by 1.2% over the prior month.1 The report is scheduled to be released on Wednesday at 8:30 a.m. ET.

"Consumers fretting over another spike in goods prices due to reciprocal and sectoral import tariffs implemented in April have been keen to speed up their planned goods purchases," wrote Scott Anderson, chief U.S. economist at BMO Economics.

Consumer spending is an important economic factor that has kept the country from recession in recent years. Economists have said a slowdown in spending could push the economy closer to a downturn.

Automobile Sales Seen as Driving March Growth

The spending surge would represent an improvement over the year's slow start. February's meager growth followed a "holiday hangover" plunge in January. But while the overall numbers are expected to be good, the report's details may not represent as much of an improvement as it appears.

Automobile sales are expected to drive most of the sales growth, with early March data showing car sales reached their highest level since April 2021.2 Economists attributed this spike to car buyers looking to get ahead of U.S. tariffs of 25% on all imported cars.

Without the sales of automobiles and gasoline, BMO economists expect retail sales only grew by 0.2% in March.

Even with the car sales, March data isn't expected to be enough to rescue retailers from poor first-quarter results, which is expected to be the softest for retail sales since 2020, Wells Fargo economists wrote.3

"On balance, performance so far this year suggests consumer spending growth has stalled in the face of heightened uncertainty about tariffs and their impact on the outlook," Wells Fargo wrote.

Spending Slowdown May Be Coming

A recent spate of poor consumer sentiment surveys has economists projecting a slowdown in reports like retail sales and earnings, but it's not likely to happen yet.

Consumer sentiment has declined for several months as President Donald Trump’s proposed tariff policies have raised concerns about higher inflation and created volatile market conditions. However, many tariffs didn't go into effect until April and even then, may not have much effect on prices for some time.

“The deterioration in optimism is not a positive development for consumer spending, but we don't expect it alone will drive households into hiding,” Wells Fargo economists Tim Quinlan and Shannon Grein.4

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Trump, 'Looking To Help,' Lifts General Motors, Ford. Tesla Not So Lucky.

"They need a little bit of time, so I'm talking about things like that," Trump added of the auto manufacturers.

General Motors stock moved up 3.4% on Trump's comments during Monday's **stock market action**. Ford stock advanced 4%, regaining its 50-day line. Chrysler-parent **Stellantis** (**STLA**) surged 5.8%.

Meanwhile, EV giant **Tesla** (**TSLA**), which has widely been considered by analysts as the least impacted by the auto tariffs, traded down around 2% intraday before edging up a fraction during stock market trade.

All four stocks are significantly below their 200-day moving averages.

Since Trump announced the 25% auto tariffs on March 26 the 33 stocks in the **IBD Auto Manufacturers industry group** are collectively down around 12%. The group has dropped 36% in 2025. That puts the industry at 101 out of the 197 sectors tracked by IBD.

Trump Tariffs Impact On Autos

In the Trump administration's fast-moving policy environment, analysts and auto manufacturers are racing to understand the tariffs and forecast potential impacts. Currently, analysts are still in the midst of deciphering the long-term impacts to the U.S. auto industry. The potential for the evolving tariffs to alter overall economic dynamics make it nearly impossible to know at this time how the U.S. auto sector may look in a year, according to analysts.

Trump's Auto Tariffs Are Here. What Is Next For The U.S. Auto Industry?

However, in the short term, analysts agree on at least three effects from Trump's auto tariffs: New-vehicle prices will go up across the board as manufacturers see costs rise, new-car sales are likely to decline in 2025 and consumers will likely turn to the used car market.

Wedbush Securities analyst Dan Ives recently wrote that the current Trump tariffs could "change the paradigm for the U.S. auto industry for years to come." Wedbush Securities forecasts tariffs will add around $100 billion of annual costs to the auto sector that will get passed directly onto the consumer and that would "clearly erode demand."

Ives expects the tariffs to result in demand destruction driving down sales of new units by 15% to 20% in 2025. The average price of a car will increase between $5,000-$15,000, he says.