

## Rally then Retreat Amid Tariffs Fear, Inflation Worries

This week, U.S. equity markets faced significant volatility, culminating in notable losses across major indices.



The S&P 500, which closed above its 200-day moving average early in the week, declined by 1.5%, the Dow Jones Industrial Average by 1%, and the Nasdaq Composite by 2.6%.

A convergence of rising inflation, declining consumer confidence, and trade policy uncertainties amplified market volatility.

The Consumer Confidence Index showed a fourth consecutive decline, and the Expectations Index fell to its lowest level (65.2) in 12 years, with worries about future employment prospects and inflation pacing that downturn. Inflation data this week corroborated the worries after February's core Personal Consumption Expenditures (PCE) price index, the Fed's preferred inflation read, rose by

0.4%, bringing the annual rate to 2.8%.

Also, the final March University of Michigan Index of Consumer Sentiment was marked down to 57.0 from the preliminary reading of 57.9. There was a large month-over-month drop in the Expectations Index, with consumers across all demographics and political affiliations expressing concerns about personal finances, business conditions, unemployment, and inflation.

Ongoing concerns about US trade policy also played a big role this week. President Trump announced a 25% tariff on all imported passenger vehicles starting April 3. He also said reciprocal tariffs will go on for all countries, but that the U.S. will be very lenient.

Tech stocks led the retreat, but many names participated in this week's slide. The equal-weighted S&P 500 fell 1.2%.

Four S&P 500 sectors registered gains while the remaining seven sectors logged declines ranging from 0.2% (financials) to 3.7% (technology). The risk-off bias this week led the consumer staples sector to log a 1.7% gain.

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