WEEK IN **PERSPECTIVE**

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The pause that refreshes

It was far from an ordinary, or boring, week on Wall Street.

The trading action was frenetic, along with the tariff headlines, while the action across asset classes was confounding.

In a nutshell, stocks rallied, Treasuries languished, the dollar got pounded, and gold prices surged. It was all related to the tariff war that culminated with a stunning announcement by President Trump on Wednesday that he is pausing the reciprocal tariff for most countries, except China, for 90 days to allow time to negotiate new deals. In the meantime, a 10% baseline tariff rate will still apply for all countries.

As for China, the tariff sparring hit a fevered pitch this week. President Trump ramped up the tariff rate for imported Chinese goods to 145%. China came back on Friday and said it is implementing a 125% tariff rate on imported U.S. goods and will be ignoring any further tariff actions by the U.S. The respective tariff rates should effectively bring trade between the rivals to a standstill, which will have knock-on effects for supply chains and business inventories.

The latter point notwithstanding, the stock market was overjoyed Wednesday by the 90-day pause announcement and engineered a stunning relief rally that was exacerbated by short-covering activity. The S&P 500 logged a 9.5% gain, its third-largest single-day gain since World War II, while the Nasdaq Composite soared 12.2% for its biggest gain since 2001.

A sizable portion of those gains were given back in Thursday's session before some renewed buying interest helped cut the losses. The sticking point for many was the realization that a 90-day pause is still only a pause, and there is no certainty that a deal will be reached with all countries. Moreover, the baseline 10% tariff rate is still significantly higher than before, and the tariff rate for China is debilitating from a trade standpoint.

Other pressing issues included the losses in both the dollar and Treasuries, which were construed as an overarching sign of growth concerns, deficit concerns, and waning confidence/interest in U.S. assets on the part of foreign investors. The U.S. Dollar Index fell 3.1% this week to 99.78 and the 10-yr note yield jumped 48 basis points to 4.49% in spite of some otherwise friendly CPI and PPI reports for March.

The S&P 500, which saw a low of 4,835.04 on Monday, hit a high of 5,481.34 on Wednesday before settling the week at 5,363.36.

Nine of the 11 S&P 500 sectors scored gains this week, none bigger than the information technology sector (+9.7%). The two losers were energy (-0.4%) and real estate (-0.2%). The former was impacted by demand concerns, while the latter lagged on the spike in interest rates.

- Nasdaq Composite: +7.3% for the week / -13.4% YTD
- S&P 500: +5.7% for the week / -8.8% YTD
- Dow Jones Industrial Average: +5.0% for the week / -5.5% YTD
- S&P Midcap 400: +2.8% for the week / -12.8% YTD
- Russell 2000: +1.8% for the week / -16.6% YTD

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