

Market Turbulence: Not Much Change

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U.S. financial markets experienced tremendous volatility in April 2025, driven by President Trump's aggressive tariffs. Despite a sharp initial drop following the April 2nd "Liberation Day" tariff announcement, the S&P 500 and the Dow Jones staged a remarkable seven-day rally to end the month, while the Nasdaq was up for six days before dropping slightly on day

seven. At month end, the Nasdaq was up for the month while the S&P 500 and Dow Jones finished down slightly.

This rollercoaster represents one of the most tumultuous periods in market history. The initial tariff

days could show further weakness. The International Monetary Fund drastically lowered its economic projections and is now predicting U.S. growth of only 1.8% this year—a full percentage point less than 2024's expansion and significantly below its earlier 2.7% forecast. The IMF also cut global growth estimates from 3.3% to 2.8% for 2025 and from 3.3% to 3% for 2026. The chance of a U.S. recession is now estimated at 37%, up from 25%.

Financial markets delivered a particularly troubling signal: the simultaneous sell-off of both U.S. Treasury debt and the dollar—traditionally considered safe havens. Analysts termed this the "Sell America" trade, an unprecedented dual retreat suggesting eroding confidence in U.S. economic stability. Consumer and business confidence have also declined amid tariff-related uncertainty.

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announcement triggered one of the worst market sell-offs in decades, prompting Trump to declare a 90-day pause on many planned tariffs. This pause sparked the largest market rally since 2008, effectively neutralizing the month's earlier losses.

However, the economic consequences extend far beyond stock market fluctuations. The U.S. economy shrank for the first time in three years, and the major tech companies' earnings to be released in the coming

Some experts compare the situation to Richard Nixon's 1971 abandonment of the Bretton Woods system, which preceded significant inflation and economic turmoil. Trump's approach disregards basic economic principles, while markets recognize tariffs as growth-inhibiting taxes regardless of the attempted political framing. The broad application of tariffs to both allies and competitors also weakens international trust in U.S. reliability.

Yet, reasons for optimism still exist. Markets ended the month near their starting points demonstrating the underlying resilience and durability of the U.S. economy.

Morgan Stanley highlights another potential positive: the weakening dollar could benefit U.S. stocks relative to international equities. The greenback's decline to a three-year low might preserve "U.S. exceptionalism" by boosting large-cap earnings revisions relative to European and Japanese counterparts.

Should President Trump heed market signals, he could reverse much of the recent damage through quickly negotiating trade deals that reduce tariffs and restore stability.

While the U.S. economy has proven its strength and resilience, the recent volatility reveals the economy's vulnerability to policy missteps. America's global economic leadership stems largely from systems that facilitate wealth creation—a position that continued policy recklessness and uncertainty could undermine. While economic fundamentals remain solid despite tariff threats and international trade tensions, U.S. trade policies will likely be the decisive factor that determines future market direction.

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