



**LEATON
WEALTH**

MARKET COMMENTARY

13 May 2025

TURBULENT MARKETS CAUSED BY POLICY UNCERTAINTY

April 2025 proved to be a historic and turbulent month for global financial markets, marked by extreme volatility triggered by the policy shocks of President Trump's first hundred days in office. The S&P 500 closed the period down 7.3% since Inauguration Day, the worst first-100-day performance for a new administration since Richard Nixon's second term in 1973. Over the same period, the Nasdaq Composite fell 11.0% and the Dow Jones Industrial

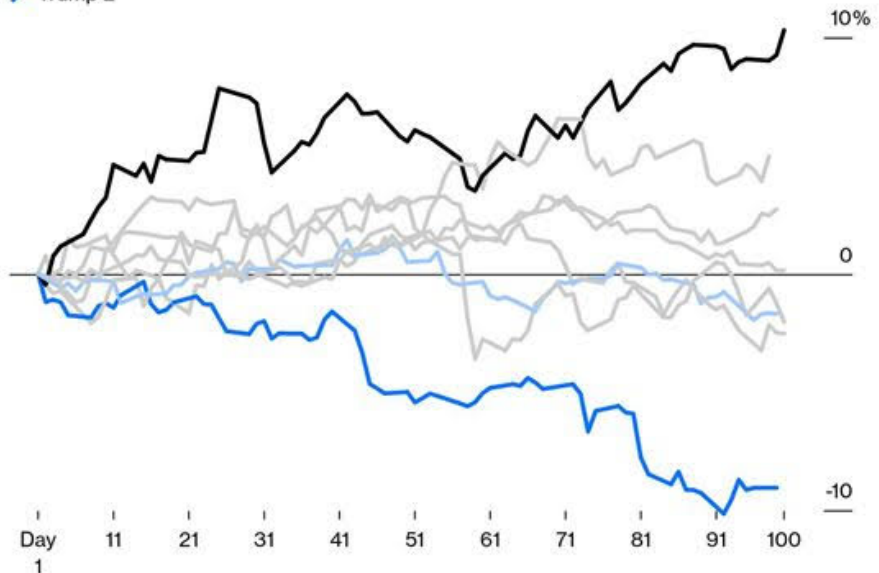
Average slumped 6.8%. The US dollar also experienced its weakest start to a presidential term in decades, with the DXY Dollar Index falling nearly 10% since January, in stark contrast to the dollar's gains under previous administrations. The weakness of the dollar made the performance of US assets when converted to other currencies significantly worse.

THE BOND MARKET'S REACTION IS VIEWED AS THE REASON THE ADMINISTRATION MODERATED ITS TARIFF POLICY

Trump's 100 Days Are the Inverse of Reagan's

The dollar rose 10% in Reagan's first 100 days — and lost 9% in Trump 2.0

Reagan / GW Bush / GHW Bush / Biden / Trump 1 / Obama / Clinton / Trump 2



Source: Bloomberg

Note: DXY dollar index rebased to Jan. 20 of president's first term.

Bloomberg Opinion

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Despite these declines, markets staged a late-month recovery to erase most of the early April sell-off. The S&P 500 ended April by rallying for six consecutive sessions, recording its largest six-day percentage gain (7.8%) since March 2022. This was spurred by speculation of Federal Reserve rate cuts and hopes for trade negotiations following Trump's dramatic "liberation day" tariff announcement and subsequent 90-day pause on most reciprocal tariffs. Even so, by month-end the S&P 500 remained 5% lower year-to-date, and the Nasdaq was still down almost 10% from the start of the year. The UK's FTSE Index, one of the few developed market indices to post gains year-to-date, was also rattled by tariff uncertainty, while the Euro Stoxx 50 ended April up nearly 6% year-to-date and Japan's Nikkei remained almost 10% lower for 2025.

The bond market was equally unsettled, with US Treasury yields spiking sharply in response to tariff-driven selloffs. During the second week of April, the 10-year US Treasury yield—usually a beneficiary during market correction—spiked by 50 basis points, its biggest weekly increase since 2001. The 30-year yield jumped 48 basis points, the largest weekly advance since 1987. The bond market's reaction is viewed as the reason the administration moderated its tariff policy, demonstrating the so-called bond vigilantes' power to influence governments' policy stances.

Gold surged over 20% during the period, briefly touching all-time highs as investors sought safety amid economic and inflation fears. Meanwhile, the US dollar's weakness raised questions about its reserve status, even as it offered some relief to American exporters.

ECONOMIC OUTLOOK REMAINS DEPENDENT ON TARIFF OUTCOMES

Consumer confidence in the US plunged to an almost five-year low in April, marking the fifth consecutive monthly decline—the longest streak since 2008. Job openings in March also dropped to their lowest level since September, reflecting weakening labour demand amid heightened economic uncertainty. The sharp escalation in tariffs and ongoing trade tensions have led major banks to significantly increase their recession risk forecasts for 2025 with

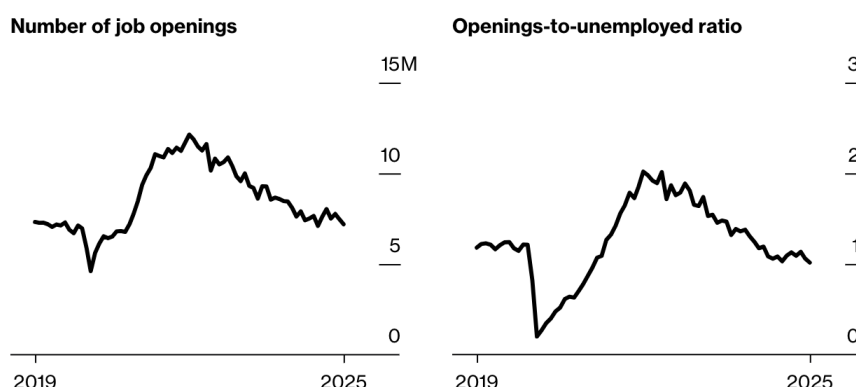
many seeing the probability around 50%, up notably from last October.

These risks are compounded by the US administration's willingness to at least maintain a universal 10% tariff (and a 145% tariff on Chinese goods), despite some flexibility shown when financial markets revolted. A number of investment banks have provided scenario analyses, and the outline provided by JPMorgan, summarised below, is typical.

ACROSS ALL SCENARIOS, ECONOMISTS AGREE THAT INDUSTRY—ESPECIALLY MANUFACTURING—WILL BEAR THE BRUNT OF TARIFF HIKES

US Job Openings Fall to Lowest Since September

Ratio of vacancies to unemployed workers also declines



Sources: Bureau of Labor Statistics, Bloomberg

THE US DOLLAR'S WEAKNESS RAISED QUESTIONS ABOUT ITS RESERVE STATUS

TARIFF SCENARIOS AND POTENTIAL IMPACTS

MODERATE TARIFFS (10-15%)

A reasonable base case scenario assumes the US imposes a universal 10% tariff, with higher rates on China and select sectors. In this scenario, US GDP growth may slow to 1.5%–1.7% and core inflation could briefly reach 3.5%–4% before easing. The US would likely avoid a recession, but only narrowly. Market volatility would remain elevated, though manageable, and the Fed could cut rates two or three times this year. Geopolitically, tensions would persist but be contained through ongoing negotiations.

FULL TARIFFS (20%+)

This worst-case scenario, with effective tariffs above 20%, would likely trigger a global manufacturing recession, with US industrial output contracting by up to 1% in both 2025 and 2026. US imports could fall 15% from previous baselines, severely impacting trade partners like China, Japan, and Mexico. Markets would likely see double-digit declines, a weaker dollar, and further gains in gold. Retaliatory tariffs would erode much of the US's net tariff revenue, and global trade would shrink as a share of GDP.

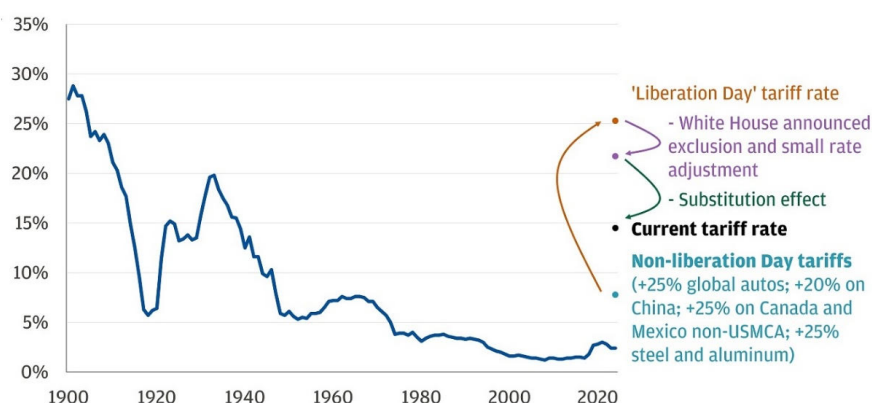
LIMITED TARIFFS (<10%)

The most market-friendly but least likely scenario would see tariffs rolled back below 10% through policy adjustments or diplomatic breakthroughs. This would support a rebound in global equities (potentially exceeding 20% returns), benefit sectors previously hit by tariffs and allow central banks to cut rates as needed. Geopolitical tensions would ease, preserving global trade relationships.

THE S&P 500 ENDED APRIL BY RALLYING FOR SIX CONSECUTIVE SESSIONS

Estimated tariff rates have declined

U.S. effective tariff rate, %



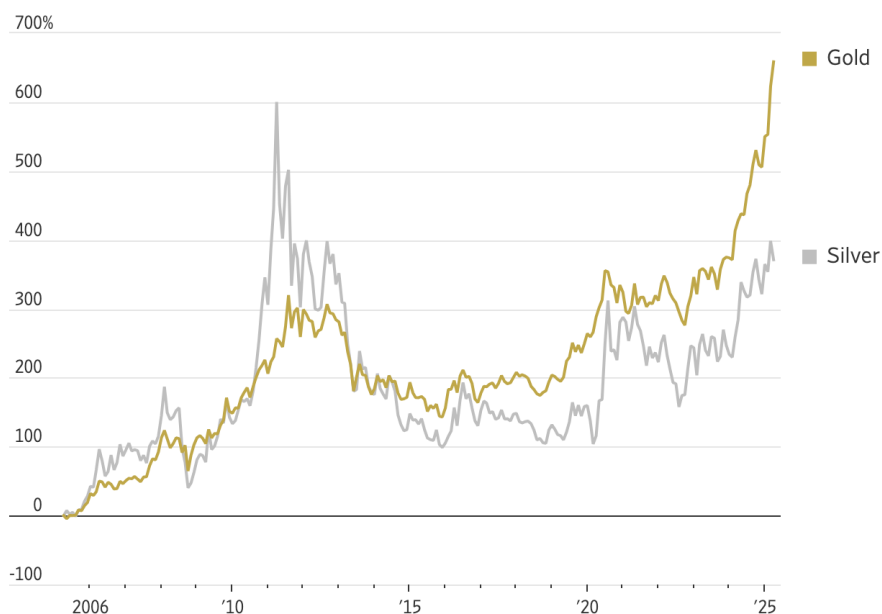
Sources: Michael Cembalest "Eye on the Market", Tax Foundation, JPM Global Economics, GS Global Investment Research. Data as of April 16, 2025. Liberation Day tariff rate is as of April 2nd and does not include exclusions or substitution effects. The current tariff rate adds a +10% tariff on most of the world; +125% on China and incorporates announced exclusions by the U.S. by product and a 70% substitution away from China (40% country; 30% US). The White House announced exclusions and small rate adjustment incorporates White House exclusion announcements and the change in rates for China and RoW.

Across all scenarios, economists agree that industry—especially manufacturing—will bear the brunt of tariff hikes, while services are more insulated. There is broad agreement that higher tariffs don't necessarily yield more revenue once economic impacts and retaliation are considered.

SILVER: SHIFTING DRIVERS AND OUTLOOK

THE GOLD-TO-SILVER RATIO REMAINS HISTORICALLY ELEVATED

Cumulative returns



Note: Based on Nymex continuous contract prices. Data for April 2025 is as of April 23, all others at month-end.
Source: FactSet

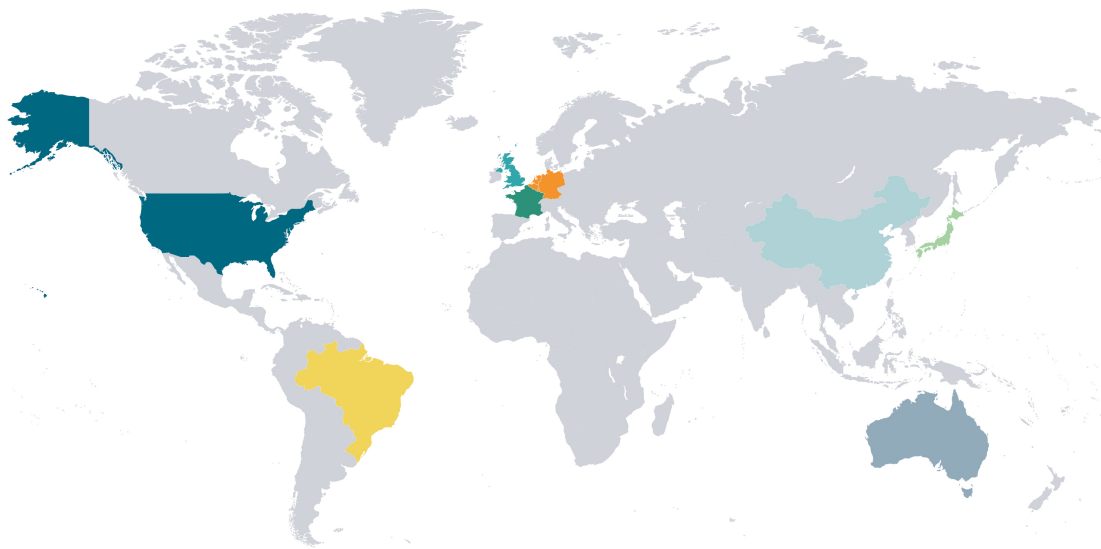
Silver has surged 14% year-to-date, trading near \$34.10/oz as of mid-March, driven by gold's record rally, safe-haven flows, and strong industrial demand in electronics and renewables. Yet, the gold-to-silver ratio remains high at 88:1, implying silver could gain more if the ratio returns to its long-term norm.

Silver's dual role as precious and industrial metal creates competing price drivers. Geopolitical uncertainty is boosting investment interest, but industrial demand—now 64% of total silver use—is under pressure from slowing

global growth and trade risks. Still, the Silver Institute forecasts a fifth straight annual supply deficit in 2025, though the shortfall is shrinking.

Analysts foresee further upside if geopolitical tensions persist or gold keeps rising. However, silver's higher volatility and industrial ties could see it underperform gold in a recession or trade war. Many investors see silver as a catch-up play to gold's rally—but with higher risk tied to its split economic personality.

GLOBAL MARKET RETURNS - APRIL 2025



▼	▼	▼	▲	▲	▲	▲	▼
S&P 500	FTSE 100	CAC 40	NIKKEI	IBOVESPA	DAX	ASX 200	SSE
-0.70%	-0.66%	-1.99%	+1.20%	+3.69%	+1.51%	+3.62%	-1.22%

Source: Morningstar Direct. Figures quoted are in local market currency on a total return basis.

✕	OIL	✕
	-17.16%	
✕	GOLD	✕
	+5.26%	



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