<u>A week of relative calm… for now</u>

A second climbdown over the weekend on Trump's tariffs set the scene for a relatively (by 2025's standards) calm week in the markets. The effect of the trade spat with China, Apple reportedly chartered five planes full of iPhones to the US to avoid the tariffs. In an example of potential price increases, analysts at investment bank UBS have warned that the price of an iPhone could rise by 79% from $1,199 to $2,150, based on a total tariff of 145%.

On the back of this, Trump granted exclusions from steep tariffs on smartphones, computers and some other electronics imported largely from China. Later on Sunday, however, he then announced a national security trade probe into the semiconductor sector and then said he would announce the tariff rate on imported semiconductors over the next week, adding there would be "certain flexibility" with some companies in the sector.

Overall, this was seen as a de-escalation, and investors were glad to see fears ease about stock market volatility seeping into the 'safe haven' US Treasury market.

On Monday, Federal Reserve Governor Christopher Waller made dovish signals suggesting the net impact of all the tariff hits would be negative for growth, with inflationary effects likely transitory. "With a rapidly slowing economy, even if inflation is running well above 2%, I expect the risk of recession would outweigh the risk of escalating inflation, especially if the effects of tariffs in raising inflation are expected to be short lived," he said.

In slight contrast to these comments, Federal Reserve Chair Jay Powell warned on these shorter term inflationary pressures having the capacity to be more persistent. These slightly differing viewpoints indicates that the US base rate may be in a period of 'wait and see' for the next few meetings.

Two other major central banks met this week. On Wednesday, the Central Bank of Canada kept their rate on hold at 2.75% despite softening data. This pause came on the back of seven consecutive rate cuts as the Bank's Governor, Tiff Macklem, cited "a seismic shift in U.S. trade policy and a sharp increase in uncertainty." The market expectations were 50/50 on whether they would cut, and with expectations of slowing growth there will be more cuts to come.

On Thursday, the European Central Bank cut rates quarter of a point to 2.25% as widely expected. This was the 7th cut in 12 months as inflation in the euro area dropped to 2.2%, only marginally above the target. In its policy statement, the ECB said that the "outlook for growth has deteriorated owing to rising trade tensions."

The euro remained strong against the US dollar with yields falling a little. It's not all bad news for the eurozone, however, as with some repatriation of European money and the potential view that the Euro now could provide some safe-haven qualities it means that Europeans may be able to borrow more at the same interest rate. This effectively bankrolls the entire fiscal expansion plans at no extra cost as it begins to siphon away some of the American's "exorbitant privilege" in our newsletter of the 14th March.

UK inflation fell to 2.6% in March, with the Office for National Statistics (ONS) citing falling fuel prices as one of the major factors. The future prospects for UK prices are far from certain with household bill set to rise in April and Trump's tariffs set to increase inflation but lowering growth.

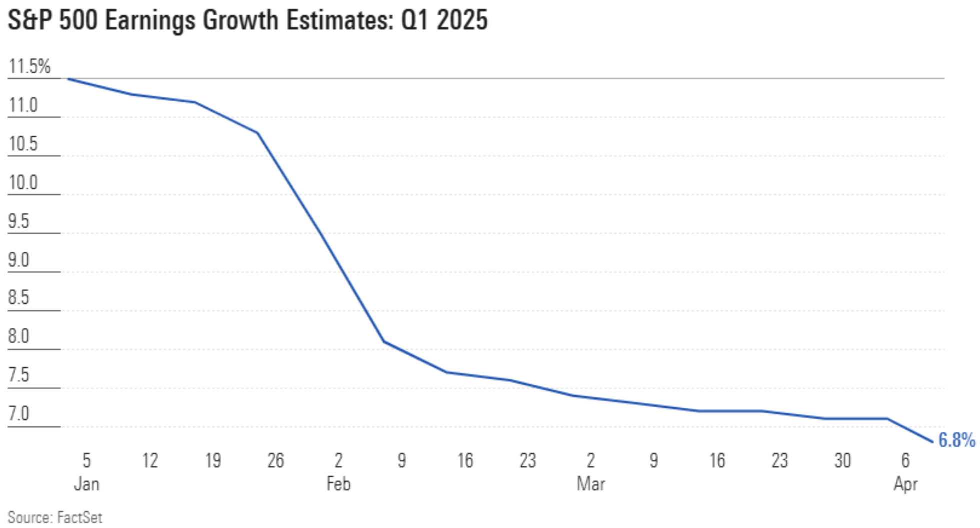
Pay growth remained at elevated levels rising 5.9% in the three months to February, and still considerably higher than inflation. Additionally, despite data showing a drop in the number of workers on company payrolls, the ONS said its official unemployment rate remained unchanged at 4.4% in the three months to February.

The conflicting data is also going to factor into the Bank of England's next decision in May, however a cut in rates is more or less priced an at this point.

Japan has been in talks with the US over the tariffs this week. Japan has been hit with 24% levies on its exports to the United States although these rates have, like most of Trump's tariffs, been paused for 90 days. But a 10% universal rate remains in place as does a 25% duty for cars, a mainstay of Japan's export-reliant economy.

US Treasury Secretary, Scott Bessent, has said there is a "first mover advantage" and Trump looks keen to strike a deal quickly as he personally joined the talks on Wednesday. Japan had not expected the president to get involved in Wednesday's talks, viewing them as a preliminary, fact-finding mission, a sign that Trump wants to keep tight control over negotiations with dozens of countries expected over coming days and weeks.

Despite the general feel of calm this week, gold continues to outperform surpassing $3,350 per ounce, reflecting its continued appeal in times of uncertainty. Additionally, the US Quarter 1 earnings season is now underway, and the effects of the trade war will have a marked impact on the guidance and forecasts with estimates of earnings growth likely to be downgraded.



Where are markets up to?

The rolling 12 month % cumulative returns in local currency from various indices is shown in the following chart:

Where are the portfolios up to?

The portfolio performance, net of fees, to close of business on Thursday is as follows:

	1 week	1 month	3 months	12 months
Cautious	-0.08%	-2.89%	-6.35%	+0.14%
Balanced	-0.06%	-4.42%	-9.98%	-2.84%
Adventurous	+0.09%	-5.17%	-11.99%	-4.48%

As ever, if you would like to discuss any aspect of your portfolio, please do not hesitate to contact us on service@blythefinancial.com.