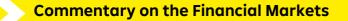


Commentary on the Financial Markets

SPECIAL Turbulence on World Markets

April 11th, 2025





This week's key moments

- 1. President Donald Trump has surprisingly changed his stance on tariffs by announcing a 90-day postponement (except in China)
- 2. This led to a significant recovery on Wall Street, where major stock indices recorded historic growth and bond yields fell from local highs
- 3. High volatility continues on all types of instruments, from stocks, bonds, commodities and currencies

Sharp movements in the bond and stock markets

President Donald Trump surprisingly changed his stance on tariffs, following significant turmoil in the global bond market. The sharp rise in bond yields raised concerns about a domino effect of problems in financial markets, which would primarily lead to higher funding costs and a subsequent slowdown in economic growth. The bond market is worth \$140 trillion, of which \$47 trillion is accounted for by US Treasuries. <u>The bond market is significantly larger than the stock market.</u>

Stock markets rose significantly on Wednesday, April 9, 2025, with the US technology index Nasdaq gaining more than 10% for the day. Indices around the world saw similar increases, from Asia, Europe and emerging markets. Stocks erased some of their gains on Thursday, with stock futures indicating an opening of the US market by about 0.5% higher on Friday.

An interesting moment today

An interesting moment comes today, when China introduces retaliatory tariffs on American goods at the rate of 125%. Stock futures reacted with an immediate decline, but then returned to positive values. This moment indicates that the stock markets no longer react to the level of tariffs if they exceed a certain value, in other words, it does not matter whether the amount of the tariff is 100% or 125%, the material impact on the real trade is the same in both cases.

How we react when managing funds

- 1. We are not changing the current Tactical Allocation, we remain slightly outweighted in equities compared to bonds
- 2. We are buying shares on the current declines in order to maintain the currently set Tactical Allocation
- 3. We spread out purchases over time, similar to regular investments
- 4. We leave room for further purchases of shares at possible lower prices

In an environment of high volatility, it is risky to make fundamental changes to the composition of the portfolio. Investors should remain calm and focus on long-term goals, while portfolio diversification and quality investments can help smooth out market fluctuations.

Benefits of regular investing

I would also like to mention the advantages of regular investing. Regular investments significantly reduce the average purchase price in such significant market declines. <u>An interesting solution may also be a temporary increase in</u> <u>the amounts for regular investments, and thus stronger</u> <u>averaging of prices at lower values.</u>

Further developments

The real impact on global economic growth will be key for the period ahead. If the tariffs were introduced (now postponed by 90 days), we expect the impact on global GDP to be around minus 1%. This would still mean that the world economy will grow at a rate of around 2% in 2025. Over the coming weeks, we will certainly see a refinement of these estimates.

We expect markets to continue to be more volatile. A possible scenario is also so-called Range Trading, where markets move in a certain range, without a clear trend.

History shows that declines in stock markets of more than 10% or 20% are quite common. <u>Market declines can also be</u> <u>viewed from the other side, as an interesting investment</u> <u>opportunity.</u> Although further declines cannot be ruled out, the current situation is, in our opinion, an interesting entry point for building long-term positions.

We wish you a lot of success in the next period!



Michal Ondruška CIO, Member of the Board





Disclaimer:

All opinions, information, and any other data contained in this document are for informational purposes only, non-binding, and represent the opinion of Raiffeisen Investment Company a.s. ("RIS"). Unless otherwise stated, the source of information is the Bloomberg system or RIS.

The information in this document is based on publicly available sources that RIS considers reliable, but the information has not been verified by independent third parties. Despite taking all due care to ensure the accuracy of the information provided, impartiality, and appropriateness of the statements, RIS does not guarantee or assume responsibility for the timeliness, completeness, and accuracy of the content of this document.

References to documents of other entities do not imply that RIS endorses, recommends, or approves of these documents. The statements in this document are the author's opinion as of the date of issuance of this document, may not necessarily reflect the views of RIS, and may be changed without prior notice.

RIS is not responsible for any losses or damages that may arise in connection with the use of this publication. This document does not constitute an offer to buy or sell any financial asset or other financial instrument.

Before making any investment decision, it is the responsibility of each investor to obtain detailed information about the intended investment or trade. RIS is not responsible for any

damages or lost profits caused by any third parties' use of the information and data contained in this document.

RIS points out that providing of the investment service Asset Management of RIS funds, is associated with a number of risk factors that may affect the profitability or loss of the investment. Investments are not bank deposits and are not insured under the deposit insurance fund. The higher the expected return, the higher the potential risk. The duration of the investment also affects the level of risk. The return also fluctuates due to fluctuations in exchange rates and interest rates.

the statements, RIS does not guarantee or assume responsibility for the timeliness, completeness, and accuracy of the content of this document. References to documents of other entities do not imply that RIS endorses, recommends, or approves of these documents. The statements in this document are the author's opinion as

The returns from investments must be reduced by the remuneration and costs of RIS agreed upon in the contractual documentation, or by the remuneration and fees specified in the RIS remuneration and fees schedule. The taxation of client's assets always depends on the client's personal circumstances and may change. RIS does not provide tax advice, and therefore, the responsibility associated with the tax consequences of investments remains fully with the client. The offer of investment services may not be presented to a client defined as a US person.

Information about Raiffeisen investiční společnost a.s.

Raiffeisen investiční společnost a.s. is an investment company based at Hvězdova 1716/2b, Prague 4, with registration number (IČO) 29146739. It is registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File No. 18837. The supervisory authority overseeing Raiffeisen investiční společnost a.s. is the Czech National Bank.

The information provided in the document is accurate as of April 11th, 2025. However, please note that this information may change in the future, and Raiffeisen investiční společnost a.s. is not obligated to inform the recipients of the document about such changes.

Raiffeisen investiční společnost a.s. reserves the right to act based on the information or conclusions contained in this publication even before the publication is distributed to others.

This publication is protected by copyright owned by Raiffeisen investiční společnost a.s. It may not be copied, distributed, partially or in full, provided, or transmitted to unauthorized recipients. By accepting this publication, the recipient agrees to comply with the aforementioned restrictions.