

Commentary on the Financial Markets

SPECIAL

Market uncertainty persists

April 22nd, 2025



Trump's criticism of the Fed has slashed US stock markets

Monday's dramatic drop in US stock markets

U.S. stock markets experienced a dramatic drop on Monday, April 21, 2025, when President Trump again sharply criticized Federal Reserve Chairman Jerome Powell. The criticism has raised concerns about the Fed's independence, just as markets are reacting to the president's hardline tariff policy.

Performance of major indices

The S&P 500 fell by more than 2.3%, the tech-heavy Nasdaq fell by 2.5% and the Dow Jones Industrial Average lost almost 2.4%. The changes in attitudes have caused major market swings in recent weeks, with all three indices down since Trump's "Liberation Day."

Investor concerns

Investors are grappling with growing concerns about Trump's push to impeach Fed Chairman Jerome Powell. Trump has repeatedly criticized Powell for allegedly too high interest rates. His latest insult was made public Monday morning when he warned that the economy could slow down if Mr. "Too late, prime loser" doesn't cut interest rates NOW.

Trump's focus on Powell

Trump's new focus on Powell comes after the Fed chief issued a stark warning about the potential effects of tariffs on the economy. The US dollar has fallen to its lowest level since 2022 and is in direct contradiction to Donald Trump's idea of a strong dollar. On the other hand, a weak dollar can significantly contribute to kick-starting demand for US goods and services and, ultimately, reduce US trade deficits.

A key week of the earnings season

The earnings season continues and this week is shaping up to be crucial. Two of the "Magnificent Seven" are getting the spotlight to report this week: Elon Musk's Tesla on Tuesday, 04/22/2025, after the markets close, and Alphabet (Google) on Thursday, 04/24/2025, also after the markets close. However, other major companies will also report, such as Intel, Boing, American Airlines and others.

Further developments

We continue to expect higher volatility in the markets, uncertainty about President Trump's decision to set tariffs or the possible dismissal of Fed Chairman Powell will persist. Very important will be the economic results of companies and their outlooks, which may indicate further direction, but also contribute to higher volatility on the markets.

Investment strategy

We are not changing the current Tactical Allocation, we remain slightly overweighted in equities compared to bonds. We buy more shares on the current declines, we spread the purchases over time. We leave room for further purchases of shares at possible lower prices, which cannot be ruled out in such a turbulent environment.

The key question remains what impact we will see on global GDP, as fears of recession are growing. External interference in a functioning economy usually has a shorter-term impact, so the risk remains how long President Trump will keep the markets in uncertainty. Stock valuations have improved significantly, and there are no significant revisions to expected future corporate earnings. Oil prices also fell significantly, which is another pro-growth leading indicator. In other words, positive aspects of current developments can also be found.

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



Michal Ondruška
CIO, Member of the Board

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