APRICUS FINANCE
WEALTH MANAGEMENT

April 2025

From Liberation Day to Isolation Day?

The damage the Trump administration might have done to the credibility and the standing of the US on the world stage is immense. It might just be permanent or could take years to mend.

Trump's abrupt reversal on April 9—pausing tariffs on most countries just days after announcing them—only intensified the economic whiplash from a trade war that already seems destined to define his second term. Even as he eased some measures, he escalated others, ratcheting up duties on Chinese goods to 145%. Trump's actions stand to reshape global trade and alliances while casting doubt on the dollar's status as the world's reserve currency.

US President Trump's retreat from trade taxes took less than 24 hours. None of these taxes existed two weeks ago, and US consumers will have to use income to pay them. Higher taxes on specific products remain, and more are promised.

Over the weekend, he announced the suspension of tariffs on Chinese-made electronics, such as memory drives or iPhones, to the great relief of the technology sector. Two days later, he was quick to announce that the suspension was temporary, and he was looking at specific tariffs.

The continuous 'imposing and pausing' of tariffs is unsettling markets and governments alike.

What might have sparked the 9th of April 'suspension', after Trump reiterated, over and over, that he would stay the course? We think credit markets. And probably Treasury's Bessent convinced Trump to back-pedal, at least temporarily.

The price to insure against default of the United States has risen 20 bps since Inauguration Day, from 35 to 55 bps. Since Liberation Day, the 10-year yield rose by 0.4% in just a few days, while the German Bund dropped by 0.2%.

The Euro moved higher from 1.08 to 1.14. All clear repatriation signals.

Meanwhile, the term premium — the extra return investors require to hold longer notes over shorter ones — rose to 71 basis points, a level last seen in September 2014. Proposals for tax cuts and a potential need to increase the US government debt limit also contributed to the move.

Strains appeared in the lower quality part of fixed income, as the credit market began to creak, along with swap-spreads, off-the-run bonds, high yield bonds and leveraged loans.

Bid-ask spreads on off-the-run bonds*, which represent around 50% of the US investment grade universe, rose to the widest since March 2020 - during the panic of the early stages of Covid.

* Off-the-run bonds are those issued more than two years ago with deal sizes less than $900 million. These bonds make up 50% of the IG market by count.

For a week, US Treasuries stopped being the safe haven securities, and capital started to flow out of the US into the respective domestic markets: Eurozone, Japan and Switzerland.

In brief, investor confidence in US assets has been «meaningfully dented» and the US Treasury market may have lost some of its legendary defensive characteristics.

The big lessons from this: policy remains extremely erratic; policy competence is questioned by markets; chaotic confusion about the tariffs suggests the lack of a masterplan.

The idea to single out China - or at least to have a say in Asian trade and to have a geopolitical influence in the region - is not new.

Democrats already had an initiative: the Trans-Pacific Partnership (TPP) trade agreement. It comprised of the United States and eleven other Pacific Rim countries - including economic heavyweight Japan. At the time, an economic analysis by the right-leaning Cato Institute found that it would result in net trade liberalization. So did other studies that were seeing substantial gains in US real incomes. Trump withdrew from it during his first presidency, in 2018.

Going forward, countries will not only strive to 'make a deal' with Trump, they will also have discussions with other economic blocs. As a result of the recent erratic past, the US can't be trusted over the short-term and even less so over the long-term. So how to plan?

This is already happening. Trump is forcing everybody to find a plan B, or at least a landing point outside the US.

China is currently on a charm offensive in Asia, hammering down deals in Vietnam, Cambodia and Malaysia, attempting to get South-East Asia on its side.

China and India have also started talks towards clinching an early trade deal.

Spain has been a notable proponent of a united front between EU and China to oppose US 'bullying' tariffs. China could set up production lines in Eastern Europe.

The European Union has been in talks with Mercosur countries, (South America's trade bloc, regrouping Argentina, Bolivia, Brazil, Paraguay and Uruguay), for a free trade agreement. Austria just recently asked to urgently revive its feasibility. Two countries, France and Poland, still oppose it because they want to protect their agricultural sector, but eventually a solution could be found.

Repeated policy uncertainty, and the longer the US hesitates, the bigger the risk that it ends up economically 'isolated'.

In other words, consumers will be 'poorer': both in terms of choice of products as well as higher prices. Domestic and international companies will reduce, or delay, investments, and so will foreign investors.

What does Trump do next? Who believes that in 90 days he will negotiate agreements with some 70-odd countries?

Maybe he doesn't even know himself - and we are just 6% into his 2nd mandate.

Steve Bannon On How Trump Thinks

Maybe to understand how Trump thinks, let's look at Steve Bannon, Trump's former chief strategist and someone who understands him. He recently told a journalist that Trump sees the US from the perspective of the real estate developer he once was—and that this explains his powerful impulse to impose tariffs on foreign nations. "The message Trump is sending is that the American market should be considered premium," Bannon explained. "It's prime real estate. And you're going to have to pay a premium to get access to it." In other words, the US is like Mar-a-Lago: an exclusive, gilded domain others are clamoring to enter. "This is a central part of his economic model," Bannon continued, "that foreigners are going to have to pay a premium to get access through the golden door. (source Bloomberg)

Financial Markets: What A Week

Just a few figures this month, for the week of chaos in April, which are nothing short than extraordinary:

- S&P 500 daily ranges: Monday 8.5%, Tuesday 7.3%, Wednesday 9th (tariffs suspension) 10.8%, Thursday 4.7% and Friday 3.1%.
- Japan's Topix banks daily performance: respectively -10%, +11%, -4.9%, +8.5%, -4.3%.
- Thin liquidity in the face of huge volumes: on April 9Th the mammoth 550 billion USD ETF tracking the S&P 500 closed at almost 1% above its NAV value.
- Gold breached the 3,000 dollar mark and is now up 27% for the year.

Where From Here?

Peak uncertainty and peak tariffs are maybe behind us, that doesn't mean we will not have other surprises. Markets are nervously calmer these last few days. The probability of counter-trend rallies or large selloffs is high given low liquidity across asset classes and conflicting news flows.

Trump's actions stand to reshape global trade and alliances while casting doubt on the dollar's status as the world's reserve currency.

With almost all countries subject to a significant increase in tariffs, especially the US's largest trading partners, the impact will primarily be lower global growth.

The upcoming earnings season will be backward looking and thus will be almost useless in trying to determine the fair value of equities, particularly for those specifically targeted by tariffs or national security.

The situation is also too fluid to predict accurate economic patterns. However, we believe a profit recession could arise due to higher costs, lower demand, and increased uncertainty.

China and the EU will be incentivized to offer more macro policy support and China will likely implement a bigger domestic policy stimulus. Europe is having its budgetary big bang, and consumers should finally start spending their excess savings.

The ECB could become more proactive as the inflation outlook continues to be benign, and growth could fall well below 1 percent this year. We would expect the ECB policy rate to be at 1.5 percent, or lower, by year end. China rerouting some of its exports to Europe is likely to be deflationary.

US consumers and businesses have been very pessimistic of late, particularly on inflation expectations. Despite our well-known skepticism towards surveys, both business surveys, as well as consumer surveys, are pointing to a marked economic deterioration, which was not great to start with.

In the US, although markets have focused on growth damage from tariffs, inflation risks are also rising fast. In the near future, the US Federal Reserve is only likely to act if unemployment increases significantly, markets are disorderly, or the financial system itself is threatened.

On this last point, while currently funding stress in US dollars appears to have abated, recent sharp moves in US Treasuries and swap spreads suggest that there is a high risk that the 'monetary plumbing' could deteriorate quite quickly. The central bank could thus be forced to intervene providing a 'liquidity put'.

Many market watchers suggested that foreign powers, including China, were offloading their US Treasury holdings in retaliation for Trump's tariffs, exacerbating the plunge in prices.

We will only know in May what China's holdings of US Treasuries were at the end of April. Treasury ownership is already substantially lower than the peak of 1.3 Trillion US dollars. The shedding of holdings accelerated since the Russian invasion of Ukraine and the subsequent freeze of international reserves. As of January 2025, it stands at just 760 Billion USD.

The biggest risk in the US is a push forward toward full recession pricing, which would imply weaker equities, wider credit spreads, an increase in bankruptcies - due to funding costs, and further capital outflows from the US and hence further weakness of the US dollar. This could also spark a deeper Federal Reserve cutting cycle.

The Mar-a-Lago Accord is the idea that the US can pull together a grand deal, (like the Plaza Agreement of 1985), in which everyone agrees to weaken the dollar in return for no tariffs. We think this is highly unlikely. It could well be that such an accord might be reached with a few minor countries. However, the message given by US behavior since Inauguration Day in January, is that a true accord is out of the question. Nobody will trust the US and Trump enough to do a deal.

The potential catalysts for a reversal, or at the least stabilization, of global - but particularly US - stock markets are:

- A policy reversal, whereby Trump amplifies a small deal to a big victory for his audience and thus has a 'honorable' escape route. Currently he can claim no victories, whether on tariffs or geopolitics (Ukraine).
- A large enough pricing discount to cushion downside risks.
- Early signs that the economic impact of tariffs is milder than feared.

Strategy

We entered 2025 with an equal weight in equities, with an underweight in the US, an overweight in the Eurozone, an overweight in Asia ex Japan, and a neutral in aggregate US mega caps. We went to underweight equities and underweight US mega caps in early March. Because of the market drift this positioning has further accentuated. We are currently looking at potentially reallocate some of overweight in the Eurozone to Switzerland. For the first time in many years, we didn't enter this crisis with 'protections'. We will look to add one in the near term, when the US volatility index nears 20-25% instead of entering when volatility is below 15-17%: volatility is here to stay and will stay higher for longer. We are also exploring substituting equity allocation with call options.

In the fixed income space, our exposure is predominantly in EUR. There we did move to increase the quality of our portfolio. In USD we rolled our exposure to short term inflation linkers. Forward inflation swaps are currently pricing in a high but stable inflation rather than a spike in it. It is thus a good hedge on US inflation.

Our longstanding 5% Gold position has drifted higher, because of higher Gold prices and other asset classes went lower. We haven't touched it but could start trimming it should it reach 6.5-7% out of risk management concerns, not conviction about the overall direction of the yellow metal.

In currencies we refrained from reestablishing our 5% exposure to the USD. Depending on the portfolio's profile and reference currency, in general our current net exposure for non-USD accounts ranges from 0 to less than 4%.

Equity

We are underweight. We keep an overweight in Eurozone and Asian ex Japan equities versus the US.

Fixed income

We continue to favor exposure to credit versus duration. However, we have increased the quality of our holdings. We have exposure to investment grade credit, European high yield, hybrids, financials' subordinated debt, US municipal infrastructure and Asian hard currency debt.

Foreign Exchange

The Japanese YEN exposure is mostly hedged.

Gold

We continue to keep our allocation to Gold.

Conclusion

The perspective of lower rates going forward and continuing disinflationary trends are supportive for equity markets, fixed income, and thus a balanced portfolio.

Positioning

Overall Exposure

We are now Neutral Equities, and Neutral Fixed Income, with a Gold position, partially USD and JPY hedged.

Equity: Neutral

We have an Overweight to the Eurozone and an Underweight in US equities, Underweight US technology, Overweight Nasdaq 100 equal weight, Neutral UK, Neutral Japan, Overweight Asia ex Japan.

Thematic Equities

European Family Holdings, Asian Technology, Health Improving Technologies and Services, European Champions.

Fixed Income: Neutral

Long 1 to 3 years US Treasury Notes. Long 20+ years US Treasuries, Underweight Sovereigns. Overweight Investment Grade EUR and USD Bonds. Overweight High Yield in EUR and Underweight in USD.

Thematic Fixed Income

Long US Municipal Infrastructure Bonds, Long Hybrids, Long Subordinated Financial Credit.

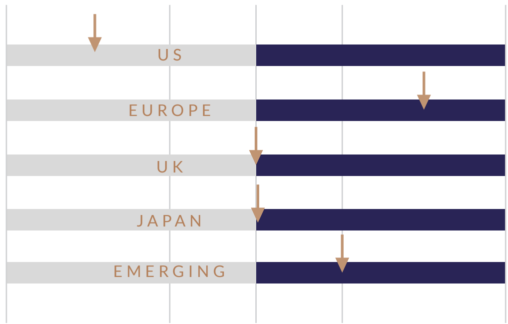
Currencies: Long Turkish Lira against Euro.

Commodities: Overweight

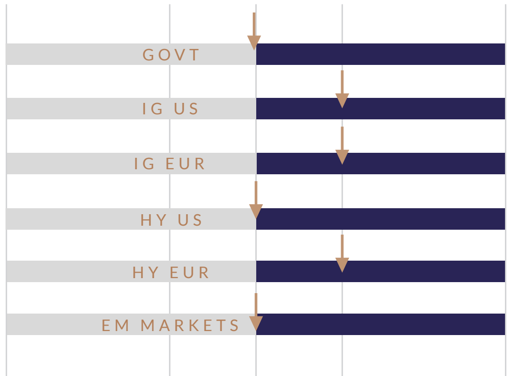
Long Gold.

Conviction thermometer

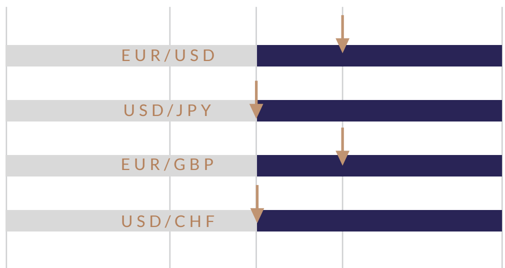
Equities



Bonds



Currencies



Commodities

Negative view Positive view

Market overview as of 31st March 2025

Equities (local ccies)	Level	5D	MTD	YTD
MSCI WORLD HEDGED USD	1 996,42	-2,80%	-4,99%	-2,58%
US S&P500	5 611,85	-2,68%	-5,63%	-4,28%
MAGNIFICENT 7 (CAP WEIGT.)	144,21	-5,57%	-9,72%	-14,76%
NASDAQ 100	19 278,45	-4,46%	-7,61%	-8,07%
EUROPE EURO STOXX 50	5 248,39	-3,04%	-3,80%	7,67%
GERMANY DAX	22 163,49	-3,02%	-1,72%	11,32%
FRANCE CAC40	7 790,71	-2,79%	-3,86%	5,79%
BELGIUM BEL20	4 335,42	-3,11%	-1,86%	1,79%
SWISS MARKET INDEX	12 598,12	-2,42%	-1,88%	9,99%
UK FTSE100	8 582,81	-0,50%	-2,03%	6,11%
RUSSELL 2000	2 011,91	-4,56%	-6,81%	-9,48%
JAPAN TOPIX	2 658,73	-3,72%	0,19%	-3,48%
MSCI EMERGING	1 101	-2,99%	0,64%	2,97%
MEXICO MEXBOL	52 484,43	-0,36%	0,34%	6,24%
HONG KONG HANG SENG	23 119,58	-3,29%	1,13%	16,09%
CHINA CSI 300	3 887,31	-1,21%	-0,07%	-0,99%
INDIA SENSEX	77 414,92	-0,73%	5,76%	-0,71%
KOREA KOSPI	2 481,12	-5,39%	-1,52%	4,38%
HS TECH	5 394,72	-5,96%	-3,05%	20,81%
AUSTRALIA ALL-SHARE	4 623,62	-0,71%	-2,25%	4,51%

US: Sectors	Level	5D	MTD	YTD
COMMUNICATION SVCS	319,75	-5,00%	-8,28%	-6,21%
CONSUMER DISCRETIONARY	1 575,40	-4,03%	-8,91%	-13,80%
CONSUMER STAPLES	892,71	2,73%	-2,43%	5,23%
ENERGY	715,75	0,84%	3,85%	10,21%
FINANCIALS	829,46	-0,68%	-4,20%	3,48%
HEALTH CARE	1 702,26	-0,83%	-1,70%	6,54%
INDUSTRIALS	1 109,72	-2,44%	-3,59%	-0,19%
INFORMATION TECHNOLOGY	4 019,98	-5,24%	-8,83%	-12,65%
MATERIALS	541,98	-0,49%	-2,62%	2,81%
REAL ESTATE	262,90	0,05%	-2,41%	3,58%
UTILITIES	400,81	0,87%	0,26%	4,94%

EUROPE: Sectors	Level	5D	MTD	YTD
BASIC MATERIALS	2 699,96	-4,39%	-5,04%	-0,41%
CONSUMER GOODS	3 981,63	0,76%	-0,97%	6,39%
CONSUMER SERVICES	1 464,36	-3,39%	-11,84%	-4,84%
FINANCIALS	1 270,66	-2,13%	-0,27%	17,27%
HEALTH CARE	3 635,19	-2,62%	-7,56%	1,45%
INDUSTRIALS	4 436,41	-4,60%	-3,77%	7,04%
OIL & GAS	1 560,26	1,34%	3,51%	12,29%
TECHNOLOGY	1 869,48	-6,24%	-8,44%	-2,82%
TELECOMS	686,91	1,38%	0,20%	13,05%
UTILITIES	2 213,83	3,54%	5,66%	11,72%

Market overview as of 31st March 2025

Fixed Income	Level	5D	MTD	YTD
Pan-Euro 3-5 yrs IG	214,28	0,27%	-0,40%	0,61%
Euro Aggregate	241,58	0,26%	-1,54%	-0,90%
Pan-Euro HY Hedged Eur	456,34	-0,47%	-1,01%	0,63%
Global Inflation hedged EUR	236,44	0,73%	-0,57%	1,47%
US Corp High Yield	2 264,90	-0,74%	-1,02%	1,00%
EM USD Aggregate TR	1 260,87	-0,05%	-0,36%	2,34%
EM Aggregate TR Local Ccy	151,19	0,07%	0,32%	1,62%
EUR Banks CoCo Tier 1	162,33	-0,45%	-0,91%	1,50%
EU GOVT HEDGED EUR	211,43	0,36%	-1,65%	-1,01%
Global Aggregate	2 554,99	0,49%	0,62%	2,64%

Commodities	Level	5D	MTD	YTD
GOLD	3 123,57	3,74%	9,30%	19,02%
COPPER	503,40	-0,59%	11,51%	25,02%
OIL WTI	71,48	3,43%	2,47%	-0,33%
OIL BRENT	74,74	2,38%	2,13%	0,13%

Currencies	Rate	5D	MTD	YTD
EURUSD	1,0816	0,14%	4,25%	4,46%
GBPUSD	1,2918	-0,04%	2,71%	3,21%
USDJPY	149,9600	-0,49%	-0,44%	-4,61%
USDCHF	0,8843	0,14%	-2,08%	-2,55%
AUDUSD	0,6247	-0,62%	0,61%	0,95%
EURCHF	0,9564	0,28%	2,06%	1,73%
USDCNY	7,2569	-0,05%	-0,30%	-0,58%
USDKRW	1 471,95	1,64%	0,87%	#VALEUR!
USDBRL	6,1774	1,76%	3,45%	-7,55%
USDTRY	37,9451	-0,08%	4,05%	7,33%
BITCOIN	82 421,29	-6,21%	-2,13%	-12,05%

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