Market Commentary - April 2025

FTSE 100	**8,147**	S&P 500	5,074
Resistance	8,345	Gold	$3,039
Support	8,000	GBP/EUR	1.1697
VIX	49%	GBP/USD	1.2826

Introduction:

US brokerages are scrambling to revise their forecast models with tariff distress threatening to sap business confidence and slow down global growth. *"Disruptive US policies have been recognised as the biggest risk to the global outlook all year,"* JPMorgan said, adding that the country's trade policy has turned less business friendly than anticipated. The effect is likely to be magnified through tariff retaliation, a slide in US business sentiment and supply-chain disruptions. Barclays warned the American economy could enter into contraction territory, while other analysts forecast economic growth of just 0.1% to 1%. UBS has downgraded its recommendation on US stocks to *"neutral"* from *"attractive"*, whilst Capital Economics has cut its index target for the S&P 500 to 5,500 - the lowest among major investment houses.

Market Outlook:

Over the long term *(since 1962), the FTSE All-Share has returned 7.2% per annum and that does not include the average 3.8% dividend yield earned on top. Therefore, 'strategically', it pays to be in the market. Also, considering inflation averaged 6.2% over the same period, it is vital that an investor invests in equities in order to preserve the purchasing power of their money. However, markets can be subject to swings in the interim and investors should be mindful of these with a view to protecting their capital and thus maintain a 'tactical' view.*

Our allocation to the stock market remains at equalweight. Well, we've finally witnessed *"Liberation Day"*. Is it time to buy the news, or is the tariff bite worse than the tariff bark? Will the S&P 500 break to new corrective lows, possibly heading to 5,000 before we see 6,000 again? We continue to lean toward a contrarian bullish outcome as sentiment is abysmal and it seems like the majority of the investment world is looking for and preparing for the worst. In addition, a sizeable number of stocks have already fallen between 20% and 50% so far in 2025, meaning that there already has been quite a shakeout already.

No matter what your opinions are on President Donald Trump Jr, he does seem to get the job done. Whether that is reining in North Korea's wayward dictator, forcing NATO countries to increase their defence spending or getting a better deal for US exporters, he is an expert in making deals. His opening gambit, as with any dealmaker, is always an extreme one. But it gets results. We are already seeing dozens of countries approaching the US, seeking to begin trade talks. President Trump's tariff orders offer a possible reprieve for trading partners who *"take significant steps to remedy non-reciprocal trade arrangements"*. It is for this reason we think the stock market falls are temporary. No one, not least President Trump, wishes to see the stock market fall. It is a sure way of losing votes as it affects most classes of society.

Sure, we are bound to see further volatility in response to policy signals coming out of Washington. Uncertainty is likely to persist in the intermediate term, until the final tariff structure is certified and

Market Outlook (cont):

enacted. A second adjustment period will follow as implemented tariffs impact consumer and business spending. After that, investors will settle into the new reality and normality will resume.

What is certain is that investors should not follow their natural instincts and start selling stocks. Selling locks in losses and removes the opportunity to recover when markets rebound. With no one knowing what will happen next, decisions should be made very carefully. Such a move could buy you some short-term relief, but it will soon be replaced by another nagging worry: *"Is it time to get back in?"* Think about it this way. Most gains are made in just a few days every year - if you exit stocks and try to time your way back in, you are very likely to miss the rebound. That will hurt how much wealth you will be able to build in the long term. If you missed the market's 10 best days over the past 30 years, your returns would have been cut in half. And missing the best 30 days would have reduced your returns by an astonishing 83%.

And whilst past performance doesn't guarantee future returns, the stock market has recovered from every major crash - from the Great Depression in the 1930s to the 2020 Covid-19 pandemic. The best course of action is to take a breath, change the channel from markets news, and leave your portfolio alone. The lowest S&P 500 target level is still 5,500 - that's 8% higher than the current level.

Recommended Investment:

ISAs

Picking the right investments is paramount but if you don't hold them tax efficiently they won't deliver as much. One of the most efficient tax wrappers is pensions, however these do not allow you to access your money until at least age 55.

A far more flexible tax wrapper, available to UK residents, is the individual savings account (ISA), as you can access investments held within this at whatever age you like. Investments held within an ISA do not incur capital gains tax (CGT) when sold, and no further tax is payable on any income or interest they yield. This means investments within an ISA can grow more than if held outside. At present the yearly amount you can put into an ISA is far less than what you can put into pensions. And you do not get tax relief on investments you put into an ISA - unlike with a pension.

But there is no tax to pay as you take out your money which makes ISAs great for drawing an income in retirement, and there is no restriction on when or how much money can be withdrawn. It is not a pension product but can be a useful complement to a pension for retirement income, particularly when it is desirable to draw down capital at a faster rate than may be prudent in a pension. It is also a great place to build up a sum to pay for a house deposit, wedding costs, education fees or all sorts of other savings goals.

A broad range of investments can be held in a Stocks and Shares ISA. Qualifying investments include:

1) Cash
2) UCITS authorised funds such as unit trusts, ETFs and investment trusts
3) Shares listed on one of the many recognised stock exchanges, including AIM
4) Fixed interest securities such as treasuries, corporate bonds, debentures and Eurobonds
5) Depository interests such as CDIs or ADRs, provided there is an underlying listing on a recognised stock exchange

<u>Subscription Limits</u>
The ISA Allowance for the 2025/2026 tax year (6th April to 5th April) is £20,000.

<u>Bed & ISA</u>
Investors keen to shelter capital gains from tax can do so by selling investments and reinvesting the gains in tax wrappers in advance of the tax year end. The old so-called 'Bed & Breakfast' loophole, whereby individuals could sell investments at the end of one tax year and immediately re-buy them at the start of the next in order to reduce CGT or avoid paying it altogether, was closed in 1998. Now you can no longer reduce CGT by selling and buying the same holding within 30 days. However, a 'Bed & Isa' strategy allows investors to sell investments in their usual equity account and then immediately re-buy them in their ISA (note that caution is needed as you need to ensure you avoid paying CGT). Because the transaction is carried out within a tax wrapper, the 'Bed & Breakfast' 30-day rule does not apply, and it also means investors can fund their ISAs without the need to find new cash. For stocks with large spreads, GAM can do this via an 'agency cross' whereby we sell and buy back simultaneously at a very small cost with a market maker (they charge £30, which is built into the spread) on the stock exchange.

Market Commentary

Recommended Investment (cont):

Recommendations
UK investors have an annual CGT allowance of £3,000 for this tax year. Higher-rate taxpayers are charged 24% on any gains above this. For income, the taxes are even more punitive. The level of dividends individuals can receive tax-free is just £500. Above that level, higher rate taxpayer's dividends are taxed at 33.75%. Therefore, it is important for investors to take advantage of their ISA allowance and particularly buy income-producing investments. Some of our favourite income-producing investments include:

i-Equities

Shires Income	IT Investing in UK income stocks & preference shares. Yields 5.9%
Ecclesiastical 8.625% Prefs	Preference shares yielding 6.2%

ii-Alternatives

Downing Renewables & Infra	Invests in operating solar, hydro & wind renewable energy. Yields 7.6%
Patria Private Equity Trust	Invests in a portfolio of private equity. Yields 3.2%

iii-Fixed Interest

CVC Income & Growth	IT investing in loans, high yield bonds & structured credit. Yields 7.7%
TwentyFour Income Fund	IT investing in european asset backed securities. Yields 8.9%

How to Apply
Contact GAM on +350 200 75181 to receive your ISA application form

Gibraltar Asset Management

Stockbrokers & Investment Managers

Market Commentary

Post of the Month:

Global trade is facing a tariff war as Donald Trump implemented his election promise to put 'America first' in a ceremony outside the White House on 2nd April, which the US president dubbed "Liberation Day"

Trump announced sweeping new tariffs on dozens of countries, including high taxes on imports from top US trading partners: 54% on China, 46% on Vietnam, 25% on South Korea, 24% on Japan, and 20% on the European Union.

Trump falsely claimed that these tariffs were *"reciprocal",* but they were actually unilateral. The White House didn't actually calculate tariff rates + non-tariff barriers, as they say they did. Instead, for every country, they just took their trade deficit with that country and divided it by the country's exports to the US. The methodology is extraordinary nonsense. That is to say, by definition, they are not *"reciprocal"*; they are unilateral, and aggressive. If left unchanged, they will have an enormous impact not only on the US, but on the global economy, and could potentially cause a recession.

Trump has often falsely claimed that foreign countries will pay for these tariffs, but this is not true. It is US importers that have to eat the cost of tariffs, and they often pass these price increases onto consumers, which causes inflation. This has led people to go out and buy products now, before they expect prices to rise, further contributing to inflation. Prices are expected to markedly increase not only for consumer goods like cell phones, TVs, and computers, but also food. Coffee is a clear example. Since coffee cannot grow in most of the United States, more than 99% of America's coffee must be imported. More than 70% of American adults drink coffee at least once per week. So Trump has increased the price of a staple enjoyed by the majority of Americans.

Given the obvious negative side effects, there has been a heated debate as to what exactly Donald Trump's goals are with these sky-high tariffs. There are four main theories about why Trump is imposing these tariffs.

1-He wants to reduce the US trade deficit with the rest of the world

Using tariffs to try to reduce the US trade deficit does not make sense, given the inevitable retaliation by its trading partners. China and the European Union immediately made it clear that they would respond to Trump's unilateral tariffs with their own reciprocal measures. Moreover, consumers in countries targeted by Trump's tariff threats, from Canada to France, have vowed to boycott US goods in protest, which could make the trade deficit even worse.

2-He wants to reindustrialise the United States

In his White House speech dubbing April 2 *"Liberation Day"*, Trump claimed the date *"will forever be remembered as the day American industry was reborn"*. Yet rebuilding US manufacturing would take decades. It requires enormous investment in infrastructure, the physical construction of factories, the reshoring of complex global supply chains, and the training of workers. Targeted tariffs in specific industries where a country wants to *"catch up"* could be a useful tool, but only as part of a larger industrial policy. If the US wanted to promote local manufacturing of, say, semiconductors, electric vehicles, or solar panels, limited tariffs in those sectors could help. However, what Trump is doing is completely different. Widespread blanket tariffs on countries around the world are not a tool of industrial policy; they are a form of trade war.

3-He wants to pressure other countries to agree to a *"Mar-a-Lago Accord"*

The narrative of the Mar-a-Lago Accord is that it will be a grand deal that will allow Trump to bring down the overvalued US dollar, force *"allies"* (read: vassals) to pay for US military *"protection"*, and help reduce

Post of the Month:

the US federal debt by ordering vassals to buy long-dated Treasury securities (like, say, 100-year bonds) with low coupon rates, meaning they will lose value over time and act as a kind of foreign subsidy for the US government. The problem with this idea is that the US will have to force other countries to violate their own interests on behalf of Washington. It is highly unlikely that Trump will be able to pressure large countries of global macroeconomic significance, like China, Russia, India, or Brazil, to agree to such an agreement. Trump would love China to raise the value of its currency, the renminbi, so Washington can devalue the dollar, but this would hurt China's own manufacturing sector on behalf of the US. For China, US market access is not as important as it once was. China does still export a lot to the United States, but the situation is shifting rapidly. ASEAN, the Association of Southeast Asian Nations, has already overtaken the US as China's largest trading partner. Although 15% of China's exports still went to the US in 2024, that figure had fallen substantially from 19% in 2018. The US has simply lost so much of its dominance. China is now the world's manufacturing superpower, and the US is frantically scrambling to reindustrialise.

4-He wants to replace income taxes with tariffs
While Trump slashes taxes on the rich and corporations, he hopes to make up for lost revenue by taxing imports. This will disproportionately hurt the majority of the population, while benefiting a small handful of wealthy elites. Tariffs are essentially a tax on consumption and puts the burden of taxation on the working class, who spend much more of their pay on cheap imported consumer goods. Yale University published an analysis in response to Trump's April 2 *"Liberation Day"* tariffs estimating *"The price level from all 2025 tariffs rises by 2.3% in the short-run, the equivalent of an average per household consumer loss of $3,800".*

In short, if Trump's alleged attempts to reindustrialise the US and/or broker a Mar-a-Lago Accord fail, at the very least, Trump and his billionaire allies will see their taxes significantly reduced, and the burden of taxation will have been moved onto working-class Americans. For Trump, that seems to be more than enough reason to impose sky-high tariffs.

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Quote of the Month:

"Protectionism is a misnomer. It's not protecting anybody. It's simply a tax on the American consumer" - Ronald Reagan, former US President

Tariffs are taxes imposed on imported goods and services, primarily used to protect domestic industries from foreign competition by making imported products more expensive. The rationale is often economic nationalism - to preserve local jobs, support emerging industries, and reduce trade deficits. Governments may also use tariffs strategically in trade negotiations or as a political tool to pressure other nations. While tariffs can provide short-term relief to certain industries, economists generally argue they lead to higher prices for consumers, inefficiencies in production, and strained international trade relationships.

Economics:

Some investors are expressing a growing optimism about the UK's economic outlook despite the country's long-standing structural weaknesses. That upbeat tone wasn't reflected in the messaging of the BoE, as it held interest rates steady citing increased geopolitical uncertainty and indicators of financial market volatility. However, UK economic growth is finally expected to pick up in 2025, with Bank of America analysts forecasting a 1.4% expansion. Key factors include a pivot toward deregulation and focus on more capital spending, the potential for a strong trade deal with the EU in the coming year, and an expectation the UK will stay in the US' 'good books' as the trade war kicks off (its 10% blanket tariff is half that of the EU's). The UK has no large trade surplus with the US and the majority of that is services-based. It has already pledged to boost its defence spending as a share of GDP, avoiding much of Trump's ire with other nations.

Donald Trump's announcement of sweeping 20% tariffs on European exports has prompted economists to slash their eurozone growth forecasts, warning of a looming global slowdown with sharp regional fallout. Experts broadly agree that the tariff shock will weigh on consumption and investment, while inflation concerns are likely to take a back seat as deteriorating growth dynamics dominate. This shift strengthens the case for the ECB to accelerate its rate-cutting cycle, with the likelihood of an April move increasingly priced in. According to economists at ABN Amro, quarterly growth is expected to remain close to zero in the near term, with a strong likelihood of contraction. But the damage goes beyond trade volumes. Think of the secondary effects on confidence these tariffs will already have on European consumers and businesses. Holding back consumption and investments looks likely. This would keep economic growth in the eurozone at a snail's pace.

The US economy added 228,000 jobs in March, surpassing expectations, in a sign of resilience despite the Trump administration's sweeping cuts to the federal workforce. The unemployment rate rose by 0.1% to 4.2%. The data provoked only a subdued market reaction, as investors focused instead on the economic fallout from the sweeping tariffs announced by US President Donald Trump this week. Global markets have lurched downwards following Trump's announcement of steep levies on the US's trading partners, wiping out about $2.5tn of Wall Street market value and erasing the dollar's post-election gains. *"Given the market turmoil that we're facing, it's going to be largely overlooked because this is now ancient history,"* said James Knightley, chief international economist at ING. Torsten Slok, chief economist at Apollo, added: *"The markets' reaction is telling you that the markets are looking through this."* Meanwhile, President Trump posted on his Truth Social platform: *"GREAT JOB NUMBERS, FAR BETTER THAN EXPECTED. IT'S ALREADY WORKING. HANG TOUGH, WE CAN'T LOSE!!!"*

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Seasonality: *"History doesn't repeat itself, but it does rhyme" - Mark Twain*

The January Barometer

Historically, the returns in January have signalled the returns for the rest of the year. If they are positive, the returns for the whole year tend to be positive and vice versa. First mentioned by Yale Hirsch in the Stock Trader's Almanac in 1972, a variant has it that returns for the whole year can be predicted by the direction of the market in just the first 5 days of the year. Judging by the first 5 days, 2025 is likely to be a positive year for the stock market.

April

April is 2nd in the ranking of monthly performance, rising 73% of all the years in April, with an average return of 1.9%. In an average month, the market historically gets off to a good start - the first trading day of April is the second strongest first trading day of all months in the year. The market then tends to be fairly flat in the middle two weeks before rising strongly in the final week.

Second Quarter

The FTSE 100 has risen 25 of the 44 years (61%) between 1984 and 2024, posting an average gain of 1.3%.

November - April

Delaying re-entering the market from St. Ledgers Day to Halloween has yielded statistically significant outperformance with the FTSE All-Share rising an average 13.4% from Halloween to May Day since 1965. There is a 1-in-2,000 chance of this arising by chance in random data. One explanation for this is that as the nights draw in during winter, we become anxious and depressed, which means share prices fall and expected returns rise. This then leads to a decent winter rise.

First-Year US Presidential Cycle

The stock market tends to bottom out during the second year of each new presidential term and then recover strongly in the final two years. This is due to each Administration ensuring that the economy is strong by re-election time. Unfortunately, the excessive stoking of the economic fires creates excesses, including over-priced stocks, leading to poor stock market returns in the first two years of the next term.

Chinese New Year - Year of the Snake

Chinese calendar revolves around a 12-year cycle where each year is associated with an animal (rat, ox, tiger, rabbit, dragon, snake, horse, goat, monkey, rooster, dog and pig). Each New Year starts between 21st January and 21st February, the exact date being dependent upon a variety of complex factors. The best performing animals since 1950 have been the goat and dog. The worst performing animals have been the rooster and snake. *In Chinese astrology, the Snake symbolises wisdom, caution, and strategic thinking. These traits might culturally inspire investors to adopt a more analytical or conservative approach. Interestingly, this is the Wood Snake Year, which comes about every 60 years. Wood represents expansion, innovation, and flexibility. This could favour industries like tech, renewable energy, and AI, which thrive on evolution.*

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Market Commentary

Investment Calendar:

13th April	ECB Meeting
14th April	Full Moon (markets tend to reach a low point around this time
16th April	UK CPI
17th April	ECB Interest Rate Decision
18th April	Options Expiry Day
27th April	New Moon (markets tend to reach a high point around this time)
30th April	EU Q1 GDP Estimate

Technical Analysis:

Last month we noted that the market looked weak from a technical perspective and were looking for a pullback. In the event, we could not have predicted the 532 point (6.1%) fall that has transpired in just a few business days following the unveiling of Trump's tariffs on *"Liberation Day"*. With markets subject to such economic shocks, technical analysis goes out of the window. Anything can happen whilst this political posturing plays itself out. With the FTSE 100 having fallen below its 200-day moving average, the market is obviously in a negative trend. However, major support does lie at the 8,000 level. Not only do round numbers form natural levels of support to human eyes, the 8,000 has proved pivotal twice in the last year with the FTSE 100 rebounding strongly both times when this level was reached. Trump's tariffs are having the effect of bringing major trading partners to the table and we are already seeing tariffs to the US being substantially reduced.

"The illusion of randomness gradually disappears as the skill in chart reading improves" – John Murphy

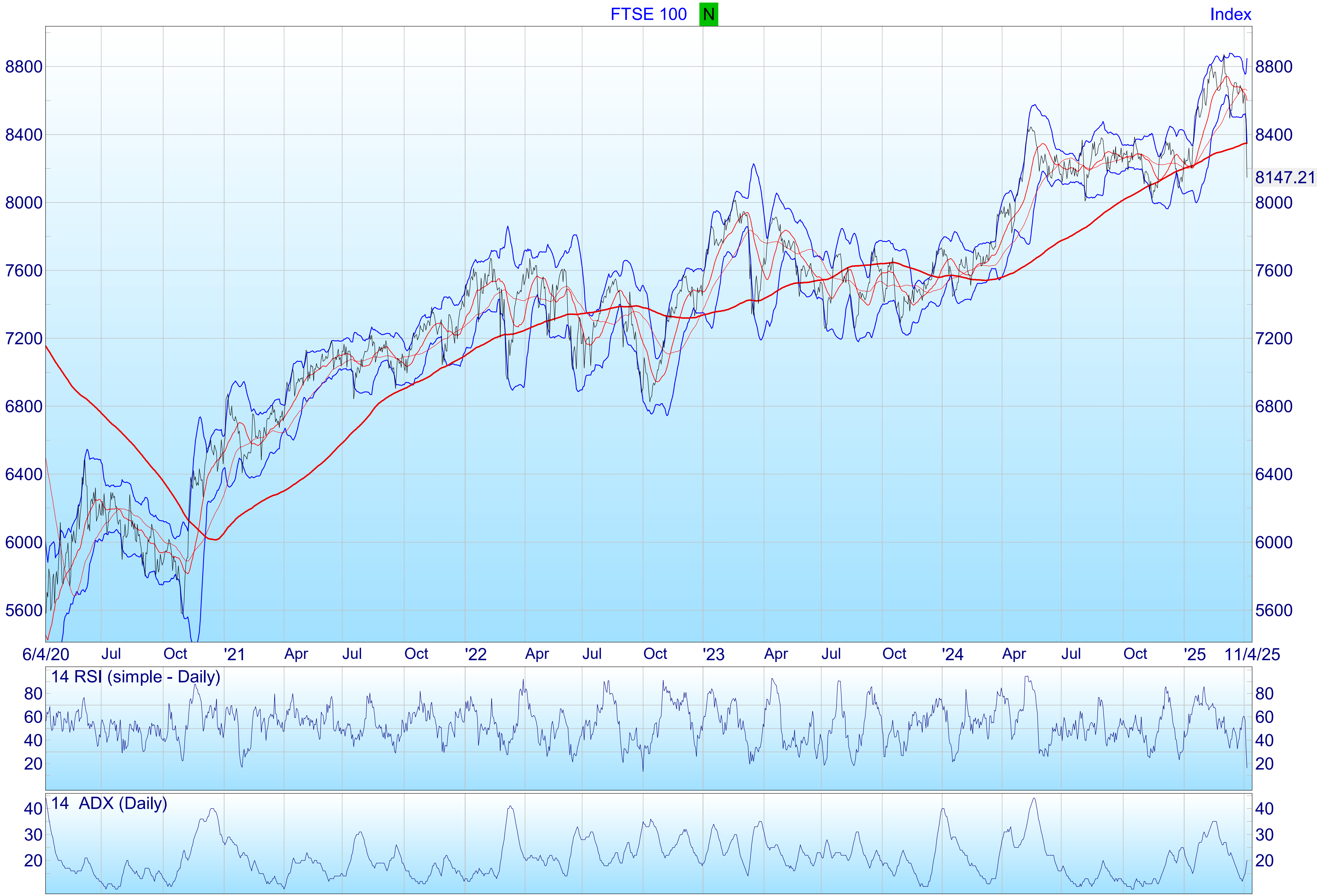
Chart Legend:

(dashed red line)	20 day moving average	(signifies the short-term direction of the security. prices tend to gyrate around their 20 day m/a)
(thin red line)	50 day moving average	(signifies the medium-term direction of the security)
(thick red line)	200 day moving average	(signifies the long-term direction of the security - whether it is in a bull or bear market)
(blue line)		(an indicator that measures 2 standard deviations away from the 20 day m/a)

Technical Analysis Guide:

RSI (relative strength index) - indicates whether a security is overbought (above 70) or oversold (below 30). Also when the RSI moves above 50 that is considered bullish (or vice versa).

ADX (average directional index) - indicates whether a security is in a trend (above 20) or not in a trend (below 20). For trending markets moving averages work best when considering lines of support/resistance. ending markets Bollinger Bands work best (sell at upper band, buy at lower band).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