Market Recap 13/04/2025

USA

Major US equity indices staged a dramatic rebound this week, reversing much of the prior week's steep losses triggered by tariff fears. The S&P 500 rose 7.82%, the Dow Jones gained 7.59%, and the Nasdaq outperformed with a 9.18% surge. Volatility remained elevated throughout the week, with the VIX climbing above 50 on Tuesday as the S&P momentarily flirted with bear-market territory. However, a massive rally on Wednesday following President Trump's announcement of a 90-day tariff pause helped restore risk sentiment.

The market rally was driven by a shift in tone from the White House. While the week began with concerns about rising tariff rates — including a 145% levy on Chinese goods and ongoing 10% tariffs on key imports — Wednesday's pause on new reciprocal tariffs for countries seeking negotiated settlements gave hope to investors. China, despite matching the US tariff hike with its own 125% rate, stated it would not retaliate further, citing the lack of US market competitiveness. While uncertainty remains high, speculation about a rising influence of moderate voices like Treasury Secretary Bessent helped buoy sentiment.

Sector-wise, big tech, semis, software, and industrials led the rally, though all remain down YTD. Underperformers included homebuilders, energy, pharma, and China tech.

In a significant development, the Trump administration announced late Friday that smartphones, computers, and other electronics would be exempt from the steep reciprocal tariffs. This move provides substantial relief to tech companies like Apple, which rely heavily on imported products. The exemptions, detailed by U.S. Customs and Border Protection, cover 20 product categories, including computers, semiconductor devices, and memory chips. Analysts view this as a positive step for the tech sector, potentially alleviating some inflationary pressures on consumers.

	Friday's Close	Week's % Change	Year to date % Change
Dow Jones Industrial Average	40,212.71	7.59%	-5.48%
S&P 500	5,363.36	7.82%	-8.81%
NASDAQ Composite	16,724.46	9.18%	-13.39%
Russell 2000	1,860.20	4.50%	-16.59%
Russell 3000 Value	2,256.95	5.46%	-5.48%
Russell 3000 Growth	2,754.05	9.43%	-12.89%

Source: Trading Economics, Bocconi Students Investment Club

US Treasuries were sharply weaker as the market's risk appetite surged, with a notable steepening of the yield curve (the 10 and 30 years yields both rose with a greater magnitude than the short term rates), marking the largest weekly steepening since November 2022. In contrast, the 2-year yield rose more modestly to 3.91%, narrowing the 2s10s spread. The dollar index (DXY) fell 3.0%, its worst weekly performance since November 2022, as expectations for aggressive Fed rate cuts strengthened, as Friday the market price 3 cuts by the end of 2025 with a probability of 32.0%.

Gold rallied 6.9% to a record high above $3,150/oz, notching its best week since March 2020. The move was fueled by falling real yields, USD weakness, and haven flows. WTI crude declined slightly by 0.8% to $62/bbl, adding to last week's 10%+ drop, as traders digested rising inventories, recession concerns, and OPEC+'s decision to increase output by 411K bpd starting in May.

On the policy front, markets now anticipate four to five rate cuts from the Fed by year-end, with the first expected in June. Fedspeak reinforced the "wait and see" stance, while inflation data for March showed cooling core CPI and PPI. However, inflation expectations rose sharply, despite soft recent inflation, consumer expectations (from the University of Michigan survey) for future inflation jumped to levels not seen since 1981. Other indicators such as retail sentiment and jobless claims painted a mixed macro picture.

Earnings season unofficially began on Friday, with banks like JPM (+12.3%) and MS (+8.3%) posting strong results. BLK and BK also beat expectations, while AVGO jumped 24.4% on a $10B buyback announcement. Laggards included GBX, NEOG, and KMX, which reported earnings misses and cautious guidance.

Treasury Bonds	Friday's Yield	Weekly Ch. In Yield (bps)
2Y	3.98%	30
5Y	4.16%	44
10Y	4.49%	50.3
30Y	4.87%	48

Source: Trading Economics, Bocconi Students Investment Club

Europe and UK

European equities ended the week lower as global markets remained volatile. The STOXX Europe 600 declined 1.32%, with the CAC 40 down 2.34%, the FTSE MIB shedding 1.79%, the DAX losing 1.30%, and the FTSE 100 dipping 1.13%. The downturn reflects continued investor anxiety over the US-led trade war, despite the temporary 90-day truce.

	Friday's Close	Week's % Change	Year to date % Change
STOXX Europe 600	486.8	-1.32%	-4.67%
DAX (Germany)	20,374.10	-1.30%	1.75%
CAC 40 (France)	7,104.80	-2.34%	-3.91%
FTSE MIB (Italy)	34,027.83	-1.79%	0.94%
FTSE 100 (UK)	7,964.18	-1.13%	-3.58%

Source: Trading Economics, Bocconi Students Investment Club

European bond markets were relatively resilient. The German 10Y Bund yield fell by 4.25bps to 2.58%, while Italy's 10Y yield dropped to 3.81% and Spain's to 3.31%. UK gilts diverged, with the 10Y yield rising 11.55bps to

4.77%, reflecting sticky inflation pressures and a more cautious monetary policy stance from the BoE. Markets now price two to three rate cuts by the BoE through year-end.

The ECB is widely expected to cut rates by 25bps at the April 17 meeting, bringing the deposit rate to 2.25%. The move comes as officials warn of downside risks from the trade war and tighter financial conditions. Villeroy de Galhau pushed back against US-style deregulation, instead advocating for simplified but robust EU oversight to avoid sowing seeds of future financial instability.

Geopolitical developments took center stage. EU leaders are using the 90-day tariff pause to negotiate a broader deal with the US while preparing for possible retaliation. President von der Leyen warned that the bloc would consider levying digital advertising taxes on US tech firms if talks fail. At the same time, the EU is stepping up its China engagement. A summit in Beijing is scheduled for July, with Spain's PM Sanchez underscoring China as a strategic partner amid souring US-EU relations.

Meanwhile, the EU's focus on trade is diverting attention from Ukraine's defense. While Poland urges stronger cooperation, divisions persist on joint fiscal responses. However, EU finance ministers have backed a surge in defense spending, including a proposed €150B joint loan instrument and relaxed fiscal rules for military budgets.

10Y Gov. Bonds	Friday's Yield	Week's change (bps)
Germany	2.58%	-4.25
France	3.35%	1.85
Italy	3.81%	-0.85
Spain	3.31%	-1.9
UK	4.77%	11.55

Source: Trading Economics, Bocconi Students Investment Club

Rest of the World

Asian equities followed the global trend higher, led by a sharp rebound in Japan's Nikkei 225, which surged 7.75% for the week after prior steep losses. The CSI 300 rose 2.05%, the Shanghai Composite added 1.41%, and Hong Kong's Hang Seng gained 0.89%. Chinese equities were supported by resilient tech and industrial names, while the Hang Seng benefited from short covering. YTD, only the Hang Seng remains positive (+6.58%), while Japan and mainland China indices remain in negative territory.

Elsewhere, South Korea's Kospi jumped 4.04%, with tech and semiconductors driving gains. Australia's S&P/ASX 200 added 6.04% despite lingering concerns over global growth. The Bovespa in Brazil rose 2.3%, aided by a modest recovery in commodity stocks after last week's selloff. Mexico's IPC Index ended flat (+0.09%), while Turkey's BIST 100 gained 2.89% in a volatile week amid domestic political headlines.

India continued to stand out positively among emerging markets. The Nifty 50 rose 1.8% on the week, supported by strong foreign inflows, robust PMI figures, and firm corporate earnings. India's large and increasingly domestic-driven economy positions it well to weather global trade shocks. While US consumer demand softens, India's internal consumption, expanding infrastructure investment, and resilient services sector provide a strong foundation for growth. Analysts note India's relatively low reliance on exports to the US makes it one of the more insulated major economies in the current environment.

Emerging market bond yields were broadly stable. Commodity markets were mixed: WTI crude slipped 0.8%, extending last week's losses, while gold rose nearly 7% to new highs. Industrial metals remained under pressure, with copper and aluminium both declining.

	Friday's Close	Week's % Change	Year to date % Change
Nikkei 225	33,585.58	7.75%	-14.56
CSI 300	3,750.52	2.05%	-1.83%
Shanghai Composite	3,619.89	1.41%	-0.43%
Hang Seng	20,914.69	0.89%	6.58%

	Friday's Close	Week's % Change	Year to date % Change
BIST-100 (Turkey)	9,380.95	2.89%	-5.83%
IPC Index (Mexico)	51,498.90	0.09%	4.01%
Bovespa (Brazil)	127,682.40	2.30%	6.29%
Kospi (South Korea)	2,432.72	4.04%	1.41%
S&P/ASX 200 (Australia)	7,646.50	6.04%	-6.76%

Source: Trading Economics, Bocconi Students Investment Club

FX and Commodities

The US dollar index (DXY) posted a steep 3.0% weekly drop — its worst since late 2022 — reflecting a repricing of Fed policy expectations and retreat from safe-haven demand. The euro rallied 1.8% to 1.10, buoyed by diverging policy outlooks between the ECB and Fed.

The Japanese yen strengthened to 145/USD as investors sought traditional havens. The British pound gained 1.3% on the week, reaching 1.31 amid improving risk sentiment and strong wage data in the UK. The Swiss franc also appreciated, rising 5.64% in the last week, reaching 1.23.

Among commodity-linked currencies, the Canadian dollar rose 2.6% to 0.72, tracking stronger oil prices earlier in the week. The Australian dollar gained 4.2% to 0.62, lifted by China-related optimism and risk-on flows. The Norwegian krone surged 1%, outperforming on hawkish central bank commentary.

Gold rallied 6.9% to a record high above $3,150/oz, driven by safe-haven demand and falling real yields. Silver fell below $30 with a 12% weekly decline, while copper dropped 7.5% amid demand concerns. WTI crude slipped to $62, down 0.8%, after OPEC+ confirmed it would boost output by 411K bpd in May.

Next Week Main Events

The upcoming week sees significant corporate earnings reports from major firms including UnitedHealth, Netflix, Johnson & Johnson, Bank of America, Abbott, American Express, Progressive, Goldman Sachs, Charles Schwab, and Citigroup.

Key economic releases include March retail sales data, import/export price indices, and housing market metrics. Attention will also focus on the April Philly Fed manufacturing index and weekly jobless claims.

	Events
Monday	China Balance of Trade, Exports and Imports
Tuesday	Unemployment rate UK, Inflation Rate Canada, RBA (Australia) Meeting, Germany ZEW Economic Sentiment Index
Wednesday	China: GDP growth rate, Industrial production, Retail Sales, UK Inflation Rate, Canada BoC Interest Rate Decision and Monetary Policty Report
Thursday	Japan Balance of Trade, EU: Deposit Facility Rate, Interest Rate Decision and ECB Press Conference , US Building Permits Prel and Housing Starts
Friday	Japan Inflation Rate

Source: Trading Economics, Bocconi Students Investment Club

Brain Teaser #34

Your drawer contains 2 red socks, 20 yellow socks and 31 blue socks. Being a busy and absent-minded MIT student, you just randomly grab a number of socks out of the draw and try to find a matching pair. Assume each sock has equal probability of being selected, what is the minimum number of socks you need to grab in order to guarantee a pair of socks of the same color?

Solution

This question is just a variation of the even simpler version of two-color-socks problem, in which case you only need 3. When you have 3 colors (3 pigeon holes), by the Pigeon Hole Principle, you will need to have 3 + 1 = 4 socks (4 pigeons) to guarantee that at least two socks have the same color (2 pigeons share a hole).

Brain Teaser #35

There are 51 ants on a square with side length of 1. If you have a glass with a radius of 1/7, can you put your glass at a position on the square to guarantee that the glass encompasses at least 3 ants?