

## Macro Landscape Under Stress: Powell, Tariffs, and Market Volatility

*This overview captures our blog's inaugural macro landscape, tracing the market's 26.6 percent slide from Powell's December 18 rate pivot through February's steel and aluminum tariffs, the brief April 9 relief rally, and the persistent cross-asset volatility that followed.*

### Fed Pivot and Tariff Shock

Since Fed Chair Jerome Powell's December 18, 2024, press conference, when he signaled fewer rate cuts than markets had priced in, and the Trump administration's reinstatement in February of 25 percent duties on steel and aluminum (with new probes into critical minerals), equity markets entered a steep drawdown. Nasdaq futures (NQ) fell from its December 17 peak of 22,435.75 to a trough of 16,460.00 on April 7, a decline of approximately 26.6 percent (Reuters).

### Relief Rally and Trade-Flow Slowdown

On April 9, President Trump's announcement of a 90-day pause on most other tariffs sparked a relief rally; the Nasdaq rose 12.2 percent, its second-largest one-day gain since World War II (Reuters). Despite that rally, global trade volumes continued to weaken, as vessel arrivals at major U.S. ports fell 11 percent year-over-year, reflecting a broad-based slowdown in container traffic beyond just China-U.S. routes (Guardian).

### Volatility and Cross-Asset Pressure

Volatility rose sharply during this period. The CBOE Volatility Index (VIX) spiked toward 60 before settling near 24, well above its 18-year-to-date average, and U.S. equity funds recorded \$12 billion in net outflows in April despite the tariff pause (CBOE; LSEG; Reuters).

Corporate executives have been vocal about mounting headwinds.

In Q1 2025 earnings calls, 82 percent of S&P 500 companies cited "macroeconomic headwinds" or "demand weakness," up from 45 percent a year earlier (Reuters).

"Visibility is challenging," JPMorgan CEO Jamie Dimon acknowledged on April 11, "trade policy shifts ripple through supply chains" (Reuters).

On Main Street, economic output has stalled. Real GDP contracted 0.3 percent in Q1 2025, the first quarterly decline since early 2022 and only the second since 2020, despite the historical link between at least 1.5 percent GDP growth and positive S&P 500 EPS gains (BEA; Goldman).

Safe-haven assets provided no refuge. From April 7-11, selling pressure drove 10-year Treasury yields up roughly 50 basis points to about 3.48 percent, the largest weekly increase in over 20 years, while the U.S. Dollar Index fell 2.3 percent and equities wavered on growth concerns (Bloomberg; Wall Street Journal). Over that same span, the 2-year/10-year yield curve flattened from +80 to +50 basis points, signaling market doubts about sustained expansion (Bloomberg).

### Labor Market, Earnings, and Outlook

April's nonfarm payrolls rose by 177,000, exceeding the 130,000 consensus but trailing March's 228,000 advance, underscoring a cooling labor market (Bureau). In response, futures markets moved to fully price in no change to the Fed's 4.25 percent-4.50 percent target rate at the upcoming FOMC meeting (CME).

Corporate earnings for Q1 2025 showed initial resilience, as 74 percent of S&P 500

Despite the April 9 tariff reprieve providing a momentary respite, underlying volatility remains elevated and key indicators, from the flattened yield curve to slowing trade volumes, signal that markets are still vulnerable to renewed stress. The convergence of policy uncertainty, uneven economic data, and elevated funding costs means equities, bonds, and the dollar could quickly revisit recent lows. For now, however, investors have a brief pause to reassess risk exposures and watch whether this lull holds or gives way to the next wave of macro-driven volatility.

## Works Cited

The Wall Street Journal. "Dollar Index Slides on Risk-Off Move." *WSJ*, 13 Apr. 2025, <https://www.wsj.com/articles/dollar-index-slides-on-risk-off-move-2025-04-13>.

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19th May 2025

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