



MARKET VIEWS

EQUITIES: To misquote Lenin, April certainly felt like a month where decades happened, with global equity indices falling heavily following President Trump's tariff announcements on 2nd April (or "Liberation Day") although subsequently recovering on the back of an announcement of a pause (9th April). The FTSE All-World Index fell by -5.5% in the first week of April, and by >7% prior to the U.S. government announcing the 90-day pause. Markets broadly have reacted positively since 9th April, with the FTSE All-World recovering the lost ground and ending April positive, rising 0.8%. U.S. indices have also recovered, led by the Nasdaq 100 index, which finished April up 1.5%, and the broader S&P 500 ending down a little, at -0.7%. Given the start to the month though, most investors would have taken this. Smaller companies remain at the bottom of the pack, with the S&P Small Cap 600 index 20% off November highs, erasing post-election gains, and some. Elsewhere, the TOPIX in Japan (9% off highs) has struggled with a stronger Yen and concerns on export levels.

European and U.K. markets have fared better with the German DAX ending the month just 2% off March highs, up 1.5% in April. In the U.K. the FTSE All-Share ended April down a fraction (-0.25%) and within 3% of recent highs, a reflection in part of the lower starting valuations and more defensive make-up of those index. Unsurprisingly volatility has spiked, with the VIX index briefly exceeding 60, having started April in the low 20s. This represents a sharp increase, with the last time the VIX traded at levels above 50 being March 2020 and the onset of Covid.

CURRENCY: The U.S. Dollar fell against most major currencies by more than 3% during April, with tariff concerns and the rising risk of a U.S. recession. Aside from strength against the Dollar, the pound weakened against the Yen, Swiss Franc and Euro, highlighting how moves against the Dollar are less a reflection of market confidence in the U.K. and more a reflection of a lack of confidence in the U.S. under Trump's stewardship.

COMMODITIES: Oil moved sharply lower during April, with Brent Crude trading at \$61, a fall of >18% over the month. Tariff news led to expectations of a U.S. recession increasing, with Goldman Sachs notably making it their baseline forecast, briefly, before reducing the probability to 45% on the announcement of a pause. The weakness can be linked to a combination of growth concerns and escalating trade tension, as well as expectation of oversupply from both OPEC+ and the U.S.

Gold had another noteworthy month, initially trading weaker post 2nd April (c.-4.5%), but recovering to new all-time highs post 9th April. It has since fallen back slightly, by around 3%, and now trades close to \$3,400. Setting aside the rationale for recent moves, covered in past commentaries, we value holding gold as part of portfolios for its defensive qualities, and new highs being reached at a time of increased uncertainty reinforces that view.

MACRO VIEWS

TARIFFS: Liberation Day arrived in the U.S. on 2nd April and, as covered in our April note, brought with it the most significant upheaval in global trade policy for decades. The story has not gone away, and the announcement of a 90-day pause in tariffs taking effect came on 9th April, with concern over the U.S. government bond market reaction, although others may claim it as a negotiating position. The bond market reaction appeared to raise issues of economic (mis)management, as well as concerns on the resulting impact on growth. Retaliatory tariffs quickly followed, with China and the U.S. imposing the only 'new' tariffs not yet paused.

Economic confidence is showing signs of caution due to slowing trade, with the J.P.Morgan Global Manufacturing Purchasing Managers Indices (PMI) (2nd May) falling into contractionary territory, as new orders declined and survey data showed potential for further weakness. Initially there was talk of countries queuing up to strike trade deals with the U.S., but markets could discount this the longer we go without agreements being reached. As 8th July approaches, markets will be quick to assess the quality and quantity of any deals agreed.

GROWTH: GDP data will currently need to be taken with a pinch of salt given the latest tariff uncertainty and the time lag for any change in sentiment to feed through to official statistics. However, data shows businesses acting on the expectation of tariffs which has caused some weakness in GDP growth, with companies front-running tariff announcements for imported goods. Current analyst expectations exhibit a wide range as trade policy, and confidence, will play a major factor in how GDP growth develops through the year and beyond. Whilst easy to think of tariffs as a U.S. issue, it spreads well beyond that. It has the impact of being an effective tax on U.S. importers, and likely the underlying consumer. If however it results in lower exports to the U.S. this has significant impact on those nations trading with the U.S., especially those targeted with the most significant tariff rates.

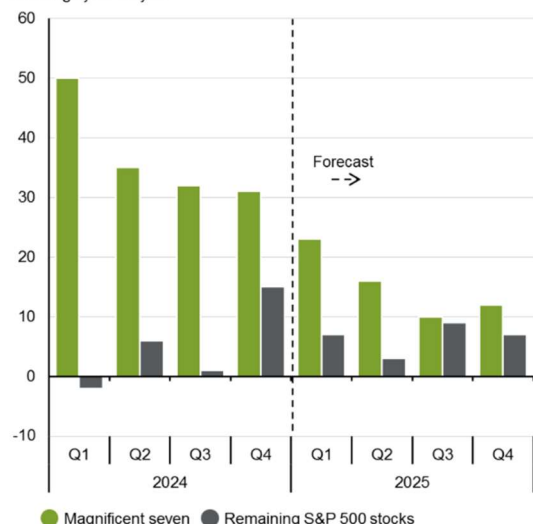
MONETARY POLICY: Federal Reserve Chair Jerome Powell was in the news this month as President Trump suggested he may be open to replacing him as the head of the U.S. central bank, increasing political pressure on the Fed to decrease rates to weaken the U.S. Dollar and make exports more attractive. The President has since retreated on this position and said he has no plans to intervene. The Fed is now expected to make 3 cuts to rates this year. In Europe, the ECB is expected to cut two more times and at home, the Bank of England is still expected to cut 3 times this year, bringing the central bank rate to <4% by year-end in light of economic uncertainty and inflation being under better control.

CHART OF THE MONTH

First quarter earnings season is in full flow, with more than two thirds of S&P 500 companies having reported. The proportion of companies meeting, or beating, expectations is encouraging, however it is the forward-looking guidance and adjustments to analyst forecasts that warrants further review. Factset report that during April analysts lowered earnings estimates for the second quarter by a larger margin than average, that being a reduction of 2.4%, compared to average reductions of 1.6% over the past decade. There have been some more notable than others, namely the energy sector, seeing average reductions of close to 15% in Q2 earnings estimates.

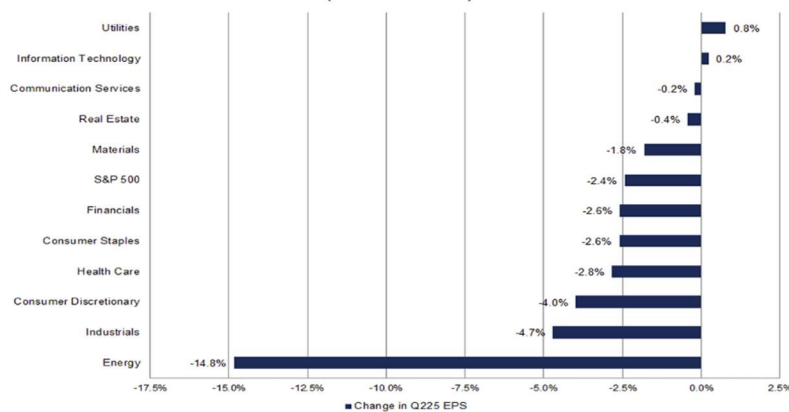
S&P 500 earnings growth

% change year on year



S&P 500: Sector-Level Change in Q225 EPS (Mar 31 to Apr 30)

(Source: FactSet)



Sources: J.P.Morgan Asset Management – Guide to the Markets. Available at: <https://am.jpmorgan.com/gb/en/asset-management/liq/insights/market-insights/guide-to-the-markets/?slideId=equities/GTM-UK-EN-USERNGS>. Factset: <https://insight.factset.com/analysts-making-larger-cuts-than-average-to-eps-estimates-for-sp-500-companies-for-q2>

MARKET DATA

Index	Value	%1m	%3m	%6m	%YTD	%1yr	%3yr	%5yr	%10yr
FTSE 100	8,494.9	-1.3	-0.7	5.9	3.9	8.5	26.0	77.1	78.6
FTSE All-Share	4,594.1	-0.8	-1.2	4.8	2.8	7.8	22.6	71.7	75.4
FTSE AIM	690.7	0.3	-3.8	-6.5	-4.0	-9.7	-32.4	-13.4	-8.3
FTSE World (ex-UK)	642.4	-2.7	-10.1	-2.2	-6.9	5.6	28.1	81.9	179.0
S&P500	5,569.1	-1.1	-7.5	-2.1	-5.3	12.5	41.2	112.0	216.0
Dow Jones	40,669.4	-3.2	-8.7	-3.3	-4.4	7.3	23.3	71.4	126.0
Nasdaq 100	19,571.0	0.7	-8.9	-2.3	-6.9	13.0	52.2	124.0	337.0
S&P Smallcap 600	1,222.4	-4.5	-15.6	-12.0	-13.2	-3.9	0.6	65.2	72.8
Eurostoxx 50	5,160.2	-3.0	-2.4	5.8	5.4	4.9	35.7	76.2	42.7
Nikkei	36,045.4	1.2	-8.9	-5.3	-9.7	-5.8	34.3	83.7	84.5
Hang Seng	22,119.4	-4.7	9.4	7.9	10.3	24.5	4.9	-10.2	-21.4
Shanghai (SSE)	3,279.0	-2.1	0.9	0.2	-2.2	5.6	7.6	14.6	-26.2
GBP/USD	1.330	2.9	7.2	2.9	6.3	6.1	5.7	6.4	-12.2
Gold \$	3,237.8	3.9	15.7	18.3	23.4	39.3	70.7	90.4	175.0
FTSE Gilt All Stocks	129.7	1.4	1.4	1.8	1.1	3.6	-13.4	-26.4	-2.9

Source: Alpha; data as at 01-05-25

Get in touch

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