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Trade Tensions Rattle Global Markets as Dollar Drops, Gold Soars

Market Commentary

Financial markets faced significant turbulence this past week as U.S.-China trade tensions intensified, triggering sharp moves across currencies, equities, and commodities. The U.S. dollar dropped steeply, with the Dollar Index falling below 100 for the first time since July 2023. Meanwhile, investors sought safety in traditional haven currencies such as the Swiss franc and Japanese yen, which saw notable gains. U.S. stock markets were highly volatile—initial optimism fueled by President Trump's 90-day tariff pause sparked historic rallies in the S&P 500 and Nasdaq, but these gains quickly reversed the following day as trade uncertainty resurfaced. Gold prices soared past $3,200 per ounce, setting new records as the weakening dollar and rising recession concerns drove demand for safe-haven assets.

United States

FOMC Meeting Minutes

The minutes from the Federal Reserve's March FOMC meeting revealed that members expect U.S. tariff policies to drive inflation higher this year. They expressed concern that persistent inflation, combined with a weakening outlook for growth and employment, could complicate future policy decisions. Given the current economic uncertainty, members agreed that keeping interest rates unchanged was appropriate. The Fed also opted to significantly slow its pace of quantitative tightening, though some members questioned the effectiveness of this move. Markets are currently pricing in three rate cuts—totaling 81 basis points—by the end of the year.

U.S. Inflation Eased in March

Inflation in the United States eased notably in March, with the annual CPI dropping to 2.4% from 2.8% in February, and monthly prices falling for the first time since May 2020. Core inflation also slowed to 2.8%, the lowest in nearly four years. While this offers some relief to the Federal Reserve, economists caution that Trump's sweeping tariffs could reverse the trend by pushing prices higher. Food prices rose 0.5%, with egg prices jumping 5.9% month-over-month and 60.4% annually due to ongoing avian flu impacts. Shelter costs, a major inflation driver, eased slightly, while energy prices declined. Airline fares fell 5.3%, and recreation costs dipped, signaling weaker discretionary spending. Meanwhile, U.S. wholesale prices also fell more than expected in March, suggesting inflationary pressures were easing before reaching consumers. The Producer Price Index (PPI) dropped 0.4% month-over-month and slowed to an annual rate of 2.7%, down from 3.2%. A major driver of the decline was a 4% drop in energy prices, influenced by weak demand, rising supply, and recession fears. Food prices also fell, down 2.1%. Core PPI, which excludes food and energy, dipped 0.1% and rose just 3.3% annually—the slowest pace since September—offering further signs of cooling inflation. The report comes ahead of the full impact of President Trump's new trade policies.

Consumer Sentiment Sours in April

U.S. consumer confidence declined further in April, with the University of Michigan's Consumer Sentiment Index falling to 50.8 from 57 in March—well below expectations of 54.5. The drop reflected weaker assessments of both current conditions, which fell to 56.5 from 63.8, and future expectations, which declined to 47.2 from 52.6. Inflation concerns also intensified, with the one-year outlook surging to 6.7% from 5% and the five-year outlook rising to 4.4% from 4.1%. Finally, the survey showed the highest share of consumers expecting higher unemployment in the next year since 2009.

U.S. China Trade Retaliations Shake Markets

Earlier on Wednesday, President Trump softened his stance on trade tariffs and announced a 90-day suspension on most new duties—excluding those targeting China. U.S. equity markets posted record-breaking gains following the news, as the Nasdaq surged 12%, its best performance in 24 years, while the S&P 500 jumped 9.5%, the most since 2008. The Dow Jones Industrial Average rose 7.9%, its largest increase since 2020, with a historic 2,963-point gain. However, China escalated its trade dispute with the U.S. on Friday by raising tariffs on American goods from 84% to 125%, in response to President Trump's reciprocal tariff hikes.

The Chinese finance ministry criticized further U.S. tariff increases as economically meaningless, warning they would eliminate demand for U.S. imports in China. Despite the rising tension—with the U.S. tariff rate now effectively at 145%—China stated it would ignore any further hikes but remains open to negotiations if the terms are fair.

The ongoing tit-for-tat has added to global market volatility with U.S. equity markets closing deep in red just 24 hours after a record-breaking trading session. Furthermore, the U.S. dollar index fell to the lowest level in nearly 3 years below the 100 mark, as majors continue to gain on the back of global trade uncertainty and a flock to other safe haven currencies and commodities including the Swiss franc and gold.

The Greenback was last seen trading at 99.78.

United Kingdom

GDP Expands Beyond Expectations

The U.K. economy grew by 0.5% in February—well above expectations—driven by a strong rebound in the services sector and gains in production and construction. Services output rose 0.3%, while production jumped 1.5% and construction increased 0.4%. This marks a turnaround from January's flat growth. The British pound climbed following the data, strengthening 0.6% against the dollar. Despite this positive surprise, the broader economy has struggled for momentum, and new U.S. tariffs—set to impose an additional 10% on U.K. exports—pose fresh risks, particularly as the U.S. remains Britain's top trading partner.

The GBP/USD currency pair was last seen trading at 1.3080.

Asia-Pacific

China in Deflationary Struggle Amid Trade Tensions

China's inflation data for March came in weaker than expected, highlighting growing economic pressure from the escalating trade conflict with the U.S. Consumer prices fell 0.1% year-over-year and 0.4% month-over-month, both worse than forecasts. The decline reflects reduced domestic spending amid rising U.S. tariffs, which were increased by President Trump in early March. Producer prices also dropped for the 30th straight month, falling 2.5% annually—deeper than the expected 2.3% decline—as weak demand and trade tensions continued to weigh on China's export-driven sectors.

The USD/CNY currency pair was last seen trading at 7.2916.

RBNZ Delivers Rate Cut

New Zealand's central bank lowered its benchmark interest rate by 25 basis points to 3.50% on Wednesday, marking its fifth consecutive cut. As expected, the move reflects growing concern over weak domestic demand and global economic uncertainty. The Reserve Bank of New Zealand signaled it is prepared to ease further, citing rising global trade barriers as a threat to both international and local economic growth. "These developments pose downside risks to New Zealand's economic activity and inflation outlook," the RBNZ stated.

The NZD/USD currency pair was last seen trading at 0.5824.

Kuwait

Kuwaiti Dinar

USD/KWD closed last week at 0.30765

Rates – April 13th, 2025

	Previous Week Levels				This Week's Expected Range		3-Month
Currencies	Open	Low	High	Close	Minimum	Maximum	Forward
EUR	1.0942	1.0880	1.1473	1.1360	1.1250	1.1550	1.1421
GBP	1.2843	1.2705	1.3145	1.3080	1.3000	1.3210	1.3081
JPY	147.04	142.05	148.27	143.51	141.50	144.40	142.03
CHF	0.8577	0.8096	0.8672	0.8151	0.7950	0.8250	0.8061