Storebrand

Market Commentary

April 2025

Key Points:

- **U.S. growth expectations revised down for the first time since autumn 2022**
- **Trump launches a new round of tariff hikes, including 20% on EU goods**
- **The U.S. dollar weakens despite heightened market uncertainty**

Market Outlook

Stock Market – Neutral Weight →
The global equity market fell sharply by 5% in March. U.S. equities saw the steepest declines, while European and emerging market (EM) equities held up relatively better. We are increasing our allocation to EM equities from neutral to overweight, while maintaining an overall neutral weight in equities.

Bonds – Neutral Weight →
Global government bonds declined in March. U.S. interest rates continued to fall, while European rates remained more stable- driven by expectations of more expansionary fiscal policy.
We maintain a neutral weight in duration for government bonds and remain overweight in credit.

Money Market –Neutral Weight →

The allocation team notes that Trump has announced a minimum 10% tariff on all countries.

The allocation group in Storebrand Asset Management:
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Growth Expectations Revised Down

For the first time in over two years, GDP growth expectations for the U.S. are being revised downward. Since autumn 2022, consensus forecasts had been steadily increasing month after month. Now, projections for 2025 have been marginally lowered from 2.2% to 2%, but several leading banks have already revised their forecasts well below 2%.

If uncertainty around tariffs and trade wars continues, further downward revisions are likely. Soft data such as consumer confidence continues to decline, with higher inflation expectations weighing heavily. Retail sales data–often considered "hard data"–have also been weak. Additionally, some labor market indicators, particularly in the public sector, have deteriorated, contributing to increased fears of a potential recession.

While many of the tariff threats may never be fully implemented, steel, aluminum, and car tariffs were enacted in March. Much of the 25% tariff increase on Canada and Mexico was later exempted under the USMCA (North American free trade agreement), resulting in a much lower average tariff rate than initially signaled.

Liberation Day

On April 2, Trump announced a new round of tariff hikes. Anticipation had been building toward this so-called "Liberation Day," and as feared, several countries were hit with new trade measures.

As expected, the EU was targeted with a 20% tariff on all goods, which was lower than the previously indicated 25%. China faced an additional 34%, Japan 24%, India 26%, and several other countries were listed with tariffs based on a formula Trump claims reflects reciprocity–roughly half of what the trading partner imposes on the U.S.

Additionally, a blanket 10% tariff was announced for all other countries appearing on a list displayed during the press conference. These tariffs take effect on April 9.

Many countries are expected to retaliate, and the trade war could escalate further. While some of these tariffs may eventually be negotiated or scaled back–as happened with Canada and Mexico–the longer the uncertainty lingers, the more damaging it is for market sentiment and global economic activity.

Dollar Weakness Despite Market Turmoil

Since the beginning of the year, the trade-weighted U.S. dollar has weakened significantly–even accelerating as trade tensions escalated.

What is unusual is that the dollar has weakened despite rising market volatility, which typically boosts demand for the greenback. This time, however, the turmoil is centered in U.S. markets, while the Eurozone has held up better and the euro has appreciated.

These moves are impacting several markets, notably commodity markets, where most trading is denominated in dollars. Additionally, a weaker dollar strengthens many other currencies–a trend that has become increasingly apparent in recent months.

Market Outlook

Global Equities –Neutral Weight →

Global equities, measured by the MSCI World in local currency, dropped 5% in March. U.S. equities in particular have experienced a steep decline over the past two months, especially when accounting for the dollar's depreciation. Trade wars and tariff uncertainties are at the forefront, driving negative sentiment and reinforcing unpredictability. Stagflationary forces are now in playlower growth and higher inflation, especially in the U.S., where inflation expectations have surged. Trump is setting the agenda. We maintain a neutral weight in global equities.

Emerging Markets (EM) – Overweight ↗

EM equity markets were roughly flat in March, outperforming developed markets for the second consecutive month. Year-to-date, EM equities are 5 percentage points ahead of developed markets in common currency. So far this year, China has contributed the most to EM performance, with India and Brazil leading the gains in March. Currency movements play a significant role in EM investing and vary greatly by country. By rotating away from U.S. exposure, our allocation to EM equities has increased, and we are moving from neutral to overweight in EM.

Global Bonds – Neutral Weight →

Global government bonds, as measured by the JPM GBI index, fell by 0.5% in March. There is now a growing divergence between U.S. and European interest rates. U.S. rates have declined more over the past two months, while European rates have risen, supported by expectations of more expansionary fiscal policy–particularly in Germany, where defense and security spending are being prioritized. We remain neutral weight in duration and global government bonds.

Key Figures as of 31.03.2025

(measured in local currencies)

Global Stocks (MSCI)	March	2025
All Countries	-4,5 %	-2,1 %
Developed Markets	-5,0 %	-2,7 %
Emerging Markets	0,3 %	2,7 %
Regions (MSCI)		
North America	-5,7 %	-4,4 %
Europe	-3,6 %	6,2 %
Asia and Oceania	-1,1 %	-3,1 %
Nordic	-10,2 %	-2,2 %
Countries		
USA (S&P 500)	-5,7 %	-4,4 %
Japan (Nikkei 225)	-4,1 %	-10,7 %
United Kingdom (FTSE 100)	-2,6 %	5,0 %
Germany (GDAX)	-1,7 %	11,3 %
France (CAC)	-4,0 %	5,6 %
Finland (HEX25)	-4,5 %	4,4 %
Denmark (OMXC25GI)	-8,5 %	-4,6 %
Sweden (OMXS30GI)	-7,5 %	1,5 %
Norway (OSEBX)	1,8 %	6,4 %
Currency (increase equals EUR appreciation)		
EUR pr USD	3,9 %	4,3 %
EUR pr GBP	1,3 %	1,2 %
EUR pr JPY	3,1 %	-0,7 %
Currency (increase equals USD appreciation)		
USD pr EUR	-3,7 %	-4,1 %
USD pr GBP	-2,6 %	-3,2 %
USD pr JPY	-0,9 %	-5,0 %