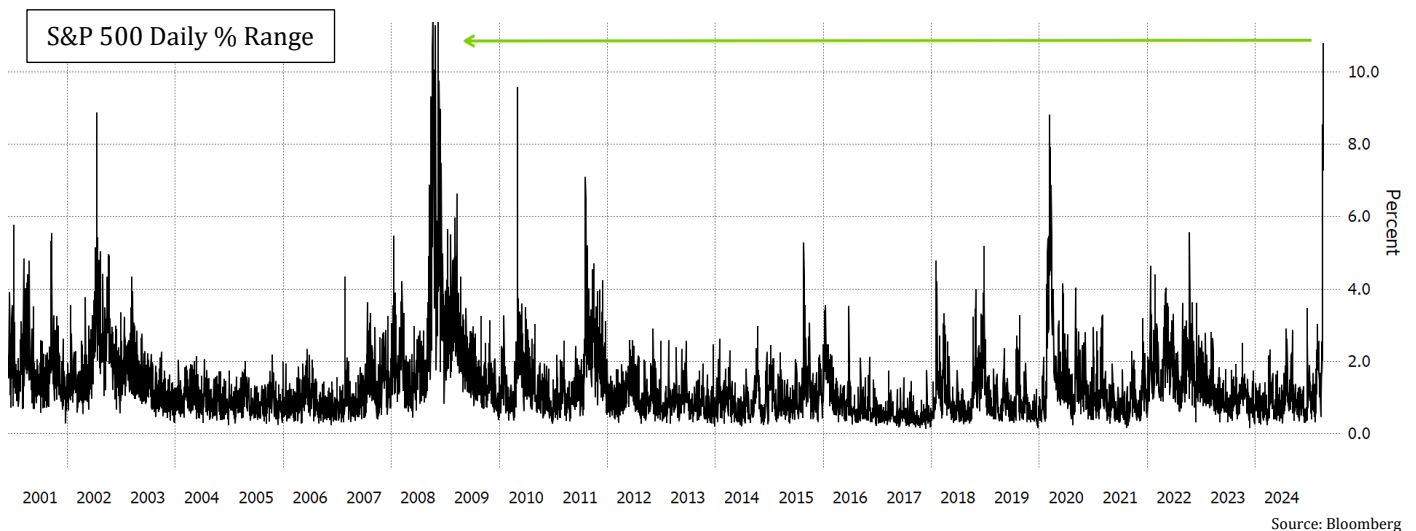


In this edition of Laser Focus:

- Market volatility across asset classes, and Bitcoin reacts to Fear and Relief on tariffs
- **MACRO FOCUS** – Will stocks bottom out, or can we see fresh lows? We also discuss what has been a testing time for the Treasury market.

Market volatility across asset classes sees Bitcoin react to fear and relief on tariffs

Last week’s trading was a rollercoaster of emotions, from absolute fear around the tariff narrative to relief and even brief euphoria. It’s been over a week now since Donald Trump held up his now infamous board with tariff numbers for US trading partners. All asset classes have been reacting sharply as a result: gold hit new all-time highs (+23.36% ytd); stocks reacted massively; and the US Dollar weakened sharply (net -2.88% last week). The news headlines were fast and furious, moving bonds, steepening yield curves and triggering the biggest net reversal in the S&P500 since the 2008 financial crisis. It rebounded +10.8% and produced a 538-point range in a single day.



The sudden U-turn in asset prices was triggered by Trump on Wednesday, who abruptly announced a 90-day pause to the punitive tariffs he imposed on dozens of countries, even as he escalated his conflict with China. Prior to Trump’s about-face, brutal selloffs pushed stock losses globally past \$10 trillion and put pressure on bond markets where yields surged rapidly as investors panicked and sold government bonds to raise cash. Those moves — and then Wednesday’s rapid reversal — were usually only seen in crises such as “black swan” events like the onset of the pandemic in 2020 or during the turmoil that erupted when Bear Stearns or Lehman Brothers were hit by the US housing crash.

Bitcoin was not immune to the volatility, seeing a 13.1% range for the week (\$74,424 to 84,173). Bitcoin has twice recently tested the \$75,000 support region and is currently a little under -22% from all-time highs hit in January this year, but ended the prior week net up. We mentioned last month a table of seasonality is supportive for Bitcoin in April, the average gains since 2012 is +12.98%, and the median is +5.04%.

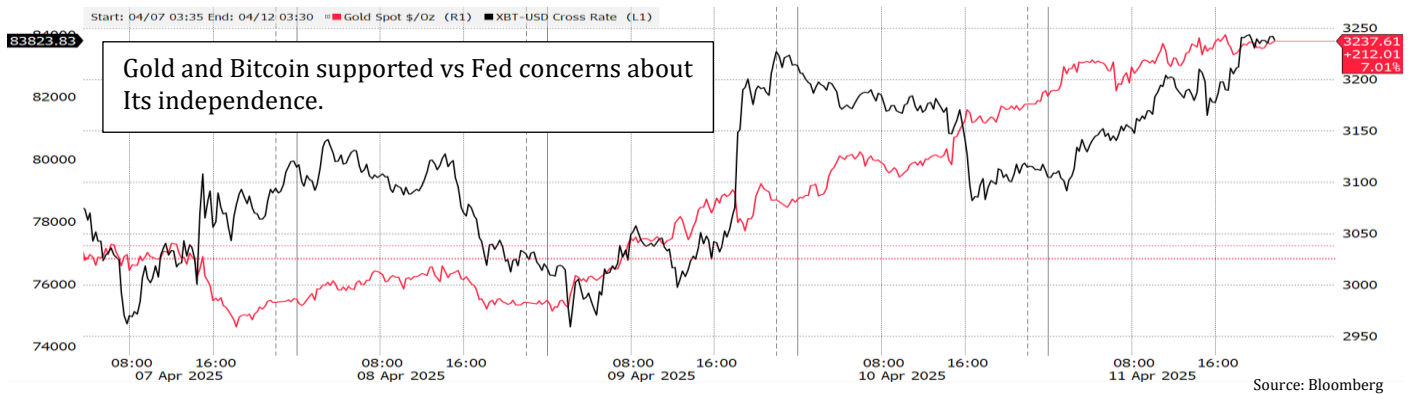
Obviously, movements are now reliant on news headlines, but technically we had \$73,700-\$73,600 as a polarity support, the 100% Fibonacci projection level since December 2022 lows. We consider some upside potential to \$88,500 the March highs congestion zone, above that we need to think about \$90,000-\$95,000 re-attracting.

Bitcoin weekly chart with 39-week MA



According to Bitcoindeaths.com, had an investor put just \$100 into Bitcoin each time it was declared “dead” — which has happened 429 times to date — they would now be sitting on more than \$83 million. The cryptocurrency has repeatedly defied its critics’ obituaries.

Technically, last week’s close is supportive of Wednesday’s price action: a bullish outside day reversal, lower low, higher high, higher close than the previous session. We expect a choppy theme for now, and look to \$81,000-\$88,000 as the main stage of play. Seasonality suggests April may be very positive for Bitcoin, but it will need stock markets to hold up Bitcoin is highly correlated to the Nasdaq at present. Since Wednesday, Bitcoin is trading more in line with the Nasdaq than it did a year earlier.



The chart above shows Bitcoin vs Gold in USD terms on a 15 min scale in recent trading. What we can see is that there is a growing concern regarding the Federal Reserve’s independence, and this is supportive for gold and could also be for digital assets. Gold and crypto are also getting support in response to Friday witnessing the Supreme Court Chief Justice John Roberts’ reversing a lower-court order that barred the Trump administration from firing head officials at independent agencies.

MACRO FOCUS

The market volatility and historic price swings of recent days has broken records across various assets classes and is comparable to major historic events in terms of ranges. Whether you look at the currency market or rebounds in stocks and gold action it's been a wild rollercoaster. Having a one directional view will only yield positive outcomes if you are extremely quick and able to react to the news flow. The headline whiplash makes it hard to have confidence in a near-term trading strategy. One thing that's clear is that Donald Trump has bought some countries time, but this still does not remove uncertainty and the China trade war will be ongoing for now.



Donald J. Trump
@realDonaldTrump

Based on the lack of respect that China has shown to the World's Markets, I am hereby raising the Tariff charged to China by the United States of America to 125%, effective immediately. At some point, hopefully in the near future, China will realize that the days of ripping off the U.S.A., and other Countries, is no longer sustainable or acceptable. Conversely, and based on the fact that more than 75 Countries have called Representatives of the United States, including the Departments of Commerce, Treasury, and the USTR, to negotiate a solution to the subjects being discussed relative to Trade, Trade Barriers, Tariffs, Currency Manipulation, and Non Monetary Tariffs, and that these Countries have not, at my strong suggestion, retaliated in any way, shape, or form against the United States, I have authorized a 90 day PAUSE, and a substantially lowered Reciprocal Tariff during this period, of 10%, also effective immediately. Thank you for your attention to this matter!

US Commerce Secretary Howard Lutnick said that smartphones, computers, and other electronic devices that were exempt from some US tariffs will be part of a forthcoming levy on semiconductors.

The exemptions, published on Friday, were temporary and made to shift those products to a different levy, which President Donald Trump has long threatened for semiconductors.

The semiconductor tariffs are "coming in probably a month or two," according to Lutnick, and will be part of a separate process controlled by the Department of Commerce.

This gives relief to companies such as Apple Inc (+15% on Wed), and other manufacturers such as Nvidia who rely on Chinese manufacturing. What's interesting was China's comment: "This is a small step by the US toward correcting its wrongful action of unilateral "reciprocal tariffs" – the Chinese Ministry of Commerce.

Lutnick stressed after that it was only a pause before shifting to different levies, though they will be almost certainly lower than the 125% rate on China.

Trump's tariff pause delivered the third best daily return for the S&P 500 index. Only October 13th 2008 was better at +11.6%, and October 28th 2008 of +10.8%.

- Oct 13, 2008 +11.6%
- Oct 28, 2008 +10.8%
- Apr 9, 2025 +9.5%
- Mar 24, 2020 +9.4%
- Mar 13, 2020 +9.3%
- Oct 21, 1987 +9.1%
- Mar 23, 2009 +7.1%
- Apr 6, 2020 +7.0%

Have stocks bottomed out after recent setbacks or are lower lows to come?

After flirting with a bear market on Monday and Tuesday, the S&P 500 managed to end the week up 5.7% in its biggest weekly gain since November 2023. Information Technology was the top sector for the week, +9.7% and printing its best performance for the period since November 2022.

Meanwhile, the Magnificent Seven Index saw its biggest weekly advance since March 2023, and snapping a seven-week losing streak in the process. Energy stocks (-0.4%) were the biggest loser of the week, followed by real estate, (-0.2%). When looking at the chart for the S&P 500 index we can see that since peaking at 6,147.43 in February the decline to

recent lows was -21.35% and technically we call a bear market onset when losses are holding deeper than -20.5%.

The low of 4,835 last week stalled just shy of major long-term support at 4,818, the 100% Fibonacci projection since the 2020 pandemic lows. Breaking this level would be a bearish signal for the bigger picture risking another -28.0% from that region to 3,505, the 2022 lows the year when both bonds and stocks went down together and sparked a terrible performance for the 60/40 portfolio model.

In our view, if stocks can stage another rally in the near-term then maybe another +8% could be possible near 5,768, the 39-week moving average. One hurdle is earnings season which is kicking off for US companies. If results are poor it will add to bearish sentiment and risks a profit recession. The risk of setbacks to stocks remain, with Commerce Secretary Howard Lutnick saying that the Friday reprieve would be temporary, and Donald Trump clarifying on social media post that the goods are still going to face 20% tariffs. "Nobody getting off the hook" – Donald Trump.

S&P500 weekly chart with 39-week moving average and Fibonacci projections



A testing time for the Treasury market.

The US might need to rethink its posturing on tariffs since China holds ~\$760 billion in Treasury securities. The country is the second-largest creditor after Japan. Last week the US-bond market witnessed unprecedented moves in different tenors with the US 10-year yield range (3.87%-4.49%) Last Monday produced the largest daily yield range, moving 35 basis points in a single day higher in yield. Some of the bigger trading volume was concentrated in Asia hours triggering speculation that China may have been selling Treasuries. This was dismissed by Scott Bessent the Treasury Secretary talking about the beauty of being the world's biggest borrower, and how that gives you control to some degree over those you owe money to.

This US approach is a game of chicken and one they hope the won't lose. But they've blinked already by pausing tariffs on countries other than on China. The bottom line is that the US government needs a stable bond market to sell into. The Treasury needs about \$2 Trillion in new debt this year and also has roll over about \$8 trillion in bonds that will mature.

Each basis point rise in yield would cost the government potentially about \$100 billion. Donald Trump talks about holding the cards, but it won't take too much selling pressure to keep the bear theme building momentum in the bond market. Other countries no longer have to hold so many dollars if Trump is determined to use high tariffs. China has been adding gold to its reserves for 5 months in a row now.

The long-term quarterly chart below highlights the wide range dominant parameters in the 10-year yield, namely 3.67% as a yield base and 5.16% as a yield resistance. The latter breaking the 5.0% psychological level would do real damage to the debt market in the US and increase all the flows of late ie. seeking haven status in Gold, selling the US dollar, buying CHF and JPY and Euro's, not to mention the impact on the stock market. Data-wise employment numbers are so far holding up and recent inflation data has been softer. But data is backward-looking, so the real impact on the economy will emerge in the next couple of months.

As of today, the 2s10s yield curve is approximately +53 basis points, having reached a high of +76 basis points at one point last week. In our view, the recent break above the key resistance level of 42 basis points may indicate the potential for further steepening over time. From a technical analysis perspective, this could suggest a move towards +90 basis points, although such projections are inherently uncertain and subject to market conditions.

The bottom line is Trump can talk tough, but China can be the one to exert the pressure where it hurts acutely in the more immediate term.



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