CIO base case is for rate cuts of 75-100 basis points this year, which should help support market sentiment. (UBS)

# Recent developments suggest a less aggressive approach to trade disputes

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**The S&P 500 rallied 1.7% on Wednesday, recovering a part of its recent losses, as optimism grew that US-China trade tensions could soon ease and concerns over Federal Reserve leadership faded.**

Earlier in the day, the index traded as much as 3.4% higher, but gave back some of those gains after Treasury Secretary Scott Bessent clarified that there is no unilateral US offer to cut tariffs on China.

US President Donald Trump indicated that the current 145% tariff on Chinese imports could be “substantially” reduced, and press reports suggested the administration is considering lowering tariffs to between 50% and 65%, provided China reciprocates. The Financial Times later reported Trump is contemplating “destacking” duties on imports of car parts from China, with the auto sector lobbying for additional exemptions to incremental tariffs over fentanyl complaints as well as sector tariffs on steel and aluminum products.

The tech-heavy Nasdaq also rose 2.5% led by NVIDIA and Apple after Trump signaled a willingness to take a less confrontational approach to trade talks. Despite falling short of earnings expectations on Tuesday, Tesla’s stock price jumped on both hopes of easing tariff pressures and comments from CEO Elon Musk about reducing his government commitments.

Investors were further reassured as Trump stated late Tuesday that he has “no intention” of removing Fed Chair Jerome Powell, helping to calm fears over central bank independence.

In another sign of improving market sentiment, gold gave up more of its recent gains. Having hit a record high above USD 3,500 per ounce on Monday, the precious metal has retreated to USD 3,334/oz at the time of writing.

**What do we think?**

The latest shift in tone from the White House has rekindled confidence in the "Trump put"—the notion that when tested by the market, the president will soften his stance—whether on trade or Fed independence. The administration's potential willingness to substantially reduce tariffs against China supports our base case that the effective US tariff rate ex-China will settle in the 10-15% range, with Canada and Mexico largely exempt.

We expect volatility to remain elevated as negotiations continue, but recent developments suggest a less aggressive approach to resolving trade disputes. The market's strong rebound reflects growing confidence that the most adverse outcome can be avoided, though upcoming news flow will likely continue to drive short-term swings.

With regard to the Fed, Trump's assurance that he has "no intention" of removing Chair Powell helps ease concerns about central bank independence, even if the rhetoric remains noisy. While the Fed has maintained a cautious approach to monetary easing, we believe it will be willing and able to respond to signs of economic weakness, especially rising layoffs. Our base case is for rate cuts of 75-100 basis points this year, which should help support market sentiment.

Original report: **Markets regain confidence in Trump put, 24 April 2025.**

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