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Brunsdon Financial Market Insights

March Market Update: Trade Tariffs Shake Markets, Bond Yields Drop and Tech Earnings Diverge

- **Trade tariffs fuel market swings** – US President Trump's tariff plans caused volatility in February, impacting global markets.
- **Bond yields drop as investors seek safety** – Economic concerns and market uncertainty led to lower bond yields, despite ongoing inflation worries.
- **Tech giants post mixed earnings** – The biggest US tech firms delivered varied results, causing some stocks to retreat by the end of the month.
- **US-Russia peace talks shift geopolitics** – Talks between the US and Russia, excluding Europe and Ukraine, raised concerns over NATO unity.

Trade Tariffs Shake Equity Markets

Market movements shifted with changing trade tariff policies. President Trump delayed a 25% tariff on Canada and Mexico but imposed a 10% increase on China.

Hopes for smoother trade faded as the US announced 'reciprocal' tariffs starting in April. These could raise costs, fuel inflation, and keep interest rates higher for longer. A diversified equity strategy could help navigate these challenges.

Economic Uncertainty Boosts Demand for Safe-Haven Assets

Investor concerns over economic stability and market volatility drove demand for safe-haven assets, leading to a decline in government bond yields (and a rise in bond prices).

While inflation remains a concern, fears over slowing economic growth—especially with tariffs keeping price pressures high—have taken center stage.

Tech Giants Deliver Mixed Results

Nvidia's latest earnings report—the most anticipated among megacap tech companies—delivered strong but not exceptional results, challenging investor expectations. As key players in global equity markets, the 'Magnificent Seven' (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, and Tesla) continue to influence market movements.

This month's volatility in tech stocks highlights the importance of managing concentration risk in portfolios. It also reinforces the value of active management, as passive index investing can sometimes obscure significant exposure to a few dominant companies.

US-Russia Peace Talks Reshape Geopolitics

The US has begun talks with Russia to end the war in Ukraine, sidelining Europe and Ukraine while signaling reduced military support for Europe.

In response, European nations, including the UK, are increasing defence spending. The UK plans to raise funding from 2.3% of GDP to 2.5% by 2027, with a target of 3% in the next Parliamentary term, boosting the defence sector and wider economy.

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