optima wealth

The S&P 500 fell 4.8% the day after the announcement, its biggest daily decline since 2020.

A more stable session was expected on Friday, until Beijing responded with its own measures. President Xi Jinping’s government said it will impose a 34% tariff on all US imports starting April 10, matching the level of Trump’s reciprocal tariffs on Chinese products.

That saw the S&P 500 fall another 6.0% on Friday, making for a 10.5% slump in two days, something we haven’t seen since the worst days of the pandemic in March 2020 (and before that November 2008 and October 1987). The S&P 500 is now 17.4% below its peak, with higher growth stocks getting hit hardest. The “Magnificent 7” has fallen 23.6%, while the rest of the index (the other 493) is down a more modest 9.0%.

The Japanese Topix index was down 10.0% last week, the UK was 7.0% lower and European shares fell 8.4%. Emerging market equities held up better, slipping 3.0%, while the Australian ASX 200 fell 3.9% and is down 4% on Monday.

The local NZX 50 was down just 0.5%, helped by its bias toward defensive companies and domestic-facing sectors (such as real estate and utilities). This has fallen another 3.5% today as it played catch up to China’s news.

Interest rates fell sharply as risk aversion took hold, with the US 10-year Treasury yield down 25 basis points at 3.99%, closing below 4.00% for the first time since October.

The New Zealand five-year swap rate fell by a similar degree, ending the week at 3.5%. The NZ dollar also provided a shock absorber for local investors, with the currency falling 2.1% last week to an eleven-week low of US$0.56 against the greenback. It was down 3.4% against the euro, 1.7% against the British pound and 3.9% against the Japanese yen.