Markets Spiral as Tariff Shock Sends Ripples Through Wall Street

Last week delivered a jolt to investors, with financial markets reeling in response to President Donald Trump's announcement of sweeping new tariffs that exceeded even the most pessimistic forecasts. The result? A cascade of selling that drove the Nasdaq and Russell 2000 into bear market territory and pushed the Dow and S&P 500 dangerously close to the edge. Bond yields collapsed while crude oil prices tumbled to levels not seen since 2021.

Not even defensive favorites could escape the sell-off. Sectors like utilities, insurance, and gold, which typically serve as havens in times of uncertainty, suffered substantial losses. Recent defense players like AT&T (T) and McDonald's (MCD) also came under heavy pressure as bears expanded their reach.

Just for the records, we alerted our readers in our Jan 31st weekly commentary as follows:

''Couple this with the uncertainties due to Trump Tariffs, DeepSeek factor and its impact on AI stocks, and Fed's halt of key interest rate cuts and one could see that several factors are lining up which could cause major disruptions to the stock market rally and hence eventually result in a cyclical bear market cycle.

We therefore suggest that investors cut down on their open positions and reduce exposure to 10-30% of their investments only, thereby raising cash and limiting their investments till further clarity on a possible trade war is obtained that could take weeks or even months to fully unfold."

Hope our earlier analysis alerted our readers in advance to prepare for the unfolding carnage.

A soaring VIX, Wall Street's famed fear index, hints at the possibility of a short-term rebound, but now is not the time to get comfortable. For many seasoned investors, caution reigns supreme, and cash is once again the safest seat in the house.

Key Reports on Deck: Inflation and Earnings in Focus

This week's spotlight turns into crucial economic indicators. The Consumer Price Index (CPI) and Producer Price Index (PPI) reports are expected to offer early insights into whether tariff impacts are already hitting consumer prices. Meanwhile, quarterly results from JPMorgan Chase (JPM), Wells Fargo (WFC), and Delta Air Lines (DAL) will shed light on consumer and business sentiment.

Tech investors are also eyeing revenue updates from Nvidia (NVDA) and chip manufacturing giant Taiwan Semiconductor (TSM), whose earnings guidance is expected in the following week.

Trump's Tariffs: A High-Stakes Gamble

Wednesday's tariff escalation marks the most aggressive protectionist step in decades, catapulting average U.S. tariff rates to century highs. Economists are increasingly wary of the broader implications, recession, stagnation, or even stagflation. In swift response, China rolled out its own retaliatory measures, ratcheting up global trade tensions.

Trump attempted to offset concerns by touting Vietnam's willingness to eliminate tariffs, giving a modest boost to apparel stocks. However, his tariff targets are not strictly based on foreign trade barriers but on U.S. trade deficits with those nations.

Federal Reserve Chair Jerome Powell acknowledged the uncertainty, stating that more data is needed before the Fed adjusts its course. He indicated there is no urgency to alter interest rates ahead of the May 7 meeting.

Forecasts Take a Hit

JPMorgan slashed its economic outlook in response to the tariffs. Chief U.S. economist Michael Feroli now anticipates a 0.3% GDP contraction in Q4—revised down from a projected 1.3% increase. Annual core PCE inflation is now expected to climb to 4.4%.

Feroli believes rate cuts will begin in June and continue steadily through January, with the Fed aiming for a target rate range of 2.75%-3%.

A Brutal Week for Stocks

Markets took a nosedive last week following Trump's tariff bombshell. The Dow cratered by 7.86%, shedding 3,910 points in just two days—its worst week in eight months. The S&P 500 fell 9.1%, while the Nasdaq plummeted 10%, both sinking to 11-month lows. Small-cap stocks were not spared, with Russell 2000 falling 9.7%, its weakest performance since late 2023. The performance of major indexes was as follows:

Performance Recap (Week Ending 4/04):

Index	Friday (4/4)	Weekly	Monthly	YTD	1-Year
S&P 500	-5.97%	-9.08%	-12.19%	-13.73%	-1.42%
Dow Jones Industrial	-4.32%	-7.86%	-9.89%	-9.94%	-0.73%
Nasdaq 100	-6.07%	-9.77%	-14.52%	-17.20%	-2.69%
Nasdaq Composite	-5.82%	-10.02%	-14.75%	-19.28%	-2.87%
Russell 2000	-4.46%	-9.61%	-12.03%	-17.81%	-10.06%

All major indices ended the week deep in the red, despite good gains on Monday, Tuesday, and Wednesday. The S&P 500 failed to break through resistance at 5782 resulting in the failure of rally attempt and the subsequent follow-through day on Monday.

Bond yields followed suit, with the 10-year Treasury sliding to 3.99%, hitting an intraday low of 3.89%. Crude oil futures dropped 10.6% to $61.99 per barrel, their lowest since April 2021.

The CBOE Fear gauge VIX exploded to levels not seen recently. While a spike in volatility can sometimes hint at a bottom forming, the sheer intensity of investor anxiety suggests the pain may not be over. Further downside is expected although a short-term bounce could occur because of the oversold conditions in the major markets.

Sector Performance and ETF Carnage:

S&P 500 sector performance last week was as follows:

Sector	Weekly Performance	Last One Month
Staples (XLP)	-2.43%	-3.93%
Energy (XLE)	-14.79%	-8.73%
Real Estate (XLRE)	-5.92%	-8.86%
Discretionary (XLY))	-7.23%	-11.98%
Financials (XLF)	-10.18%	-11.14%
Utilities (XLU)	-4.42%	-3.82%
Materials (XLB)	-8.43%	-8.80%
Health Care (XLV)	-6.39%	-8.36%
Industrials (XLI)	-9.38%	-10.22%
Communications (XLC)	-8.89%	-12.67%
Technology (XLK)	-11.63%	-16.39%

All S&P 500 sectors were down both on a weekly and monthly basis. The worst hit were aggressive and growth areas like Technology, Communications and Discretionary. Investors sought safety in Staples and Real Estate, but these areas were also affected. Energy's strong performance over the last month was wiped out by a sharp fall in crude oil prices due to concerns over recent tariffs and trade wars. Even more conservative plays like the Health Care Select Sector SPDR Fund (XLV) were not spared, losing 6.4%. Industrial and financial ETFs took a hit too. The Industrial Select Sector SPDR Fund (XLI) slid 9.4%, and the Financial Select SPDR ETF (XLF) fell 10.2%, dragged down by core holdings like JPMorgan and Wells Fargo.

Coming to the ETFs (Exchange Traded Funds), the growth-focused ETFs tumbled across the board. The Innovator IBD 50 ETF (FFTY) sank 10.5%, while the iShares Tech-Software ETF (IGV) dropped 9.5%. The VanEck Semiconductor ETF (SMH), heavily weighted toward Nvidia and TSM, fell an alarming 14.8%. Cathie Wood’s flagship ARK Innovation ETF (ARKK) lost 13.9%, and the ARK Genomics ETF (ARKG) slid 11.8%. The sell-off reached deep into sector-specific funds as well. The SPDR Metals & Mining ETF (XME) dropped 14.4%, U.S. Global Jets ETF (JETS) declined 14.5%.

Gold ETF was better off and lost only 1.53% for the week. Gold hit an all-time high before pulling back due to profit taking and extended after a 20% run since last December.

Important Events next week:

Important economic events planned for the upcoming week are:

Wednesday (04/09): Crude Oil Inventories, FOMC Meeting Minutes
Thursday (04/10): Core CPI (MoM and YoY), Initial Jobless Claims
Friday (04/11): PPI (MoM and YoY), Consumer Sentiment

March inflation data will be critical, especially to determine whether early effects of tariffs are filtering through to consumers. The University of Michigan's sentiment index will also help gauge inflation expectations and overall market mood.

Important Earnings this week:

Earnings season will kick-off this week. Results from JPMorgan, Wells Fargo, Morgan Stanley, and Delta Air Lines will provide key early signals on how consumers and businesses react to the new trade environment. Taiwan Semiconductor's revenue report adds another layer of insight, though detailed earnings will follow later.

Monday (04/07): Levi Strauss (LEVI), Dave & Buster's Entertainment (PLAY)
Wednesday (04/09): Delta Airlines (DAL)
Thursday (04/10): CarMax (KMX)
Friday (04/11): JPMorgan Chase (JPM), Morgan Stanley (MS), Wells Fargo (WFC)

Strategy Moving Forward:

Markets are in the thick of a downturn, and while a rebound may flash on the horizon, now is not the time to chase rallies. Defensive positions are losing steam, and few stocks remain in technically strong setups.

Yet, the most influential variable remains the evolving tariff situation. Will other nations retaliate? Could some seek compromise deals with the U.S.? How this plays out could significantly shape the market's next move.

Bottom line: Stay cautious. Do not let short-term gains tempt you into risky trades. Instead, refine your watchlist, look for signs of relative strength, and prepare to act only when the market shows genuine, sustainable recovery. ***In other words, reduce your exposure and build cash so that you can sleep at night.***

We are calling out to close all positions except those mentioned on next page to avoid further losses. This includes long-term stocks like NVDA, AAPL, MSFT and COSTCO and medium-term stocks like GOOGL, META and AMZN.

Investors with enough cushion in these stocks could hold them from a long-term perspective but bear in mind that short-term volatility could even squeeze them out before finally making a comeback.

Interesting Stocks for Actions and Watchlist:

We will reassess several recently selected stocks to determine whether they should be retained or sold.

Recently Picked Stocks:

MPLX/HESM:	These pipeline companies were mentioned two weeks ago week have also been hit hard with the falling crude oil prices and overall energy sector. MPLX lost 7% and HESM lost 9.56% last week. Both are getting close to their 200-day moving average lines. If they break these lines and slide further chances for a deeper correction will rise and positions should be closed. On the other hand, both are providing handsome dividends close to 8% which could be attractive for some long-term investors seeking cash income.
BABA:	Ali Baba also came under pressure and lost 10% last week due to tariffs exchanged between USA and China. It is still above its 200-days EMA line and may find support around 102. On the other hand, an extended conflict could impact investor sentiments on BABA as well. Suggest reducing exposure in this stock as well.
GLDM:	Gold lost some ground (1.44%) last week as profit taking at high prices kicked in. Gold seems a bit extended at these prices and could pull down to test its 20-day EMA at 56.27. However, it could remain attractive amid investors' exit from riskier assets and flight to safe heavens. A role that gold is likely to play this year.
ETR/NI:	We mentioned last week that it is time to reduce position size and secure some profits from these two utility players. If not done so, then still there is time to do so. Both ETR and NI lost 6-7% last week and although expected to perform better than growth stocks, but a bear market could easily pull them down to their 50-days EMA very easily.

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