Financial Markets This Week

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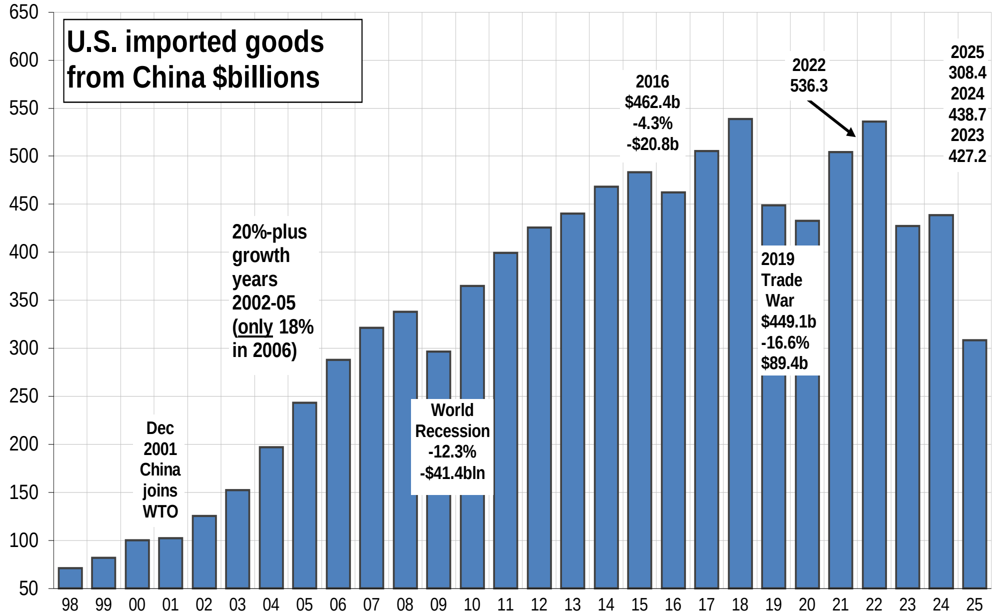
TRADE WAR CHINA

The U.S. has won the trade war with China, if importing less goods was the goal for American trade policy way back in 2018 during Trump 1.0. Not sure what Trump and Xi will have to talk about if they meet in May this year, given the collapse in the US-China trade figures. Too many tariffs, and threats of tariffs from both sides, seem to have sent foreign exporters elsewhere.



U.S. Imports of goods	China			Vietnam			Taiwan		
Billions of dollars	2024	2025	Change	Change	2025	2024	Change	2025	2024
Cell phones, other household goods	64.007	39.247	-24.760	5.045	10.228	5.183			
Computers	34.300	9.715	-24.585	17.297	31.938	14.641	53.197	72.291	19.094
Toys, games, and sporting goods	30.786	19.363	-11.423	4.316	7.682	3.366			
Computer accessories	16.157	11.659	-4.498	9.133	18.584	9.451	27.623	60.467	32.844
Telecommunications equipment	12.848	9.965	-2.883	13.579	28.127	14.548	0.999	9.809	8.810
TOTAL IMPORTS	438.742	308.379	-130.363	57.339	193.840	136.501	85.167	201.422	116.255

US imports for goods from China fell 29.7% to $308.4 billion in 2025 under Trump 2.0 from $438.7 billion in 2024. Not done yet. Shouldn't do this maybe, but the first two months of goods imports in 2026 collapsed 45% from the prior year which would mean full year 2026 imports of $168.4 billion.

Most of the big changes are in tech, toys, telecom equipment. Some trade officials see a conspiracy as what China lost, Vietnam and Taiwan gained. China computer imports fell $24 billion in 2025, while Vietnam computer imports increased $17 billion, and Taiwan computers jumped $53 billion. Computer accessories even more lopsided with Taiwan imports up $27 billion, and Vietnam $9 billion, while computer accessories dropped $4.5 billion to $11.7 billion from China in 2025. Taiwan telecom increased about $1 billion while the other missing categories showed slight declines. Cell phones from China fell $24 billion, and the increase in cell phones from Vietnam was $5 billion. Toys, games, and sporting goods imports from China fell $11.4 billion, while Vietnam toys imports increased $4.3 billion.

The focus here is on trade in goods, and it is surprising how both US exports to China and more importantly, imports from China have been reduced as the trade war with China restarted under Trump 2.0 last year.

It takes years for US exporters to build up sales in foreign countries and it can unravel quickly if the Federal government attempts to intervene. It was always an issue decades ago about what America could sell to Japan that they might want. Nothing it turned out. China does not buy many passenger cars. Looking at US exports to China it appears that Boeing and soybeans are favored except the former had been reduced by the grounding of the Boeing 737 Max in March 2019. Aircraft sales have just recently rebounded to $15.9 billion in 2025. Soybeans exports had been $14 billion as late as 2016 before the Trump 1.0 China trade war. Sales built back to $17.9 billion under Biden, but were barely $3 billion still in 2025 despite some promises. Census data show worldwide US soybean export sales of $17.5 billion in 2025 versus $25.8 billion in 2024. Stay tuned. We have a lot of oil, but exported $100 billion last year and imported $140 billion, amounts were lower as crude oil averaged $65 in 2025 down from $76 in 2024. Fourth biggest export is gold. Who knew.

U.S. Exports of goods to China

Billions of dollars	2018	2019	2020	2021	2022	2023	2024	2025
Civilian aircraft, engines, equip, parts	18.221	10.427	4.392	4.724	5.520	6.808	11.567	15.885
Semiconductors	7.278	9.032	11.336	13.499	10.653	6.193	9.931	10.951
Pharmaceutical preparations	3.024	4.346	4.784	6.852	9.680	10.363	9.979	9.463
Industrial machines, other	6.822	6.272	7.756	10.139	8.589	7.595	7.450	5.453
Natural gas liquids	1.190	0.147	1.387	3.579	4.202	4.251	6.121	4.888
Medicinal Equipment	3.727	4.138	4.104	4.828	4.806	4.794	4.346	4.312
Plastic materials	3.980	3.370	3.762	3.999	4.796	5.533	5.527	4.196
Measuring, testing, control instruments	3.126	2.796	2.629	2.857	3.075	3.345	4.003	3.231
Soybeans	3.129	8.008	14.068	14.116	17.917	15.058	12.637	3.079
Chemicals-other	3.202	3.038	3.298	3.773	4.015	3.370	3.509	2.902
Passenger cars, new and used	6.668	7.247	6.090	6.599	5.498	6.248	4.922	2.268
Electric apparatus	2.417	2.221	2.558	2.578	2.479	2.358	2.298	2.143
Other industrial supplies	2.171	2.028	2.066	2.761	2.620	2.334	2.347	1.964
Meat, poultry, etc.	0.698	1.429	3.384	4.211	4.658	3.632	3.237	1.720
Industrial engines	1.755	1.498	1.421	1.659	1.559	1.594	1.627	1.688
Telecommunications equipment	1.433	1.385	1.180	1.266	1.066	1.212	1.464	1.669
sub-total	68.842	67.382	74.214	87.439	91.133	84.688	90.966	75.812
Total	120.281	106.481	124.582	151.439	153.987	147.635	143.227	106.308
	Sharp declines for some commodities in 2025							
Crude oil	5.418	2.960	6.820	6.015	6.674	13.273	6.151	0.627
Copper	1.769	0.440	0.818	2.109	2.651	2.583	3.288	0.794
Cotton, raw	0.925	0.707	1.826	1.332	2.807	1.566	1.480	0.219
Sorghum, barley, oats	0.522	0.186	1.146	1.782	1.813	1.195	1.233	0.087
Corn	0.060	0.057	1.242	5.060	5.212	1.635	0.335	0.004

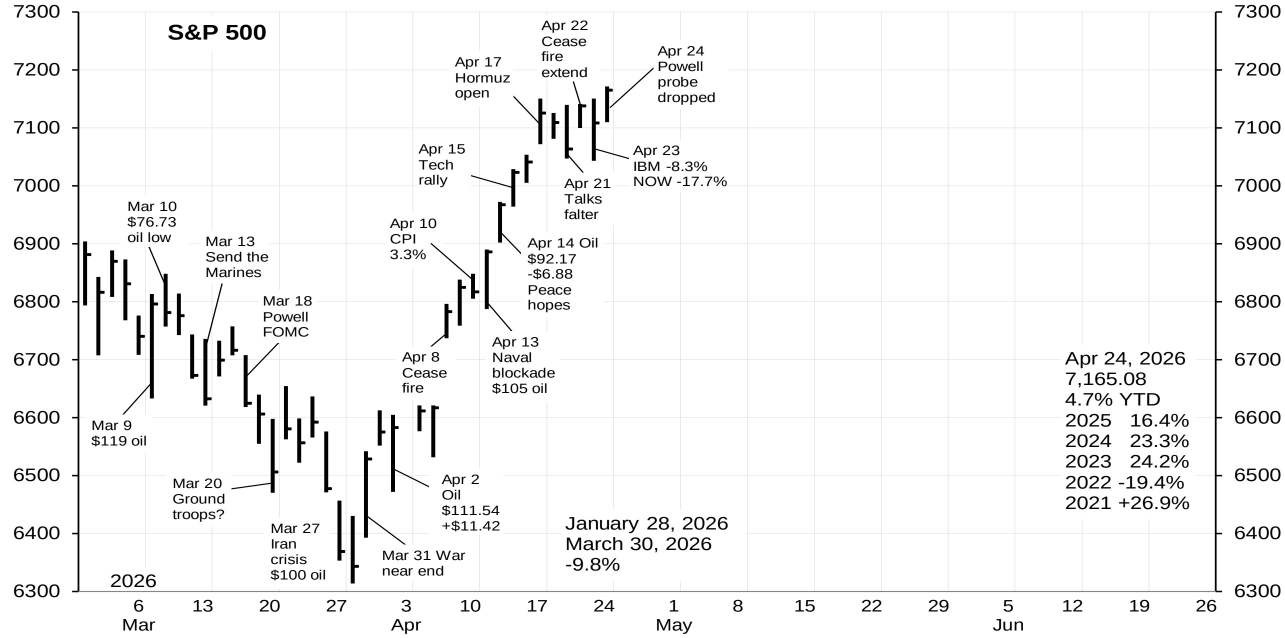
Major U.S. Goods Exports to the World

Billions of dollars	2024	2025	Change
Aircraft	124.062	152.755	28.693
Pharmaceutical preparations	107.609	119.760	12.151
Crude oil	118.524	99.688	-18.836
Gold	34.218	83.901	49.683
Petroleum products, other	77.376	73.843	-3.533
Industrial machines, other	71.108	69.964	-1.144
Semiconductors	64.947	67.923	2.976
Other vehicle parts	59.406	57.024	-2.382
TOTAL US EXPORTS	2,061.7	2,185.2	123.5

Major U.S. Imports of goods from World

Billions of dollars	2024	2025	Change
Pharmaceutical preparations	246.874	287.090	40.216
Computers	116.758	218.158	101.400
Passenger cars	213.831	179.429	-34.402
Computer accessories	100.638	143.345	42.707
Crude oil	167.550	139.977	-27.573
Other vehicle parts	145.509	138.338	-7.171
Telecommunications equipment	84.484	114.742	30.258
Cell phones, other household goods	111.678	108.842	-2.836
TOTAL US IMPORTS	3,266.4	3,415.7	149.3

INTEREST RATES



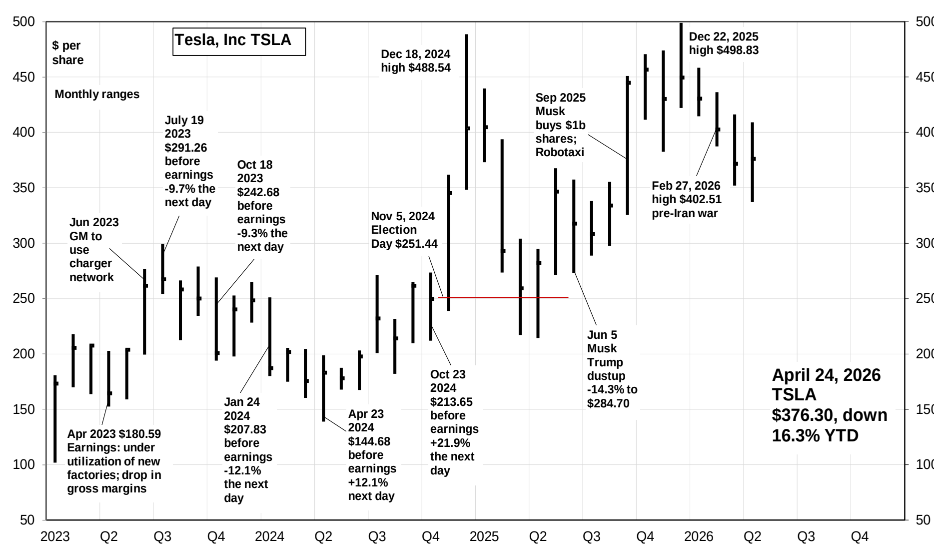
New all-time highs this week for stocks for a second week. There were a couple of downdrafts that closed the gap left on the charts after last Friday's Hormuz Strait is open rally. Tuesday's sell-off was on the feeling the Iran talks were faltering. Trump extended the ceasefire Wednesday, then another downdraft Thursday after IBM (-8.3%) and ServiceNow (-17,7%) earnings reminded investors they were supposed to sell software stocks as AI will disrupt their earnings model. A second new all-time high Friday as the Trump DOJ is dropping its Powell criminal investigation which should mean Warsh will be confirmed as Fed Chair. The Iran peace talks are on again for this weekend as well, according to headlines. The 10-year yield high of 4.36% was on Friday, and the yield curve steepened looking for rate cuts as Trump's Fed 2.0 starts to take form. Fed meets, Q1 GDP and PCE inflation next.

Tesla, Inc. (TSLA) down 16.3% YTD, Capex worries now

A good-sized retreat this year after failing the last two Decembers to get through $500. The stock was $387.51 Wednesday with earnings after the bell. Capital expenditures were $2.493 billion in Q1 2026, but the full year 2026 is somehow going to $25 billion. Something to do with robotics and AI. Okay, the company's prior 2026 capex guidance was $20 billion. Musk did say FSD not there yet.

Operating Model 3/Y

Mln $	Revenue	Income	Deliveries	Capex
Q1 2024	21,301	1,171	369,783	2,777
Q2 2024	25,500	1,605	422,405	2,272
Q3 2024	25,182	2,717	439,975	3,513
Q4 2024	25,707	1,583	471,930	2,780
Q1 2025	19,335	399	323,800	1,492
Q2 2025	22,496	923	373,728	2,394
Q3 2025	28,095	1,624	481,166	2,248
Q4 2025	24,901	1,409	406,585	2,393
Q1 2026	22,387	941	341,893	2,493

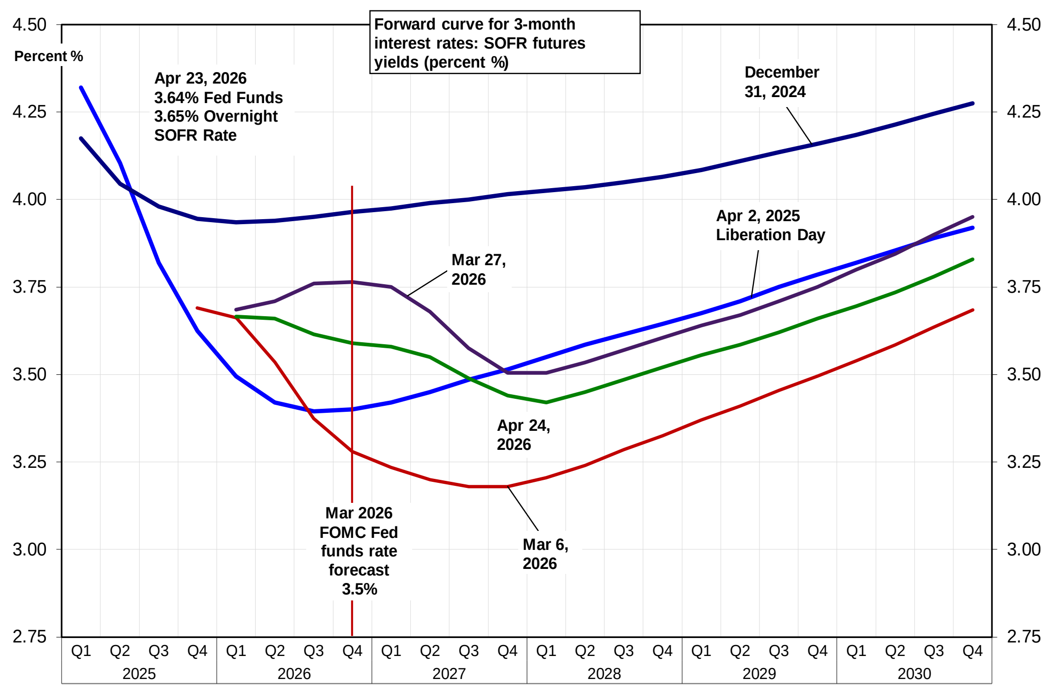


FEDERAL RESERVE POLICY

Selected Fed assets and liabilities						Change
Fed H.4.1 statistical release						from
billions, Wednesday data	22-Apr	15-Apr	8-Apr	1-Apr	3/11/20*	3/11/20
Factors adding reserves						to Apr 22
U.S. Treasury securities	4420.267	4407.209	4406.779	4390.204	2523.031	1897.236
Federal agency debt securities	2.347	2.347	2.347	2.347	2.347	0.000
Mortgage-backed securities (MBS)	1993.276	1996.478	1996.680	1996.680	1371.846	621.430
Repurchase agreements	0.004	10.463	0.101	0.750	242.375	-242.371
Primary credit (Discount Window)	6.032	5.306	5.873	6.012	0.011	6.021
Bank Term Funding Program	0.000	0.000	0.000	0.000		
FDIC Loans to banks via Fed	0.000	0.000	0.000	0.000		
Paycheck Protection Facility	0.031	0.040	0.042	0.043		
Main Street Lending Program	1.335	1.333	1.333	1.331		
Term Asset-Backed Facility (TALF II)	0.000	0.000	0.000	0.000		
Gold stock	11.041	11.041	11.041	11.041	11.041	0.000
Central bank liquidity swaps	0.101	0.106	0.105	0.180	0.058	0.043
Federal Reserve Total Assets	6758.7	6756.9	6745.1	6726.0	4360.0	2398.716
~~3-month Libor %~~ SOFR %	3.64	3.72	3.59	3.65	1.15	2.490
Factors draining reserves						
Currency in circulation	2453.331	2452.150	2452.773	2450.588	1818.957	634.374
Term Deposit Facility	0.000	0.000	0.000	0.000	0.000	0.000
U.S. Treasury Account at Fed	1007.172	924.435	697.079	803.553	372.337	634.835
Treasury credit facilities contribution	0.821	0.821	0.821	0.821		
Reverse repurchases w/others	0.538	0.223	0.177	2.107	1.325	-0.787
Federal Reserve Liabilities	3844.166	3776.731	3561.603	3661.557	2580.036	1264.130
Reserve Balances (Net Liquidity)	2914.576	2980.186	3183.533	3064.460	1779.990	1134.586
Treasuries within 15 days	89.725	80.940	70.676	66.965	21.427	68.298
Treasuries 16 to 90 days	315.690	306.882	329.923	328.018	221.961	93.729
Treasuries 91 days to 1 year	516.358	521.259	526.978	516.388	378.403	137.955
Treasuries over 1-yr to 5 years	1388.419	1388.245	1380.331	1380.156	915.101	473.318
Treasuries over 5-yrs to 10 years	509.888	509.849	502.894	502.855	327.906	181.982
Treasuries over 10-years	1600.187	1600.033	1595.977	1595.823	658.232	941.955
Note: QT starts June 1, 2022	Change	4/22/2026	6/1/2022			
U.S. Treasury securities	-1350.512	4420.267	5770.779			
Mortgage-backed securities (MBS)	-714.170	1993.276	2707.446			
**March 11, 2020 start of coronavirus lockdown of country						

The Fed meets April 28-29, 2026 to consider its monetary policy. The Warsh hearing at the Senate was 10am ET Tuesday for a few hours. Markets came away empty handed if they were looking for guidance on interest rates, especially with the President saying rates will be going lower. We are not sure Warsh thinks it is a good idea for Fed officials to make public interest rate forecasts at the March, June, September, and December meetings each year. Most Wall Street Fedwatchers make their interest rate forecasts using the Fed's rates guidance. The questioning on the size of the Fed balance sheet went on for too long. It just sits there doing nothing as far as we can see: $6.758 trillion in the April 22 week in the table here. If the Warsh Fed goes back to Fed QT, selling their Treasuries, each $100 billion they off-load just has to be auctioned to the market by the US Treasury which theoretically puts upward pressure on bond yields, although we cannot see or measure the effect. Do nothing is our advice on so many things in life, and the Fed B.S. is just another thing to leave alone. Let sleeping dogs lie.

Fed Policy-key variables	2026	2027	2028	Long Term
Fed funds	3.4	3.1	3.1	3.1
PCE inflation	2.7	2.2	2.0	2.0
Core inflation	2.7	2.2	2.0	
Unemployed	4.4	4.3	4.2	4.2
GDP	2.4	2.3	2.1	2.0
March 2026 median Fed forecasts				



7 bps of a 25 bps rate cut is discounted by the September 2026 meeting.

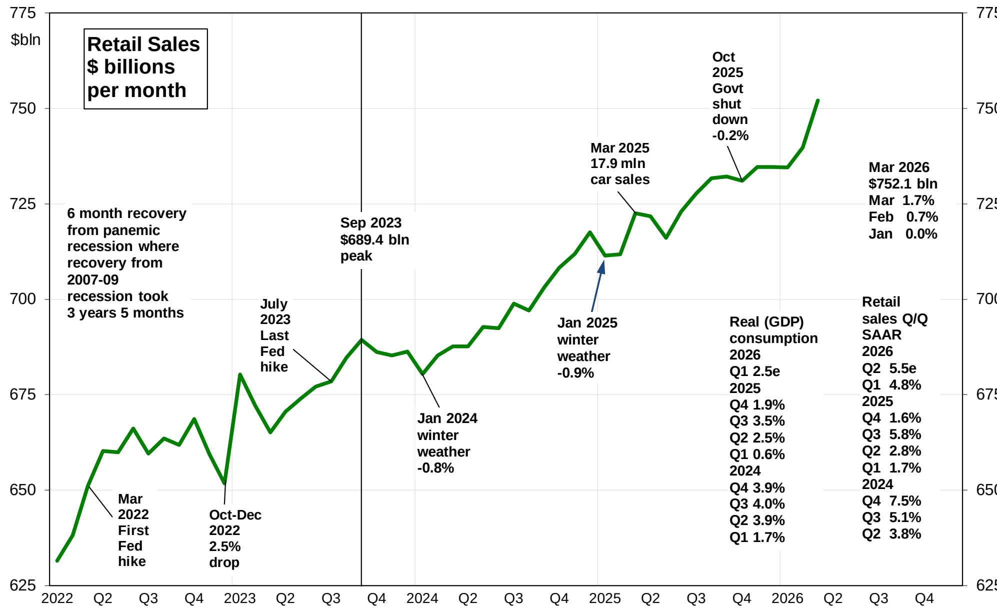
Fed funds futures call Fed policy		
Current target: April 24 -- 3.75%		
Rate+0.11	Contract	Fed decision dates
3.740	Jul 2026	Apr 29, Jun 17*
3.680	Oct 2026	Adds Jul 29, Sep 16*
*July 2026 could be two days at a new rate		
*Oct 2026 could be 3 days at a new rate		

Next up: March PCE inflation Thursday, April 30 830am ET

Monthly	2026			2025											2025
% Changes	Mar	Feb	Jan	Dec	Nov	Oct	Sep	Aug	Jul	Jun	May	Apr	Mar	Feb	Jan
Core CPI inflation	0.2	0.2	0.3	0.2	na	na	0.2	0.3	0.3	0.2	0.1	0.2	0.1	0.3	0.4
Core PCE inflation	0.3e	0.4	0.4	0.3	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.2	0.1	0.4	0.3
Core PCE YOY	3.2e	3.0	3.1	3.0	2.8	2.8	2.8	2.9	2.9	2.8	2.8	2.6	2.7	3.0	2.8
Core CPI YOY	2.6	2.5	2.5	2.6	2.6	na	3.0	3.1	3.1	2.9	2.8	2.8	2.8	3.1	3.3

OTHER ECONOMIC NEWS

Consumers pay the price at the pump (Tuesday)



Breaking economy news. Retail sales jumped 1.7% in March, despite the Iran war uncertainty, and were able to handle the higher gasoline prices at the pump, however grudgingly, for now. Retail sales ex-gas rose 0.6% in March. Retail sales ex-gas and autos also rose 0.6% in March and we will boost our real consumption expenditures estimate for Q1 2026 due out on Thursday, April 30 with the GDP report from 1.5% to 2.5%, partly because already released unit auto sales were also stronger in March, rising 3.2% to a “normal” 16.3 million pace despite the war.

Net, net, an eye-popping headline for retail spending from the consumer in March is quickly brought down to reality with the Iran war boosting the price and dollars spent on gasoline at the pump. It is still remarkable that consumers have the wherewithal to pay for the higher gasoline prices and many other goods as well given the uncertainty of the war and its depressing effect on consumer confidence. The only hint of weakness comes in the just slight increase in dining out in March. Consumers have more income tax refunds to spend this year with $188.7 received so far at the halfway point of the fiscal year versus $173.6 billion this time a year ago. Income tax refunds are more than enough to exlpain the $752.1 billion of retail sales in March up from $739.8 billion in February. Stay tuned. Geopolitical risks have not overwhelmed the consumer yet in the first full month of the Middle East war, but spending will not continue on at a moderate pace for long if the unpopular war is not brought to a speedy conclusion. Consumers are paying the price of the war with its higher gasoline prices at the pump for now, but for how long is the million dollar question.

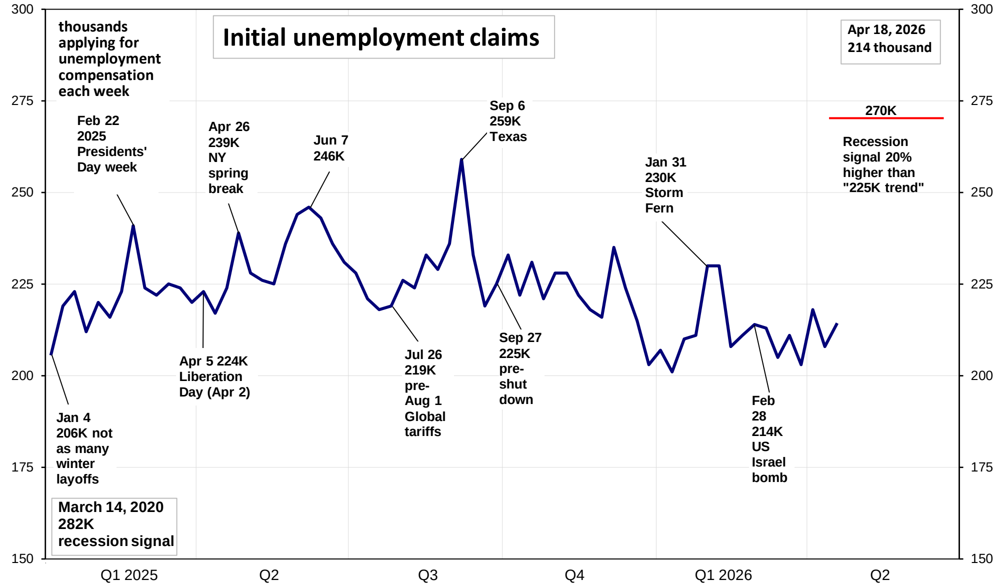
Retail spending, actual dollars, each month

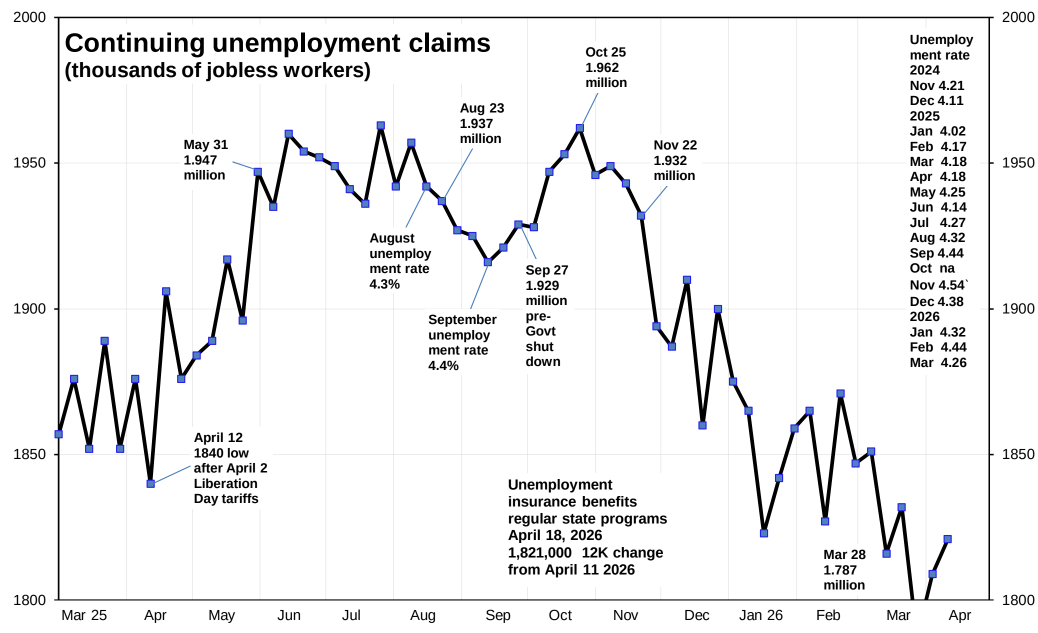
	$million Mar	% to Total	Percent Changes % Mar	Feb	Year/year
Total Retail Sales	752,063	100.0	1.7	0.7	4.0
Motor vehicles/parts	139,627	18.6	0.5	1.0	-2.1
Furniture/furnishings	11,301	1.5	2.2	-0.1	-0.8
Electronics/appliances	7,982	1.1	0.9	0.7	5.2
Building materials/garden	41,615	5.5	0.7	0.6	2.6
Food & beverage	84,549	11.2	0.7	-1.2	0.0
Health/personal care	39,866	5.3	0.5	2.0	1.6
Gasoline stations	60,571	8.1	15.5	1.3	18.1
Clothing/accessories	27,837	3.7	0.0	2.8	7.2
Sporting goods, books	8,457	1.1	0.0	0.7	3.8
General merchandise	78,565	10.4	1.0	0.0	2.5
Department stores	3,289	0.4	4.2	3.5	0.8
Miscellaneous retailers	16,041	2.1	-0.9	2.2	9.8
Nonstore retailers (internet)	135,432	18.0	1.0	1.2	10.1
Eating & drinking places	100,220	13.3	0.1	0.5	2.4
[Total ex-autos/gas]	551,865	73.4	0.6	0.6	4.2

Job market weathering the storm (Thursday)

Breaking economy news. First-time applications for unemployment benefits rose 6K to 214K in the April 18 week. It is important to remember the news headlines of companies laying off 2K workers over the next few months pale in comparison to the 214 thousand applying because they lost their jobs in just the April 18 week. There is no recession. Continuing claims remain low after rising 12K to 1.821 million in the April 11 week, which is a week away from the survey week for the BLS monthly unemployment rate to be released Friday, April 8. It could be consistent with a 4.2% unemployment rate, it was barely 4.3% (4.26) a month ago.

Net, net, it has been seven weeks since the start of the war in the Mideast and businesses are struggling with the higher costs to the bottom line caused by the spike in energy prices, but so far companies have refrained from adjusting their headcounts and layoffs nationwide remain extremely low. There have been some splashy headlines produced by headcount reductions made by major companies especially related to technology and AI, but overall, the economy is weathering the storm and layoffs in aggregate are not enough to pose a risk to the economic expansion. There hasn't been a negative quarter of real GDP growth since early 2022, and it doesn't look like there will be another dip anytime soon. The labor market is weathering the storm of inflationary price increases caused by the Iran war for now.





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