Markets Believe in a Trump Reprieve

Authors: David Rosenberg

+1 416-583-5566
information@rosenbergresearch.com

Key Takeaways

- **Junk Bond Redemptions Causing Concern**: Equity markets are firm to start the day, as investors shrug off the Trump bombing threats. All in, both the Asia-Pac and Emerging Market equity indices are on pace to post +0.8% advances. If there is pain, it has been in the junk bond market, where redemptions are on the rise. Jamie Dimon's client letter, especially his warnings on private credit, is well worth a read.
- **Tourism and Consumer Discretionary Take a Huge Hit**: Losers in the Iran war have been global travel/tourism and consumer discretionary spending in general. So far, the gasoline shock has drained $150 billion out of household cash flows at an annual rate. If there is a winner, it is China, which planned for this war some time ago, as it did previously with the tariff file.
- **Fade the Friday Payroll Report**: We wonder why practically every economist has been gushing over Friday's payroll report, which is destined to be revised and likely lower, as has been the case over 90% of the time in the past year. The hallmark of Friday's report that was missed was that both average weekly earnings and the index of aggregate hours worked dipped in March (-0.1% MoM for the former; -0.2% for the latter). That's a hot labor market? The two going down in tandem is basically a one-in-ten event.

While We Were Sleeping

> *"I'm quite sure the markets are not fully pricing the worst-case scenario"*
>
> — Singapore's Foreign Affairs Minister, Vivian Balakrishnan

Talk about an understatement.

Call it a low-volume rally (*ergo*, low-conviction) yesterday, again fueled by speculation over the remote possibility of a brokered ceasefire or a shift in Donald Trump's 8:00 p.m. (today) power-plant bombing deadline (meanwhile, Iran has pressed on with its attacks on its Gulf neighbors). Meanwhile, the S&P 500 is lower today than it was in mid-September but looking at the guests on CNBC yesterday, they were so exuberant you would have thought we were trading back at new highs. The life of a perma bull is a very happy life, indeed. In reality, what we have on our hands is more than six months of nothing except acute volatility and clipping the puny 1.2% dividend yield.

As for the overnight trade, U.S. futures have swung from modest red to modest green, the Euro Stoxx 50 composite is up +0.7% so far today, while most of Asia also played catch-up and closed in the green: Taiwan (+2.0%), Korea (+0.8%), Thailand (+0.5%), China's Shanghai Composite (+0.3%), and India (+0.2%) were all up. Only Singapore closed with a loss (-0.2%) and Japan's Nikkei 225 was unchanged. All in, both the Asia-Pac and Emerging Market equity indices are on pace to post +0.8% advances.

Bond markets are consolidating but there was a nice -5 basis point decline in the 10-year Australian yield to below 5.0%. The DXY dollar index is flat so far at just below the 100 mark and with that, gold is also steady at around $4,655 per ounce. Bitcoin has given back -1.7% here in the early going (4:30 a.m. ET) to $68,600. And in the lead-up to Trump's decision time at 8:00 p.m. (another reprieve?), Brent crude has popped +1.8% to just under $112 per barrel.

For a dose of optimism on what the future may look like in the aftermath of this war and the decimation of the Iranian economy, have a look at the brilliant op-ed column penned by the typically reliable Walter Russell Mead on page A15 of today's Wall Street Journal (***The Iran War Around the World***). The conclusion is all you really need to glean:

> *"From the Russian perspective, the worst possible end to the war would be a collapse of the Iranian regime and an end to Iran's long isolation from the West. This would deprive Moscow of an ally and reduce the perceived value of a Russian alliance among the world's despots. It would also seriously damage Vladimir Putin's most cherished goal: the restoration of Russian power across the former Soviet Union.*
>
> *Reintegrating Iran into the global economy would lead to the development of multiple pipeline and freight routes for oil, gas and mineral exports from the landlocked ex-Soviet republics of Central Asia, likely ending any hope that Moscow could reassert dominance over any of them. From an American point of view, increasing the economic dynamism of Central Asia while reducing its dependence on China and Russia would substantially improve the chances for a long-term world peace.*
>
> *The war shows us all that the security of the Gulf matters to everyone. If at the end of the war Iran retains the ability to close the Strait of Hormuz, every country on earth will need Tehran's blessing to access vital fuel and supplies. Whatever one thinks of Mr. Trump and his decision to initiate hostilities, a quick and comprehensive American victory offers the best hope for a peaceful future in the Gulf and beyond."*

In identifying the losers in this Iran war, global travel/tourism and consumer discretionary spending in general are at the top of the list. Have a look at ***As Gas Prices Approach $4 a Gallon, Americans Rethink Vacations*** on page A11 of the New York Times. So far, the gasoline shock has drained $150 billion out of household cash flows at an annual rate.

But there are winners too, beyond the oil patch.

Global defense firms are the clear beneficiary — see ***Defence contractors jostle for wartime deals*** on page 7 of the Financial Times and ***Britain needs a plan to invest in defence*** on page 14. The once-beleaguered EV space is another winner — have a look at ***Sales of used electric vehicles surge in US as petrol passes $4 a gallon*** on page 7 of the Financial Times as well. First-quarter used EV sales rose by +12% year-over-year and after a ripping +17% sequential surge during the last quarter. This is likely the thin edge of the wedge.

Finally, there is China. I suggest a read of ***This Is Not China's War, but Beijing Started Preparing for It Years Ago*** on page B1 of the New York Times. As was the case with the Trump tariff file, Xi Jinping was in full preparation mode when it came to this Iran war, having stockpiled vast amounts of oil last year and pursuing renewable sources of energy like solar, wind, and hydropower — to such an extent that China's usage of refined oil, diesel, and gasoline has been in decline now for two years running. Not to mention billions of dollars in direct subsidies to EV producers. Not just that, but China's reliance on standard coal since 2020 has more than doubled to over 300 million tons (topping the U.S. level of 230 million tons) — coal, as an alternative to oil and gas, is now paying dividends; in tandem with the huge amounts of investment support in technology that uses electricity to make petrochemicals. As they say, China plays chess while the rest of the world plays checkers.

Below we highlight the myriad negative shocks now confronting the U.S. economy that are far from being appreciated or discounted. One of them is the cracks emerging in the market for private credit (and equity). If you haven't yet had the chance to read Jamie Dimon's brilliant (and long!) client letter, just go to the Wall Street editorial — ***Jamie Dimon Warns on Private Credit*** on page A14:

> *"I do believe that when we have a credit cycle, which will happen one day, losses on all leveraged lending in general will be higher than expected, relative to the environment […] because credit standards have been modestly weakening pretty much across the board."*

He doesn't see systemic risks, but clearly a credit constraint ahead that will weigh on economic growth. As the editorial concludes:

> *"So far cracks in private credit have been limited. But as we have learned over decades, it's the risks that nobody is paying attention to that jump up and bite."*

Investors are taking notice because page 8 of the Financial Times runs with ***Credit investors flee to safety and pull nearly $14bn from junk bonds this year*** (and $2.7 billion of that occurred last week — a 24x surge from four weeks earlier). Leveraged loans, which are exposed to the beleaguered software sector, saw a posted $602 million of weekly average outflows during the same period over the past month, more than doubling from pre-war redemptions.

Who Do You Believe?

Best month for service-sector employment (+143k) since December 2024 if you believe the nonfarm payroll report. Worst month since December 2023 if you believe the ISM survey that just came out. Take your pick, because they both can't be right. Bottom line is that in the past, ISM jobs readings this low coincided with -40k on service-sector payrolls, not +143k!

How does anyone know what the actual number really is given that we have seen downward revisions over 90% of the time over the past year? I am sure that when the March 2025 data were first released, and the headline in the initial release was +228k, that all the media types and Wall Street cheerleaders were all over that report like white on rice. How could they possibly have known that two months later, the actual headline was +120k? Or how about the +139k headline in May of last year that inevitably turned out to be +19k? Or the +147k ripping headline in June that we now know was -13k. So, give me a giant break. All we know with certainty is that the response rate is at historical lows and that, in turn, has generated a huge error term on the first release.

The hallmark of Friday's report that was missed was both average weekly earnings and the index of aggregate hours worked dipped in March (-0.1% MoM for the former; -0.2% for the latter). That's a hot labor market? The two going down in tandem is basically a one-in-ten event. Nary a mention anywhere that the Household Survey flagged a -64k drop after declining by -185k in February. The employment-to-population ratio has gone from 59.7% in December to 59.4% in January to 59.3% in February to 59.2% as of March — the lowest it has been since October 2021. People working part-time for "economic reasons" gapped up by +101k and the number of discouraged workers not counted in the labor force spiked by +144k in the second-sharpest increase in nearly seven years. On what planet is that emblematic of a buoyant labor market?

Shock Treatment

The U.S. economy has been the proverbial cat with nine lives since coming out of the Great Financial Crisis seventeen years ago. There has been no shortage of event risk along the way, but each time, there was an answer from either the Fed or fiscal policymakers. Not this time. And at no time in my experience has the economy faced so many shocks — seven now in total — and so much loss of support all at the same time:

1. The war shock and impact on food and fuel prices — hit to real incomes and spending.
2. Rapid tightening in financial conditions — higher market rates/cost of capital; stronger dollar. It's as if the Fed has already tightened policy twice this past month.
3. Delays now in AI data construction plans — this construction alone added between +0.5% and +1.0% to headline GDP growth in 2025.
4. The credit crunch looming from the problems in private credit.
5. The wealth effect reversal with softening home and equity values — this is about to trigger a renewed uptrend in the personal savings rate.
6. Disruptive AI effects on the jobs market — we are seeing unprecedented layoff announcements from this source alone.
7. A depleted immigration labor force — the Fed believes this has now led to 0% payroll growth as being the economy's "break-even" level.

In sum, these amount to anywhere between a -2% and -4% downward shock on the baseline trend in real GDP, which itself is down to below +2%. So seeing a move to contraction in the real economy is now a high-odds prospect.

Powell On Inflation

Here is what the Fed Chairman had to say at last week's panel discussion:

> *"The tariff inflation is visible and we think it's really just a one-time price increase. That's been our thinking since the beginning. Right now we think it's adding somewhere between a half and a full percentage point to inflation. But that's a much smaller thing than we saw during the pandemic inflation. And, you know, and of course, now we're facing events in the Middle East, which will certainly affect gas prices. And we feel like our policy is in a good place for us to wait and see how that turns out."*

> *"Inflation expectations do appear to be well anchored beyond the short term. But nonetheless, it's something as we will eventually maybe face the question of what to do here. We're not really facing it yet because we don't know what the economic effects will be, but we'll certainly be mindful of that broader context when we make that decision."*

There is no doubt that we are about to see a few months of a major price spike, but like the tariffs, this is all about supply, not demand. This is an important distinction because without all the massive fiscal stimulus, inflation in 2022 would have peaked at 4.5%, not 9.0%, and we would have much more rapidly slowed to the Fed's target if the "inflation" had been supply-induced alone. That $2 trillion in cash stimulus was powerful and exerted a longer lasting effect on pricing activity. But look at his estimate from tariffs, because the headline inflation rate right now is 2.4% — he is saying that absent the tariff file, we would be between 1.4% and 1.9% before the war began!

What Dave Is Reading

- ***The Iran War Around the World*** (Wall Street Journal)
- ***Hopes Fade for Iran Deal Ahead of Deadline*** (Wall Street Journal)
- ***Allies Struggle to Navigate Relations With Erratic U.S.*** (Wall Street Journal)
- ***On Iran, Trump Keeps World Off Balance With Ever-Changing Threats*** (New York Times)
- ***Iran threatens 'crushing' reprisals as Trump's deadline on Hormuz looms*** (Financial Times)
- ***Iran maintains its missile campaign despite broad destruction of assets*** (Financial Times)
- ***Europe Faces An Oil Crisis Like Asia's*** (Wall Street Journal)
- ***Defence contractors jostle for wartime deals*** (Financial Times)
- ***Britain needs a plan to invest in defence*** (Financial Times)
- ***As Gas Prices Approach $4 a Gallon, Americans Rethink Vacations*** (New York Times)
- ***Sales of used electric vehicles surge in US as petrol passes $4 a gallon*** (Financial Times)
- ***This Is Not China's War, but Beijing Started Preparing for It Years Ago*** (New York Times)

- ***Dimon warns ‘cockroach’ loans will spur bigger losses for private credit*** (Financial Times)
- ***Credit investors flee to safety and pull nearly $14bn from junk bonds this year*** (Financial Times)
- ***Workers Opt to Retire Amid Shift to AI*** (Wall Street Journal)

Market Closings

Monday, April 6th, 2026 (Many Asian and European markets were closed)

Equities

United States	Levels	% change Daily	% change YTD
S&P 500	**6,611.8**	**0.4**	**-3.4**
Energy	917.9	0.8	33.5
Materials	632.8	-0.4	10.2
Industrials	1,393.8	0.5	13.0
Consumer Discretionary	1,751.9	0.8	4.0
Consumer Staples	933.0	0.7	6.1
Health Care	1,705.9	-0.4	-9.2
Financials	829.9	0.6	-20.4
Information Technology	5,280.5	0.5	-5.8
Communication Services	429.1	0.6	7.9
Utilities	469.2	-0.4	-5.5
Real Estate	265.5	0.3	-0.9
S&P 500 Forward P/E Ratio	**19.6x**	**0.1 pts**	
Dow Jones Industrial Average	**46,669.9**	**0.4**	**-2.9**
Dow Transports	**19,296.0**	**1.1**	**11.2**
Dow Utilities	**1,168.5**	**-0.5**	**9.4**
Transports/Utilities Ratio	16.5	1.6	
NASDAQ	**21,996.3**	**0.5**	**-5.4**
Russell 2000	**2,540.6**	**0.4**	**2.4**
VIX	**24.2**	**1.5**	

International	Levels	% change Daily	% change YTD
TSX	33,182.0	0.2	4.6
Euro STOXX 600	596.6	-	0.7
DAX	23,168.1	-	-5.4
CAC 40	7,962.4	-	-2.3
FTSE MIB	45,624.9	-	1.5
IBEX 35	17,555.9	-	1.4
FTSE 100	10,436.3	-	5.1
Nikkei 225	53,413.7	0.5	6.1
MSCI Asia-Pac Ex. Japan	2,149.2	0.7	4.9
Hang Seng	25,116.5	-	-2.0
Shanghai	3,880.1	-	-2.2
KOSPI	5,450.3	1.4	29.3
Straits Times	4,972.4	0.5	7.0
TAIEX	32,572.4	-	12.5
Sensex	74,106.9	1.1	-13.0

Bonds

United States	Levels	Change (basis points) Daily	Change (basis points) YTD
Treasury curve (10/2; bps)	**48.68**	**-1.43**	**-20.72**
2-Year T-Note Yield (%)	**3.85**	1.03	37.68
5-Year T-Note Yield (%)	**3.98**	0.00	25.96
10-Year T-Note Yield (%)	**4.34**	-0.40	16.96
30-Year T-Bond Yield (%)	**4.89**	-1.23	4.91
10-Year TIPS Break-Even (%)	**2.36**	**-0.50**	**9.86**
High-Yield Spread (bps)	**287.35**	**-11.45**	**28.15**
Investment-Grade Spread (bps)	**92.66**	**-1.94**	**2.36**

International	Levels	Change (basis points) Daily	Change (basis points) YTD
10-Year GOC Yield (%)	3.47	-1.50	3.50
10-Year Bund Yield (%)	2.99	-	13.70
France-Bund Spread (bps)	68.80	-	-2.00
Italy-Bund Spread (bps)	85.90	-	16.50
Spain-Bund Spread (bps)	48.10	-	4.90
Portugal-Bund Spread (bps)	42.10	-	12.90
Greece-Bund Spread (bps)	79.90	-	21.40
10-Year Gilt Yield (%)	4.83	-	35.49
10-Year JGB Yield (%)	2.41	3.00	35.00

Currencies & Commodities

International	Levels	% change Daily	% change YTD
U.S. Dollar Index (DXY)	100.01	0.0	1.7
Canadian dollar ($C/$US)	1.391	-0.2	-1.4
Euro ($US/€)	1.15	0.2	-1.7
Sterling ($US/£)	1.32	0.3	-1.8
Swiss franc ($US/CHF)	1.25	0.3	-0.7
Japanese yen (¥/$US)	159.69	0.0	-1.9
Australian dollar ($US/AUD)	0.69	0.4	3.7
New Zealand dollar ($US/NZD)	0.57	0.4	-0.8

International	Levels	% change Daily	% change YTD
CRB Commodity Price Index	382.46	0.4	28.0
Gold (London Fixing)	4,656.43	-0.4	7.8
Silver	73.04	0.0	1.9
Bitcoin	69,893.16	4.6	-20.3
Crude Oil (WTI)	112.50	0.9	95.9
Natural Gas	2.81	0.2	-23.9
Copper (COMEX)	5.61	0.5	-0.3
Nickel	135.97	-	1.3
Bloomberg Industrial Metals Index	169.73	0.1	3.9

Full Line-Up of Publications

Macro Products

Early Morning with Dave
Provides a synopsis of the Key market-moving events and data that were released overnight and includes Dave's thoughts on how the day ahead will evolve from an investment perspective.

Thematic Analysis
As a part of our flagship "Breakfast with Dave" publication get access to Dave and his team's research on key thematic topics that are on top of everyone's minds.

Data Commentary
As a part of our flagship "Breakfast with Dave" publication get insight from Dave and his team on key macroeconomic data in the U.S., Canada and other notable regions with research that goes beyond the headlines.

The Rosie Model Portfolio
The Rosie Macro fund tracks our highest conviction calls and is dedicated to the conservative investor, who is mindful of capital preservation as well as the preservation of cash flows.

Big Picture Investment Themes
As a part of our flagship "Breakfast with Dave" publication stay on top of the key Cyclical and Structural investment themes that are shaping the economy.

Investor Chartroom
Those who have seen Dave's slide presentations in person know that his material is unique and informative. The charts are forward-looking and each one has an actionable investment theme.

Special Reports
Dave and his team of economists and strategists publish in-depth reports that tackle important secular themes which will shape the future of investing.

Market Strategy Products

Strategizer
A monthly model-driven report, Strategizer is an effective risk-management tool, providing scorecards and expected future returns for global stock markets, equity sectors, bonds, commodities, and currencies.

The Industry Ledger
A concise summary of key factors for sector and industry allocation, translating broad market data into actionable metrics. Ranks expected returns across industries and combines them with risk measures, guiding portfolio recommendations.

Market Insights
Weekly Fundamental and Tactical recommendations at the sector and industry level for equities.

Technical Analysis
This weekly publication consists of charts and analysis across various equity markets, sectors, fixed income, commodities, and currencies.

Video Content

Video Content
From Dave and his research team keeping you up-to-date on our latest thoughts.

Webcast with Dave
David is joined by industry and market thought-leaders, to share their views on the investment landscape and the economic outlook.

Contact Us

120 Adelaide Street West, Suite 2500 | Toronto, Ontario, M5H 1T1

+1 (877) 316-1322 (U.S. & Canada) | **+1 (416) 583-5566** (International)

information@rosenbergresearch.com

www.rosenbergresearch.com

Our People

Economists & Strategists

David Rosenberg
Founder & President

Robert Embree, PhD
Vice President & Senior Economist

Mehmet Beceren
Vice President & Senior Market Strategist

Nwal Anwar
Senior Analyst

Zackary Young
Research Analyst

Shayan Chakravarty
Junior Research Analyst

Advisory Board

Walter Murphy
Technical Analysis Consultant

Jeff Burchell
Senior Advisor

Ken Bercuson
External Economics & Policy Advisor

John Smolinski
External Research Consultant

Tony Sevsek
Business Development Consultant

Operations

Jacob Rosenberg
Executive Vice President, Client Relations & Operations

Rachael Zbar
Corporate Director

Dinesh Vel
Director of Technology

Alexandra Delle Donne
Executive Assistant

Josh Johnson
Senior Client Relations Representative

Sam Wagnleithner
Junior Client Relations Representative

Important Disclosures

This report comments on the economy and capital markets. The opinions are those of the author as of the date of the report and are subject to change without notice. Rosenberg Research & Associates Inc. (Rosenberg Research) will not necessarily update the report in the event facts or opinions change.

This report is for discussion purposes only.

Although Rosenberg Research may provide commentary relating to investment approaches and opportunities to buy or sell securities, you should not construe such commentary as legal, tax, investment, financial or other advice. Nothing contained in any Rosenberg Research report or any other content on our web site constitutes a solicitation, recommendation, endorsement, or offer to buy or sell any securities or other financial instruments. Consult your own advisors if you require such advice.

This report should not be regarded by recipients as a substitute for the exercise of their own judgement and readers are encouraged to seek independent, third party research on any companies discussed or impacted by this report.

This report is not a research report under applicable U.S. rules and regulations.

Rosenberg Research does not guarantee the accuracy of any information in this report. This report may contain links to third-party websites. These links are provided as a convenience only. By providing these links, Rosenberg Research is not expressly or impliedly endorsing or approving these other sites, nor warranting or guaranteeing the content of the materials on such sites or the services or products that may be offered on such sites.

Rosenberg Research reports are distributed simultaneously to internal and client websites and other portals by email and are not publicly available.

Terms And Conditions of Use

Your receipts and use of this report are governed by the Terms and Conditions of Use which may be viewed at [www.rosenbergresearch.com]

THIS ROSENBERG RESEARCH REPORT IS NOT PUBLICLY AVAILABLE. UNAUTHORIZED USE OR DISCLOSURE IS PROHIBITED.

This report is prepared for the exclusive use of Rosenberg Research clients, subscribers to this report and other individuals who Rosenberg Research has determined should receive this report. This report may not be redistributed, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of Rosenberg Research.

ANY USE OF THIS REPORT IS AT YOUR OWN RISK AND LIABILITY. NEITHER ROSENBERG RESEARCH, NOR ANY DIRECTOR, OFFICER, EMPLOYEE OR AGENT OF ROSENBERG RESEARCH, ACCEPTS ANY LIABILITY WHATSOEVER FOR ANY DIRECT, INDIRECT, CONSEQUENTIAL, MORAL, INCIDENTAL, COLLATERAL OR SPECIAL DAMAGES OR LOSSES OF ANY KIND, INCLUDING, WITHOUT LIMITATION, THOSE DAMAGES ARISING FROM ANY DECISION MADE OR ACTION TAKEN BY YOU IN RELIANCE ON THE CONTENT OF THIS REPORT, OR THOSE DAMAGES RESULTING FROM LOSS OF USE, DATA OR PROFITS, WHETHER FROM THE USE OF OR INABILITY TO USE ANY CONTENT OR SOFTWARE OBTAINED FROM THIRD PARTIES REQUIRED TO OBTAIN ACCESS TO THE CONTENT, OR ANY OTHER CAUSE, EVEN IF ROSENBERG RESEARCH IS ADVISED OF THE POSSIBILITY OF SUCH DAMAGES OR LOSSES AND EVEN IF CAUSED BY ANY ACT, OMISSION OR NEGLIGENCE OF ROSENBERG RESEARCH OR ITS DIRECTORS, OFFICERS, EMPLOYEES OR AGENTS AND EVEN IF ANY OF THEM HAS BEEN APPRISED OF THE LIKELIHOOD OF SUCH DAMAGES OCCURRING.

If you have received this report in error, or no longer wish to receive this report, you may ask to have your contact information removed from our distribution list by emailing [subscriptions@rosenbergresearch.com]