



Markets Waver Amid Tariff Shifts, Valuation Reset, and Citigroup Solid Earnings Lift Bank Stocks.

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The U.S. and European stock markets closed lower today as tariff tensions continue to steer investor sentiment. The U.S. administration temporarily suspended tariffs on select consumer electronics—such as smartphones and semiconductors—but signaled that these products will be included under a forthcoming sector-specific tariff framework. In retaliation, China suspended orders and shipments of Boeing aircraft and related equipment. Meanwhile, the White House is evaluating a potential pause in auto tariffs, offering temporary relief to automakers navigating supply chain disruptions. Still, officials emphasized the pause is limited in scope and time. These back-and-forth policy signals have injected persistent uncertainty into markets. Despite a short-term rally, the S&P 500 remains down about 8% year-to-date, with the Nasdaq off roughly 13%*. Until a coherent and durable tariff strategy emerges, market volatility will likely remain elevated—though the peak intensity of tariff escalation may have passed.

- **Valuation Reset Creates Opportunity** – While equity markets have declined this year, the silver lining is a recalibration of stock valuations. Major indices are trading at or below their 10-year average forward price-to-earning (P/E) ratios. The S&P 500's forward P/E has fallen to approximately 18x next year's earnings, down from a high of 22.7x, while the Nasdaq's forward multiple has corrected to around 21x from its prior peak of 30x*. This compression could present a more attractive entry point for long-term investors. Given the recent drawdowns, the market appears to have priced at a significant geopolitical and macroeconomic risk level. Although recession concerns persist, current conditions suggest that a downturn is not inevitable. If policy clarity improves, equities may stabilize and find firmer ground.

- **Big Banks Lead With Strong Results** – The first-quarter earnings season began with a strong showing from major banks. J.P. Morgan, Goldman Sachs, Morgan Stanley, and Citibank exceeded analyst expectations based on robust trading activity across equities and fixed income*. Consumer spending remained healthy, and credit quality maintained well, underscoring the economy's resilience. However, bank executives voiced caution about the outlook, citing tariff-related headwinds and the risk of rising inflation combined with slowing growth. Deal-making activity—including IPOs and M&A—remained sluggish. Looking ahead, we expect consensus estimates for S&P 500 earnings growth of around 10% to be revised lower. We still anticipate positive earnings growth for 2025, particularly if trade tensions ease and the administration pivots to pro-growth policies like tax reform and regulatory relief.

Corporate Earnings Parade:

- **Citigroup Inc (C):** reported 1Q25 revenues of \$21,596 billion, up 3%, net income of \$4,064 billion, up 21%, and earnings per share of \$1.96, surpassing estimates. Citi has a stock price objective of \$86.82 and closed today at \$64.33

Economic Data Update:

- **U.S. Export Prices YoY:** fell to 2.42%, compared to 2.56% last month.
- **U.S. Import Prices YoY:** fell to 0.93%, compared to 1.65% last month.
- **U.S. Retail Gas Price:** fell to \$3.295, down from \$3.37 last week, down -2.23%.
- **Canada Consumer Price Index YoY:** fell to 2.32%, compared to 2.64% last month.
- **Canada Manufacturing Shipments:** rose to 72.94B, up from 72.79B last month.
- **Eurozone Industrial Production Index YoY:** rose to 1.20%, compared to -0.50% last month.

Eurozone Summary:

- **Stoxx 600:** Closed at 508.06, up 8.17 points or 1.63%.
- **FTSE 100:** Closed at 8,249.12, up 114.78 points or 1.41%.
- **DAX Index:** Closed at 21,253.70, up 298.87 points or 1.43%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 40,368.96, down 155.83 points or 0.38%.
- **S&P 500:** closed at 5,396.63, down 9.34 points or 0.17%.
- **Nasdaq Composite:** closed at 16,823.17, down 8.32 points or 0.05%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,339.07, up 29.29 points or 0.88%.
- **Birling Capital U.S. Bank Index:** closed at 5,636.76, up 69.68 points or 1.25%.
- **U.S. Treasury 10-year note:** closed at 4.35%.
- **U.S. Treasury 2-year note:** closed at 3.84%.



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