# Global markets plunge as US-China trade war escalates



On Friday, global financial markets experienced severe turmoil following the escalation of a trade war between the United States and China, triggered by tariffs imposed by US President Donald Trump. The UK’s FTSE 100 index suffered a significant blow, recording its worst day since the onset of the Covid-19 pandemic. The index dropped 419.75 points, or 4.95%, closing at 8,054.98, marking a decline that mirrors the market's struggles during previous economic crises.

The dramatic slump is part of a larger pattern, as approximately $5 trillion (£4 trillion) has been erased from global stock markets since Trump announced a host of import taxes on Wednesday. These tariffs include a blanket 10% levy on all UK goods entering the US, compounding fears of further economic destabilisation. This precarious situation was exacerbated when China retaliated with its own 34% tariff on US imports, raising alarms about a potential full-scale trade war.

UK Prime Minister Sir Keir Starmer engaged in a series of discussions with other world leaders, including those from Australia and Italy, as nations began to assess their responses to the economic fallout. He emphasised the necessity for “like-minded countries to maintain strong relationships” amidst this turmoil. Consequently, Downing Street has signalled that any response from the UK will be measured and prioritise the nation’s interests while seeking stability and security.

As global markets braced for impact, analysts from AJ Bell noted the profound effects on pension funds and investments. "The rapid pullback in stocks and shares...has put a dent in people’s investments...his tactics have caused shockwaves in every corner of the world," said investment analyst Dan Coatsworth. The FTSE index felt the heat particularly among banking, miner, and manufacturing stocks, all of which were among the hardest hit.

The chaos reverberated in the US as well. Reports indicated that Wall Street faced another day of staggering losses, with the S&P 500 and Dow Jones experiencing their sharpest declines since 2020. By midday, the S&P 500 was down considerably, while the Nasdaq had entered what is classified as bear market territory, having declined over 20% from its peak.

In the UK, the economic ramifications of Trump’s tariffs prompted surprisingly sharp reactions. Chancellor Rachel Reeves expressed a commitment to negotiating with Washington to minimise the impact on UK exports and preserve domestic jobs. The government is exploring potential countermeasures and has developed a list of products that could be subject to retaliatory tariffs depending on future negotiations.

Simultaneously, the impacts of these decisions are projected to lead to increased inflation and slowed economic growth, as predicted by officials from the US Federal Reserve and the International Monetary Fund. Fed Chair Jerome Powell outlines concerns that longer-term implications are becoming evident. “It is now becoming clear that the tariff increases will be significantly larger than expected,” he stated, reflecting apprehensions over the broader economic landscape.

With global markets under pressure, observers will remain focused on whether escalation might lead to a recession, with investment bank JPMorgan estimating a 60% chance of this outcome by year-end, up from previous forecasts. Amidst this uncertainty, various stakeholders are preparing either to navigate the volatility or brace for adjustments in economic policies in the coming weeks.

Source: [Noah Wire Services](https://www.noahwire.com)

## References

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* <https://www.bbc.com/news/business-65984942> - Provides an overview of global market reactions, including the impact on the FTSE 100 index and other financial markers amid the trade tensions between the US and China.
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