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Don't trust the rebound as trade war far from over: MRB Partners

Investing.com -- US stocks racked up gains to round of positive week of wild trading action following President Donald Trump's tariff u-turn, but MRB Partners says the rebound can't be trusted as the trade war is far over.

"We are wary of near-term bounces in risk asset markets, as the U.S. and global economic damage from the trade war is still highly uncertain. Moreover, the war is far from over despite this week’s 90-day pause on some tariffs," analysts from MRB Partners said in a recent note.

Equity markets may have cheered Trump's tariff pause, but MRB cautions that such rallies are unlikely to last given the "huge increase in tariffs on China and the prior tariffs still represent a blow to the economic expansion."

The near-term outlook, according to the analysts, remains stagflationary: U.S. and global growth will slow, and inflation will get a boost from higher import and consumer goods prices.

For stocks to sustain the recent bounds, a permanent shelving of the misplaced trade policy is required, the analysts added, before irreparable damage occurs to consumer, business and investor sentiment.

Looking at the bond market, MRB pointed out that DM yield curves (10-year yields minus 2-year yields) are positive and have steepened further, while the U.S. government’s interest tab is soaring as the massive increase in debt levels this decade has combined with higher interest rates.

While most recent economic data still predate the intensification of the trade war, MRB said that the U.S. small business survey from the NFIB for March showed little net change.