

# Markets' tariff carnage can get much, much worse

REUTERS, New York

The age-old warning to unsophisticated investors, hungry to buy a dip: beware catching a falling knife. US equity markets are collapsing, with the S&P 500 heading towards the 20 percent bear market decline threshold after notching its worst two consecutive trading days since March 2020. It might just be the start. As investors parse through the damage after President Donald Trump raised US tariffs to their highest level in a century, market volatility is spiking and forecasts for earnings are tumbling, promising yet more downside.

Traders have yet to fully grasp this new reality. Wall Street estimates for earnings per share of the S&P 500 Index, representing the earning power of the biggest US listed firms, still hovers a bit over \$275 for this year, up 13 percent from 2024, according to LSEG data. As analysts grapple with the details of rising costs and potential economic blowback, some banks are now lowering their projections. Goldman Sachs has reduced its guess on earnings per share growth to 3 percent, while UBS has cut all the way to zero.

Rising risks of economic catastrophe amp this up further. UBS expects two quarters of negative GDP growth this year, enough to qualify as a recession, if tariffs are fully implemented. At prediction market Kalshi, the odds of such an economic contraction have crossed 60 percent. Since World War Two, S&P 500 earnings have dropped by a median of 13 percent from peak to trough in recessions, according to Goldman Sachs. A similar drop from 2024 would result in an earnings per-share target for the S&P 500 of \$211 in 2025.



Traders work on the floor of the New York Stock Exchange in New York City on April 7. US equity markets are collapsing, with the S&P 500 heading towards the 20 percent bear market decline threshold after notching its worst two consecutive trading days since March 2020.

PHOTO: AFP

The real pain, though, comes if investors begin to ascribe less value to each dollar of profit. Buoyed by the immense growth of technology companies like \$2.8 trillion iPhone maker Apple or \$2.3 trillion semiconductor firm Nvidia, the S&P 500 has traded at a median of 20.5 times estimates of year-ahead earnings since 2020, according to LSEG data, up from 16.9 times during the five years prior. As of April 4, the ratio stood at 18.4. In a world

where US profit margins are strained by protectionist policies, any premium over the recent past looks suspect.

In its "bear case" scenario, JPMorgan anticipates no tariff relief and zero earnings per-share growth through 2026. Applying a one-year forward multiple of 16 times, the bank's researchers get an S&P 500 price target of 4,000 by year-end, nearly a fifth below Monday's open. Anyone trying to grasp hold of this freefall

may end up with a nasty gash.

Major global stock indexes fell on April 7 for the third straight session in the wake of President Donald Trump's announcement of sweeping tariffs on US trading partners. The S&P 500 is down around 12 percent from the close of trading April 2, falling into bear-market territory. The CBOE volatility index surpassed 50 points, its highest level since the onset of the Covid pandemic.

## Pubali Bank donates bus to Islamic University of Technology

STAR BUSINESS DESK

Pubali Bank PLC has donated a bus to the Islamic University of Technology (IUT) as part of its corporate social responsibility.

Mohammad Ali, managing director and CEO of the bank, handed over the dummy key to Prof Mohammad Rafiqul Islam, vice-chancellor of the university, on its campus premises in Dhaka recently, said a press release.

In his speech, Ali said, "Pubali Bank is not only a profit oriented organisation; it has some social responsibility. As part of it, Pubali Bank donated a bus to the Islamic University of Technology."

He stated that such activities would continue.

Rafiqul Islam praised Pubali Bank for

its initiatives.

Hissein Araby Nour, pro vice-chancellor of the university, and Md Shahnewaz Khan, deputy managing director of the bank, were present.

Md Faizul Hoque Sharif, general manager of the general banking and operation division of the bank; AKM Abdur Raqib, general manager and regional manager for Dhaka North; Mohammad Arifur Rahman, deputy general manager and regional manager for Gazipur; Tahmina Mayna, assistant general manager and head of Uttara Model Town branch; and Mohammad Mizanur Rahman, assistant general manager and head of the public relations division, among others, were also present.



Prof Mohammad Rafiqul Islam, vice-chancellor of the Islamic University of Technology, receives the dummy key of the bus from Mohammad Ali, managing director and CEO of Pubali Bank, at a programme on the university campus in Dhaka recently.

PHOTO: PUBALI BANK

## Gold prices rebound

REUTERS

Gold prices rebounded on Tuesday as investors bought the dip a day after the metal hit a nearly four-week low, amid increased market volatility and a widening trade war.

Spot gold gained 0.8 percent to \$3,005.38 an ounce as of 0605 GMT. On Monday, bullion hit its lowest level since March 13.

US gold futures rose 1.6 percent to \$3,019.60.

US President Donald Trump ramped up tariff threats against China on Monday, while the European Union outlined plans for retaliatory duties, deepening fears of a drawn-out trade war that could tip the global economy into recession.

"Despite slipping in the previous sessions, gold is still strong and should remain on the upward trend" because of the bullish undertone, said Reliance Securities' senior analyst Jigar Trivedi.

Gold is up about 15 percent this year, driven by robust central bank purchases and its overall appeal as a safe hedge against economic and geopolitical uncertainties.

Meanwhile, Trump doubled down on the tariffs, saying he was not considering a pause to facilitate negotiations with trading partners, but mentioned that he would engage in discussions with China, Japan and other countries over the duties.

Markets will closely monitor the minutes of the US Federal Reserve's latest policy meeting, scheduled for release on Wednesday.

Traders also await US Consumer Price Index data on Thursday and the Producer Price Index on Friday for cues into the Federal Reserve's interest rate path. Gold tends to thrive in a low-rate environment.

## Investors seek

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Upon arrival at the BSEZ, authorities briefed the visiting delegation on the zone's infrastructure and available facilities. The group later toured the Singer factory located within the zone.

Speaking to journalists, Taro Kawachi, managing director of BSEZ, said the Singer factory is a prime example of the kind of modern industrial facilities that can be established in Bangladesh.

"Singer completed construction of the facility within just 20 months, investing \$78 million. The factory currently produces 50,000 refrigerators and 10,000 televisions per month," he said.

Kawachi added that BSEZ offers a wide range of world-class services. Notably, bonded transport facilities have been provided within the zone itself to ease the import of goods and raw materials – eliminating the need for customs clearance at the port.

"Investors will not face any difficulties here," he assured.

### WHAT INVESTORS SAY

Nicholas Qi, CEO of Chinese IT services firm Genew Bangladesh Ltd, said Bangladesh holds considerable investment potential but continues to face key challenges, with the lack of policy continuity being most notable.

"The interim government has taken some encouraging steps," he said. "We hope it will maintain a consistent policy framework moving forward."

Wu Jianbo, secretary general of the China-based Green and Smart Energy Organization, said Bangladesh can further strengthen its efforts to attract foreign investment by offering more incentives and favourable policies.

"I believe this is crucial for the country's economic development. In fact, China also started its growth by promoting exports and attracting investment in a similar way," he said.

He added that the main challenge is the issue of market demand.

"Now that I've come here, my key question is: Who will be my

customers? How can I open up the market for my products? If there was more support or connections in this area, I would feel much more confident in moving forward with investment plans."

Itikher Mahmood, a US-based non-resident Bangladeshi and founder of Hope Foundation, also hoped to invest in Bangladesh.

"I have been investing in the healthcare sector of Bangladesh for two decades by building multiple hospitals and framing health programmes for marginalised communities," he said.

"Along with other expatriate Bangladeshis living in the US, we want to build quality private hospitals and educational institutions to create a global standard workforce that will be able to serve at home and abroad," he added.

In response to a question about challenges in the country, HM Fairoz, managing director of Singer Bangladesh Limited, said, "There are various challenges everywhere in the world. However, we are witnessing positive developments in Bangladesh."

"People often say Bangladesh is a land of opportunities, with a population of nearly 180 million and low market penetration for many of our products," he said.

"We are here to grow our business, and we look forward to the support of all the relevant authorities."

After the visit, Mohammad Abul Kalam Azad Majumder, deputy press secretary to the chief adviser, told journalists that investors expressed satisfaction after visiting Bangladesh's economic zones.

"The interim government is working to remove previous obstacles to investment -- particularly by implementing one-stop service centres," he said.

He acknowledged that regulatory barriers and a lack of good governance had previously discouraged investment.

"The current administration is working to resolve these issues," he added.

## US tariffs: thorn in the side

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But optimism must be tempered. Tariffs are just one piece of the puzzle when brands decide where to place orders. In Bangladesh's case, a curious development has emerged – the US has placed a reciprocal tariff of 74 percent on its goods.

This is despite Bangladesh charging an average import duty of only 2.2 percent on US goods in 2024. The discrepancy raises eyebrows. How was the 74 percent determined?

It includes US tariffs and adjustments for currency manipulation and non-tariff trade barriers.

The 74 percent figure is derived from the \$6.2 billion trade deficit on \$8.4 billion in Bangladeshi exports to the US. The US exported only \$2.2 billion in goods to Bangladesh, leading to the ratio of 6.2/8.4 – which equates to 74 percent.

This should ring alarm bells in Dhaka. With 85 percent of Bangladesh's exports coming from garments, the country is dangerously reliant on a single sector. It must urgently reduce the trade imbalance with the US to ensure long-term sustainability.

Non-tariff trade barriers flagged by the Office of the United States Trade Representative (USTR) as of February 2025 include customs procedures, procurement practices, IP laws, e-commerce regulations, investment hurdles, labour issues, and even corruption.

Overcoming these non-tariff barriers is crucial. Doing so could unlock the path to long-term efficiency and competitiveness – both of which Bangladesh needs, not just to survive the tariff storm, but to thrive after its LDC graduation.

Enhancing infrastructure, fixing the financial sector, and considering currency devaluation may be necessary. Buyer confidence also depends on product safety, reliable supply chains, and improved production lead times – all areas Bangladesh must prioritise.

Bangladesh's export mix – 70 percent cotton, 30 percent non-cotton – could be strategically tweaked. With rising US demand for non-cotton products and China, Cambodia, and Vietnam now costlier, Bangladesh has a real shot at gaining more orders.

Still, addressing trade deficits goes beyond just tariff cuts. Countries must improve overall competitiveness to benefit from any policy changes. Bangladesh's relatively lower trade deficit compared to others could work in its favour – but only with the right reforms.

Buyers may try to pass the burden of tariffs onto Bangladeshi suppliers. So, calm, calculated decisions are key. The US may reassess these tariffs in four years – meaning today's choices must align with long-term interests.

There are also existing shipments en route and orders in production that

buyers may try to renegotiate. Both sides must remain fair and flexible. Bangladesh's government must support affected factories so they can weather this temporary disruption.

Notably, Bangladesh is the fifth-largest importer of US cotton. This is a strategic advantage. Negotiators should leverage this fact and propose preferential treatment for products made from American cotton – a possible win-win.

Many factories in Bangladesh are deeply invested in US clients. Rash decisions under tariff pressure could jeopardise jobs and livelihoods. As Bangladesh approaches LDC graduation, with 19 percent of garment exports going to the US and 50 percent to the EU, diversification is essential.

This tariff storm is part of broader turbulence in global trade. Countries are scrambling to adapt. But Bangladesh has repeatedly proven its mettle – from surviving the Rana Plaza tragedy to the shocks of Covid-19. Its resilience is unmatched.

To maintain its hard-won position as the world's second-largest garment exporter, Bangladesh must commit to long-term, strategic reforms focused on boosting productivity, cutting lead time, and becoming a truly competitive global player.

The author is a former director of the Bangladesh Garment Manufacturers and Exporters Association

## After Australia food success

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These delays may seem minor, but for entrepreneurs, they are deal-breakers.

As a businessman, time is everything. An hour's delay can mean the difference between closing a deal or missing it altogether," he said. "Bangladesh needs to make life easier for diaspora investors like us."

For Shamim, investing in Bangladesh is more than a business decision, rather it is a personal mission. "I left my parents behind when I went to Australia. My siblings are still in Bangladesh. My heart is still there."

He often dreams of replicating part

of his success back home – perhaps a packaging facility, a food processing plant, or even a training institute for aspiring hospitality workers.

"But every time I get serious, I am held back by red tape and uncertainty," he said. "I am not asking for subsidies, just smooth operations. Clear policies, efficient banking, better logistics. That's it."

Still, Shamim remains hopeful as he has begun initial talks with Bangladeshi suppliers to assess the viability of sourcing packaging materials locally. He is also exploring joint ventures in food processing with

local partners. "If the right conditions are in place, I am ready to invest in Bangladesh," he said. "And it would not just benefit my businesses, it will create opportunities for many others."

He believes such ventures could generate hundreds of jobs and help position Bangladesh as a trusted global supplier in the food retail sector.

"I am proud to be Bangladeshi. Whatever I have become, my roots are there," he said. "Now it's time to give back, not just in words, but through action."

## Nurullah joins Bank Asia as AMD

STAR BUSINESS DESK



Nurullah Chaudhury has joined Bank Asia PLC as an additional managing director (AMD) and chief wholesale banking officer on Monday.

Prior to joining Bank Asia, Chaudhury was serving at City Bank PLC as a deputy managing director and head of corporate banking, concurrently, said a press release.

He has an illustrious banking career spanning more than 27 years, with expertise in wholesale banking, cash management, syndication financing, offshore banking, supply chain financing, non-performing loan management, and other key banking areas.

He embarked on his professional banking career at the Shamil Bank of Bahrain E.C.

Chaudhury previously served at Bank Al-Falah Ltd and City Bank PLC, where he worked in key roles through which he demonstrated his prudence and dynamism, playing a pivotal role in the growth of these organisations.

He obtained his bachelor's degree (science) in finance from the US and another bachelor's degree (commerce) from the University of Dhaka.

## SBAC Bank gets new AMD

STAR BUSINESS DESK



Md Rabiul Islam

SBAC Bank PLC has appointed Md Rabiul Islam to the post of additional managing director (AMD).

A banker with 36 years of experience, Islam was working at NRBC Bank as a deputy managing director (DMD) and acting managing director concurrently, before assuming this new assignment at SBAC Bank, said a press release.

Throughout his career, he worked at Islami Bank Bangladesh PLC as a probationary officer in 1989.

Later, Islam joined Prime Bank and Al-Arafah Islami Bank, where he successfully worked in various departments, including the export and foreign remittance department at the Motijheel branch. In 1999, he joined Mercantile Bank, where he was promoted and served as branch manager at the Mohakhali, Gulshan, and Main branches.

In 2017, he joined NCC Bank as a senior executive vice-president and worked as branch manager of the Motijheel Main branch.

From May 2024, he served as the managing director (current charge) of NRBC Bank. Islam obtained his bachelor's and master's degrees in finance from the University of Dhaka and earned an LL.M degree from the University of Derby, UK.