



Pre-Market Analysis

28 March, 2025.

The first 90 minutes of today's trading session are likely to be volatile, driven by key macroeconomic events and ongoing trade tensions. With futures pointing lower and the CBOE Volatility Index (^VIX) rising over 3%, investor sentiment is cautious amid concerns about inflation and the Federal Reserve's response. The PCE report, released just before the open, showed inflation in line with expectations, which may initially provide some stability. However, with core PCE still above the Fed's 2% target at 2.7%, traders will closely watch Fed speeches later in the day for any hints on future rate policy. Additionally, Trump's 25% auto tariffs are fueling concerns over economic growth and corporate earnings, especially for auto manufacturers and companies with global supply chains, adding another layer of uncertainty.

Given the high IV percentile for SPY (87%), options pricing suggests elevated hedging activity, implying a choppy open with possible sharp moves in both directions. Traders should expect a period of price discovery as the market digests inflation data and reacts to overnight developments in the trade war. If pre-market weakness carries into the open, we may see an initial selloff, particularly in tech-heavy Nasdaq stocks, before potential stabilization as investors reassess risks. However, if sentiment worsens due to tariff fears or Fed commentary, downside pressure could accelerate, pushing major indices toward deeper losses.

There are several events today that could influence the stock markets:

1. U.S. Personal Consumption Expenditures (PCE) Report: Released at 8:30 a.m. ET, this report is the Federal Reserve's preferred inflation gauge. For February, personal income increased by 0.4%, personal spending rose by 0.5%, and the PCE index showed a 0.3% monthly increase, aligning with expectations. Year-over-year, the PCE inflation rate stands at 2.5%, with the core PCE index at 2.7%.
2. Federal Reserve Speeches: Several Fed officials are scheduled to speak today, including Fed Governor Michael Barr at 12:15 p.m. ET and Atlanta Fed President Raphael Bostic at 3:30 p.m. ET. Their remarks could provide insights into future monetary policy and economic outlooks.
3. Market Reactions to Auto Import Tariffs: President Trump's announcement of a 25% tariff on auto imports, effective next week, has caused global market volatility. Auto stocks, including General Motors and Ford, have experienced significant declines. Investors are also anticipating additional tariffs to be announced on April 2.

These developments are likely to impact market movements throughout the trading day.

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