



Weekly Market Report For 10 – 14 February 2025

Overview



- ❖ US stocks gained despite higher-than-expected inflation, supported by the delay in tariff and a decline in the producer price index.
- ❖ US CPI rose 3.0% YoY in January, leading the market to expect the Federal Reserve (Fed) to cut interest rates in September, with 70% of investors anticipating only one reduction this year.
- ❖ President Trump announced a 25% import tariff on steel and aluminum from all countries. However, its implementation is postponed to April, boosting stock market sentiment.
- ❖ European stock markets hit new highs, driven by strong corporate profits, falling inflation, the ECB rate cuts, and Russia-Ukraine peace negotiations.
- ❖ China's stock market recovered, especially the tech stocks. Alibaba led gain following the launch of DeepSeek and its collaboration with Apple to develop AI for iPhone in China.
- ❖ The Japanese economy grew by 2.8% on annualized basis in 4Q24, surpassing market expectations of 1.1%, thanks to strong growth in exports and private investment.

Market Brief



 **US shares gained last week.** Dow Jones +0.6%, S&P500 +1.5% and Nasdaq +2.6% as market reacted positively to a delay in potential US tariffs.

US inflation

- o CPI rose 3.0% YoY in January, above market forecasts of 2.9%. Core CPI accelerated to 3.3% YoY, exceeding market estimates of 3.1%.
- o CPI accelerated due mainly to higher food prices, especially egg prices which surged 15% to the highest level since June 2015 as bird flu led to supply shortages. Shelter costs, which accounted for 1/3 of CPI, increased by 0.4% MoM.
- o Stock markets fell last Wednesday (12 Feb.) as investors shift expectations regarding Fed rate cut to at least September after hot inflation data. Traders see 70% chance of just one rate cut this year, in line with the Fed chair saying there is no need to rush to cut interest rates.
- o Stock markets rebounded on the next day (13 Feb.) after producer price index in Fed's focus groups (e.g. healthcare and air fare) decline.

US trade policies

- o President Donald Trump ordered a 25% tariff on all imports of steel and aluminum into the US from all countries. Additionally, he plans to add new tariffs on auto imports on around April 2.
- o President Donald Trump said he plans to introduce reciprocal tariffs on US trading partners but delayed their implementation to April, raising hopes for trade negotiations and boosting investors sentiment.

Europe stock markets

- o European stock markets hit new highs, boosted by stronger-than-expected corporate earnings, falling inflation, and the ECB planning substantial rate cuts.
- o Senior Trump administration officials will start Russia-Ukraine peace talk, adding market optimism.

China shares

- o Hang Seng China Enterprise +7%, as tech stocks climbed after the launched of DeepSeek.
- o Alibaba +20% within one week and +50% within one month, thanks to DeepSeek and its partnership with Apple to support iPhones' AI services offering in China.
- o China has invited prominent entrepreneurs including Alibaba Group Holding Ltd. co-founder Jack Ma and DeepSeek founder Liang Wenfeng to meet the nation's top leaders, a potentially momentous show of support for the tech sector after years of tight state control.

Japanese economy


- o GDP grew by 2.8% YoY in 4Q24, accelerating from a 1.7% expansion in 3Q24 and surpassing market forecasts of 1.1%, driven by strong exports and private investment.
- o The Japanese yen strengthened to 151.8 per dollar from 152.36 per dollar.

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