WEEKLY BULLETIN

January 2025: Issue #2

Quote of the Week.

"No dream is too big. No challenge is too great. Nothing we want for our future is beyond our reach" – President Donald Trump

After enduring two weeks of sell-off spurred by a hawkish Fed pause signal, investor sentiment has taken a decisive bullish turn, buoyed by robust earnings from U.S. banks. JP Morgan and Bank of America led the charge with stellar revenue gains of 49% and 44%, respectively. While reduced interest income reflected the Fed's rate-cutting trajectory, investment banking gains have stepped in to fill the gap.

Adding to the optimism, softer inflation data helped the S&P 500 recover all losses from early January, paving the way for a strong start to the year. While the "Magnificent 7" tech giants continue to drive market momentum, there are growing indications that financials and cyclical sectors could take the lead in 2025.

Expectations for mergers and acquisitions (M&A) are soaring, following a global deal volume of $3.4 trillion in 2024, marking a 15% year-over-year increase. Looking ahead, President Trump's inauguration on January 20th has further fueled equity market optimism, propelling the three major indexes toward new highs. Investor appetite for buy-on-dip strategies continues to strengthen.

Asian markets have experienced a rollercoaster start to the year, grappling with the Fed pause, trade tensions, and China's growth challenges. However, a halo effect from the U.S. equity rebound, led by Banks and Tech, has brought a welcome respite. The Asia-Pacific region broke its 15-day losing streak, with Asian tech stocks spearheading the recovery. President Trump's decision to avoid harsh tariff on China during his first day in office, coupled with a "good call" between Trump and President Xi, provided a much-needed boost to regional sentiment. While the risk of U.S. tariffs on China lingers, these early gestures have eased international trade concerns, offering hope for a brighter outlook.

Japan remains on edge ahead of the Bank of Japan's January meeting, with speculation over a potential rate hike. Should the BOJ signal a more cautious approach, Japanese equities are poised for a rebound. Meanwhile, Taiwan's tech sector continues to thrive, fuelled by AI-driven momentum. As long as U.S. tariffs remain off the table, the Chinese New Year period starting January 29th could see a significant rally in Asia-Pacific markets, driven by renewed festive confidence.

Last Week 's Notable Events.

US Economy/Politics

- US Dec CPI y/y 2.9% vs exp 2.9%, Core CPI 3.2% vs exp 3.3% - 15th Jan
- US tightens controls on advanced chips to curb flow to China – 16th Jan
- IMF raises US Economic forecast to 2.7% growth for 2025, up from 2.2% – 17th Jan
- Trump sworn in a second time, vows 'golden age of America'. – 21st Jan
- Immigration crackdown, withdrawal from WHO and Paris Agreement among Trump's first acts – 21st Jan

Europe Economy/Politics

- EZ Dec CPI y/y 2.4% vs exp 2.4% - 17th Jan
- UK Dec Retail Sales m/m -0.3% vs exp +0.4% - 17th Jan
- EU takes China to WTO over high-tech patent royalties – 20th Jan

Asia Pacific Economy/Equity

- Weakening rupee puts India interest rate cuts in doubt – 15th Jan
- Japan wholesale inflation steady near 4%, BOJ eyes rate hike next week – 16th Jan
- Asia's tourism arrivals forecast to return to pre-COVID levels in 2025 : BMI report
- China Q4 GDP y/y 5.4% vs expected 5.0% – 17th Jan
- Chinese tycoon's luxury mansion in Hong Kong sees 60% price cut – 17th Jan

Weekly Data Monitor

Weekly chart:

- US stocks rallied on strong banks' earnings.
- Global real estate gains on softer than expected core Dec US CPI.
- USD eases along with the lower US yields after softer inflation data.

Note: The chart shows normalised weekly highs and lows for the Indicator, BLUE being the LATEST.

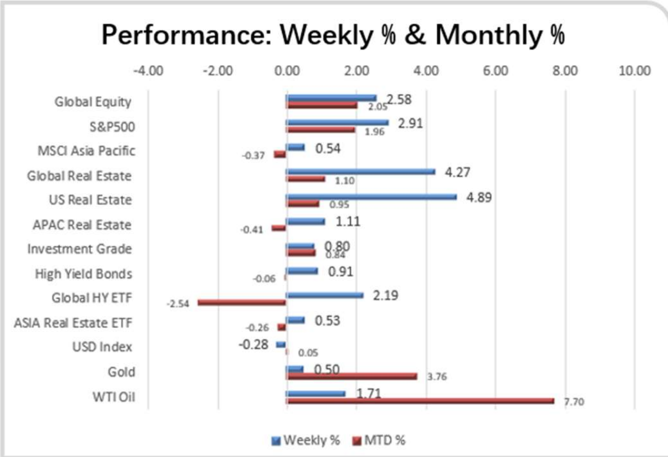
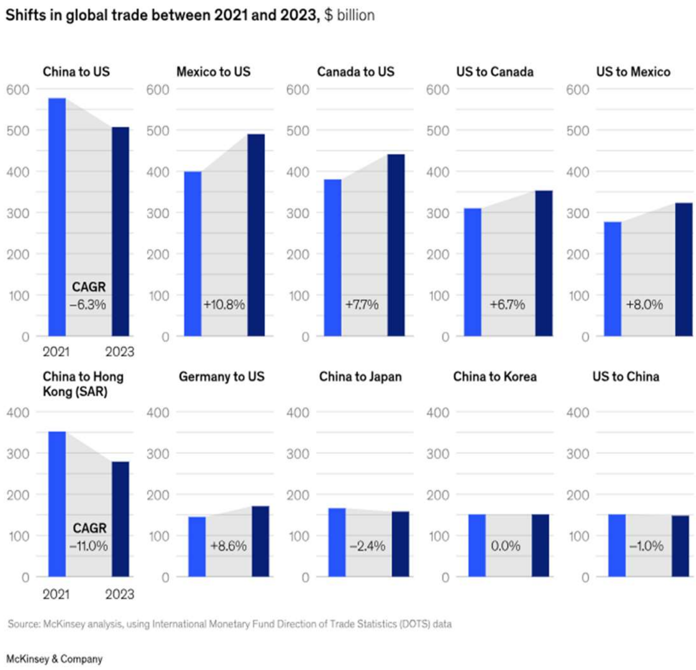


Chart of the Week.

With Trump's return to office on January 20, 2025, the global trade landscape is set to undergo significant changes, particularly in relation to US tariffs. Key insights from McKinsey's data on trade trends (2021-2023) reveal a decline in US-China trade (-6%), driven by ongoing sanctions and policy shifts under Biden. As a result, it is likely that China will diversify its trade, focusing more on the Middle East and Africa in 2025. Conversely, US trade with Mexico (+10.8%) and US trade with Canada (+7.7%) have seen significant growth, which has led to Trump's tariff threats post-election. Another country to watch is Germany, which experienced trade growth of +8.6% with the US over the same period and could become a potential target of the Trump administration's policies.



Investors should monitor these shifts as they could impact trade-dependent sectors, and look for opportunities in markets outside those countries under Trump tariff threats.