

WEEKLY BULLETIN

February 2025: Issue #2

Quote of the Week.

“Tariffs are a killer, play against growth and price stability” – Jean-Claude Trichet

Trump tariffs dominated headlines this week, sending markets into a brief risk-off mode. His vow to impose reciprocal tariffs on nations taxing U.S. imports stoked fears of a global trade war. However, in a surprise U-turn, he called for an investigation into trade imbalances, postponing any tariff action until April 1. Markets rallied on the news, relieved that negotiations remain on the table.

India's PM Modi swiftly responded, securing a deal to buy U.S. military planes, gas, and oil, signaling a diplomatic effort to sidestep trade tensions. While U.S. stocks were minimally impacted by the initial tariff threat, the pause triggered a relief rally. Positive corporate earnings propelled the Nasdaq to a three-week high, while the S&P 500 flirted with an all-time peak.



Despite the market rally, Big Tech is showing mixed performance. The "Magnificent Seven" (Apple, Microsoft, Alphabet, Amazon, Tesla, Nvidia, and Meta) have struggled, rising only 1% YTD. Tesla, Microsoft, and Alphabet are down, while Meta has surged 25.8%. Investors are concerned about stretched valuations and heavy AI-related capital expenditures. The rise of new players, like China's DeepSeek, is also shaking up the AI landscape, challenging Nvidia's dominance.

As a result, funds are flowing into financials, healthcare, European equities, and smaller tech firms. Momentum stocks like Palantir are benefiting from this shift. Additionally, the S&P 500 equal-weighted index is now outperforming its traditional cap-weighted counterpart—signalling a broader market rally beyond mega-cap tech.

While the S&P 500 remains near its peak, investor sentiment is evolving. The market is pivoting away from concentrated tech exposure toward a more balanced, diversified approach—seeking opportunities across sectors and regions.

Last Week 's Notable Events.

US Economy/Politics

- Canada vows swift retaliation to 'unjustified' Trump tariffs – 11th Feb
- Trump eyes summit with Xi and Putin, says he wants military budgets halved – 14th Feb
- Trump says US tariffs on imported cars to come around April 2nd – 15th Feb
- Trump steel tariffs negative for both UK and US, says Business Secretary Jonathan Reynolds – 16th Feb
- Ohio steel plant CEO celebrates Trump tariffs, eyes additional jobs, boosting productivity – 16th Feb

Europe Economy/Politics

- EU calls Trump tariffs 'unjust', vows swift response – 15th Feb
- European leaders set to hold emergency summit on Ukraine – 16th Feb

Asia Pacific Economy/Equity

- Taiwan pledges to boost US investment after Trump tariff threat – 15th Feb
- Japan FM asks US counterpart to exempt Tokyo from Trump tariffs – 16th Feb
- Xiaomi began testing DeepSeek AI for HyperOS 2.0 devices – 16th Feb
- Tencent jumps as its Weixin app launches beta testing with DeepSeek – 17th Feb

Weekly Data Monitor

Weekly chart:

- S&P500 retests near record high levels.
- Gold pull back following Trump tariffs U-turn.
- Global high yield rally as inflation fear ease after Trump delays tariffs,

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

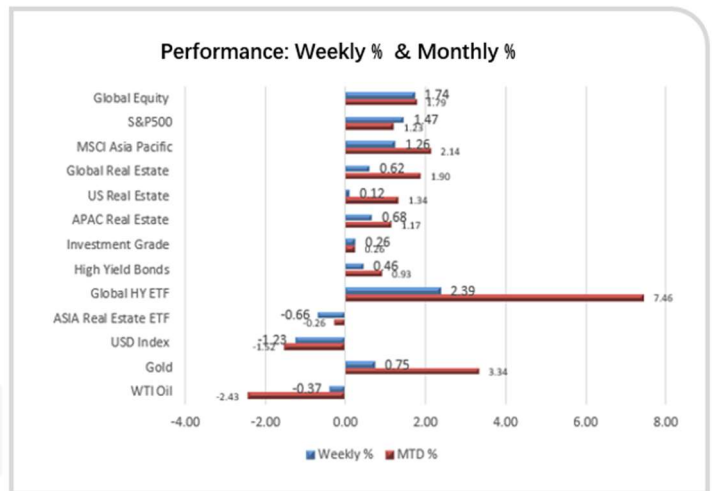
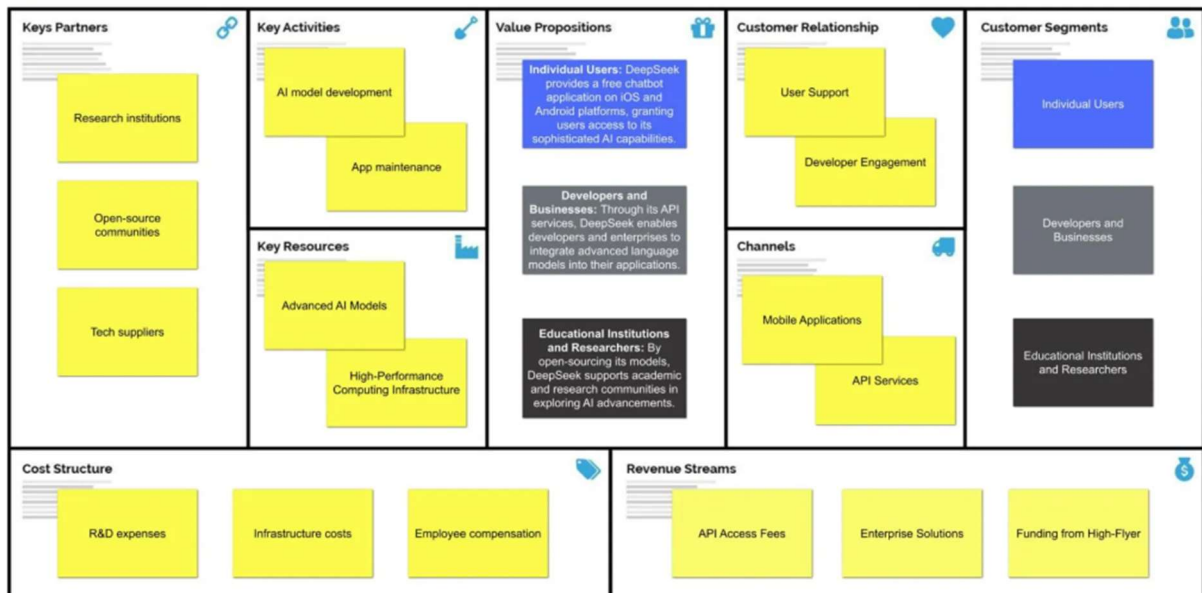


Chart of the Week.

DeepSeek: A Game Changer in AI and Its Ripple Effect on Chinese Tech Stocks

The Hang Seng Index (HSI) has been on the rise, driven by a sector-wide rotation into Chinese technology stocks. A key catalyst behind this momentum is DeepSeek, an emerging AI powerhouse, which has not only captured investor interest but also signalled a shift in how artificial intelligence is commercialized in China.

deepseek - Business Model Canvas



According to DeepSeek's Business Model Chart, the company's strategy is built on the following core elements:

- **Value Proposition:** DeepSeek democratizes AI by offering cost-efficient large language models (LLMs) that require lower computing power compared to competitors. This makes AI solutions more accessible and scalable for businesses and developers.
- **Customer Segments:** Targeting enterprises, startups, and research institutions, DeepSeek's AI solutions are tailored for wide adoption, from finance to e-commerce and healthcare.
- **Revenue Streams:** Monetization comes from API subscriptions, enterprise licensing, and strategic partnerships, ensuring a sustainable financial model.
- **Key Activities & Resources:** Unlike many AI firms reliant on expensive infrastructure, DeepSeek optimizes its algorithms to function on standard GPUs, lowering operating costs while maintaining competitive performance.
- **Competitive Edge:** As an open-source AI provider, DeepSeek fosters a strong developer ecosystem, attracting both investment and talent.

Market Impact & Investment Opportunities

DeepSeek's innovation has strengthened investor sentiment in the Chinese tech sector, with the Hang Seng Tech Index rallying ~25% since mid-January 2025. This surge has spilled over to major technology stocks like Alibaba, Xiaomi, Baidu, and Tencent, as institutional investors reposition into high-growth AI-driven companies.

Investment banks are taking notice—Goldman Sachs recently raised its 12-month CSI300 target to 4,700, citing AI-driven earnings growth as a key factor. Meanwhile, Chinese policymakers have reinforced support for the tech sector, further stabilizing the market outlook.

What Lies Ahead?

With China's AI ecosystem evolving rapidly, DeepSeek's cost-efficient approach to AI development positions it as a frontrunner in next-generation AI applications. Investors should watch for:

- Further market reallocation into AI stocks as sentiment improves.
- Potential strategic alliances between DeepSeek and larger tech firms.
- Continued policy tailwinds supporting AI and digital innovation.

As the AI revolution accelerates, DeepSeek's business model provides a strong case for long-term investment opportunities within the Chinese tech landscape.

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