

Weekly Newsletter

March 7th, 2025

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Musings

"In diplomacy, the greatest insult of all is to be taken seriously."

—Oscar Wilde

Last week in the markets

	Closing level	Weekly change	YTD change
S&P 500	5,770.19	-3.10%	-1.89%
Nasdaq Composite	18,196.22	-3.45%	-5.77%
10Y UST Yield	4.305	2.43%	-5.86%
Crude oil	67.04	-4.16%	-6.53%
Gold	2,909.55	1.80%	10.87%
DXY	103.95	-3.36%	-4.18%
USD/INR	87.07	-0.43%	1.80%
Euro STOXX 50	5,525.40	1.21%	13.75%
India (Nifty)	22,552.50	1.93%	-4.62%
Japan (Nikkei)	36,887.17	-0.72%	-7.54%
China (CSI 300)	3,944.01	1.39%	0.23%
Saudi (TASI)	11,811.11	-2.48%	-1.87%
Abu Dhabi (ADX)	9,447.79	-1.22%	0.31%
Dubai (DFM)	5,222.60	-1.79%	1.24%

News from the markets

The tariff seesaw continued this week with **US announcing 25% levies on Canada, Mexico and an additional 10% on China** which were followed by retaliatory tariffs by Canada & China and a not very unexpected U-turn from US administration by allowing a one-month exemption on almost half of the imports from their neighbors from the new tariffs. The continuous back and forth from the administration has injected chaos into the economy and financial markets with inflation expectations soaring and equity markets seeing declines. The S&P 500 has seen an almost 8% drawdown from all-time highs, whereas the Nasdaq officially fell into correction territory on Friday before paring some losses thanks to a calming message from **Jerome Powell saying the economy "continues to be in a good place"**.

New numbers in on Friday show **US job growth steadied last month with nonfarm payrolls increasing by 151,000, but they also show unemployment rose to 4.1%**. Overall, it wasn't the worst day of economic news for the Trump administration in what's otherwise been three solid weeks of grim data. This is the first jobs report fully within Trump's second term. It's also the first to reflect the start of his effort to slash the US government jobs. Friday's jobs numbers —since they don't include Trump's recent mass dismissals and those yet to come —could be the calm before the storm. Investors raised their expectations of interest rate cuts by the US Federal Reserve, with three rate cuts now expected in 2025 according to the CME Fedwatch Tool.

Across the pond, Europe might be undergoing a watershed moment with **Germany's incoming administration revealing much needed fiscal plans to boost defense and infrastructure spend**. Chancellor-in-waiting Friedrich Merz said on Tuesday night that Germany would amend the constitution to exempt defense and security outlays from limits on fiscal spending. He is also planning a €500 billion infrastructure fund to invest in priorities such as transportation, energy grids and housing over 10 years. **The total investment could amount to some €1 trillion over the next years**, which is more than the EU's entire pandemic recovery fund. The announcement led to strengthening in the euro and an upswing in European equities. German government bonds saw their biggest daily jump since Germany's reunification in 1990 on the news.

Chinese officials announced an expansion target of about 5% for 2025 at its annual parliamentary session, marking the first time in more than a decade Beijing had set the same goal for three straight years. President Xi Jinping signaled China's determination to push ahead with an ambitious growth goal this year, despite the trade war.

From the earnings desk, **Costco fell 6% after the retailer missed Wall Street estimates on quarterly earnings as merchandise costs increased**. The membership-only retailer would consider making changes to its international supply chain if tariffs lead to big price hikes and source from countries not affected by the policies.

Broadcom's stock soared 6% following the company's upbeat revenue forecast reviving investor confidence in AI chip demand. Broadcom's software revenue grew 47% in the first quarter to \$6.70 billion, representing more than 40% of total sales.

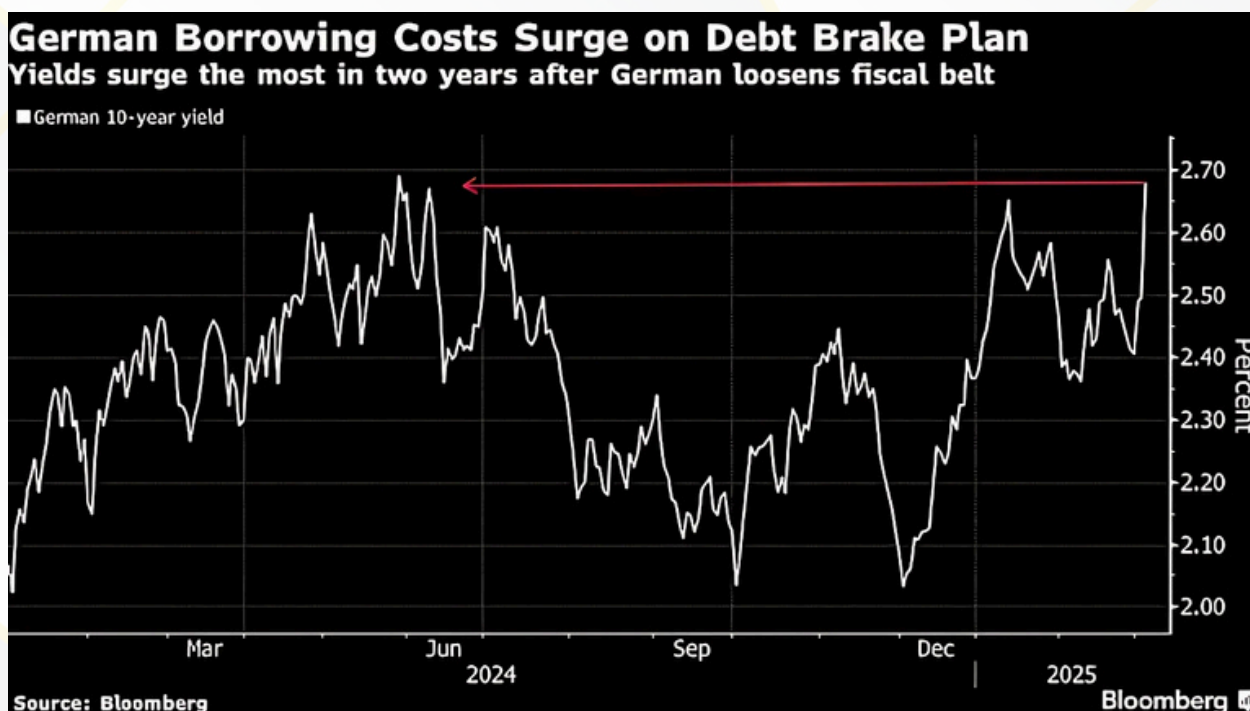
Share price of the AI-server marker Hewlett Packard Enterprise (not to be mistaken with HP Inc.) fell 13% on Friday as it announced that its annual profit forecast would be hit by U.S. tariffs in an intensely competitive market. It has also said that jobs would be cut amidst stiff competition from rivals Dell and Super Micro Computer.

In commodities, oil prices continued to descend in the face of weakening demand and OPEC's plans to reverse production cuts. Gold saw a weekly gain as traders sought havens amidst uncertainty.

Key economic events coming this week

March 10 th	<ul style="list-style-type: none"> • Japan GDP (Q4'24) • Oracle earnings
March 11 th	<ul style="list-style-type: none"> • US JOLTS Job Openings (Jan)
March 12 th	<ul style="list-style-type: none"> • US CPI (Feb) • US Crude Oil Inventories • US 10-Year Note Auction • Adobe, PDD, Dollar Tree earnings
March 13 th	<ul style="list-style-type: none"> • US Initial Jobless Claims • US PPI (Feb) • US 30-Year Bond Auction • Dollar General earnings
March 14 th	<ul style="list-style-type: none"> • German CPI (Feb) • Li Auto earnings

Chart of the Week



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