

# Weekly Newsletter

May 09<sup>th</sup>, 2025

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## Musings

*"To jaw-jaw is always better than to war-war... but when there is no other choice, war must be fought with resolve."*

—Winston Churchill

## Last week in the markets

	Closing level	Weekly change	YTD change
S&P 500	5,659.00	-0.49%	-3.79%
Nasdaq Composite	17,928.92	-0.27%	-7.16%
10Y UST Yield	4.382	1.72%	-4.18%
Crude oil	61.02	4.68%	-14.92%
Gold	3,325.90	2.62%	26.74%
DXY	100.42	0.38%	-7.43%
USD/INR	85.36	1.04%	-0.20%
Euro STOXX 50	5,317.00	0.34%	9.46%
India (Nifty)	24,008.00	-1.39%	1.54%
Japan (Nikkei)	37,503.33	1.83%	-5.99%
China (CSI 300)	3,846.16	2.00%	-2.26%
Saudi (TASI)	11,364.11	-1.56%	-5.59%
Abu Dhabi (ADX)	9,625.97	0.49%	2.20%
Dubai (DFM)	5,312.55	0.40%	2.98%

## News from the markets

It was a quiet week in US financial markets. Stock indices finished not far from where they started, and intra-week volatility was relatively low.

The U.S. economy showed signs of cooling, **with consumer sentiment dipping due to tariff concerns. Corporate earnings reflected mixed outcomes**, with companies like Ford and Clorox citing tariff-related challenges, while tech giants like Nvidia reaffirmed AI spending plans. The labor market remained robust with unemployment at 4.2%, though potential immigration policy changes posed risks to labor supply.

As expected, **the Federal Open Market Committee (FOMC) stated on May 7<sup>th</sup> that it decided to maintain the target range for the federal funds rate at 4.25% to 4.5%. The Fed also announced a slower pace of balance sheet reduction, reducing Treasury holdings runoff from \$25 billion to \$5 billion per month starting in April.** The post-meeting statement noted increased risks to both unemployment and inflation, emphasizing the Fed's dual mandate of price stability and maximum employment.

**A U.S.-UK trade deal was announced on May 8<sup>th</sup>.** The US agreed to reduce import taxes on a set number of British cars and allow some steel and aluminum into the country tariff-free, in exchange for new access to US beef and other exports, according to an outline of the new agreement.

**This fueled optimism that similar agreements could be reached with other nations, including China,** which was evaluating a U.S. offer for talks despite the 145% tariffs. Treasury Secretary Scott Bessent's testimony to Congress on May 6 emphasized Trump's negotiation strategy, signaling flexibility in tariff policies. Trump himself has indicated his comfort with 80% tariffs on China. We note that 80% is less than 145%, but meaningfully higher than earlier levels and, as such, expect extended discussions before any resolution is reached.

Japan's Nikkei 225 recovered strongly by May 8, driven by trade optimism and its \$1 trillion U.S. Treasury holdings, which bolstered its leverage in negotiations.

Crude oil futures ended the week higher, buoyed by optimism around U.S.-China trade talks and signs of tightening inventories helped underpin prices. As the world's top two oil consumers, any thaw in trade relations could provide much-needed demand support. Analysts flagged improved investor sentiment tied to hopes of reduced tariffs, though warnings persist that volatility from tariff headlines will continue to impact price action.

India launched Operation Sindoor on May 7, targeting alleged terrorist infrastructure in Pakistan and Pakistan-occupied Kashmir. This prompted retaliatory strikes and intense cross-border shelling along the Line of Control (LoC). On May 10<sup>th</sup>, the two countries announced a ceasefire, marking a de-escalation in hostilities. Indian stock markets remained broadly resilient through this period, ending the week 1.39% lower.

## Key economic events coming this week

<b>May 05<sup>th</sup></b>	<ul style="list-style-type: none"><li>• Tata Steel, Suzuki, Emaar earnings</li></ul>
<b>May 06<sup>th</sup></b>	<ul style="list-style-type: none"><li>• US CPI (Apr)</li><li>• JD.com, Softbank, Honda, earnings</li></ul>
<b>May 07<sup>th</sup></b>	<ul style="list-style-type: none"><li>• Germany CPI (Apr)</li><li>• US Crude Oil Inventories</li><li>• Sony, Tencent, Coreweave earnings</li></ul>
<b>May 08<sup>th</sup></b>	<ul style="list-style-type: none"><li>• Japan GDP (Q1)</li><li>• US Retail Sales (Apr)</li><li>• US Initial Jobless Claims (Apr)</li><li>• US PPI (Apr)</li><li>• Ali Baba, Walmart, John Deere, Applied Materials earnings</li></ul>
<b>May 09<sup>th</sup></b>	-



## Chart of the Week



The average pace of quantitative tightening by the Federal Reserve is slowing

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