

Weekly Newsletter

February 21st, 2025

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Musings

"The urge to save humanity is almost always a false front for the urge to rule it."

—H.L. Mencken

Last week in the markets

	Closing level	Weekly change	YTD change
S&P 500	6,031.12	-1.37%	2.54%
Nasdaq Composite	19,524.01	-2.51%	1.10%
10Y UST Yield	4.431	-1.05%	-3.11%
Crude oil	70.40	-0.48%	-1.84%
Gold	2,936.26	1.87%	11.89%
DXY	106.64	-0.14%	-1.70%
USD/INR	86.59	0.01%	1.24%
Euro STOXX 50	5,442.70	-0.73%	12.04%
India (Nifty)	22,795.90	-0.58%	-3.59%
Japan (Nikkei)	38,776.94	-0.95%	-2.80%
China (CSI 300)	3,978.44	1.00%	1.11%
Saudi (TASI)	12,388.15	0.03%	2.92%
Abu Dhabi (ADX)	9,618.34	-0.08%	2.12%
Dubai (DFM)	5,359.25	-0.05%	3.89%

News from the markets

This week it was the turn of US macroeconomic data to shake the markets. The S&P 500 ended the week with a loss as soft data flagging worries about the economy triggered a sea of red across stocks.

S&P Global's preliminary composite **purchasing managers' index for the U.S., a tracker of both the manufacturing and services sectors, came in at 50.4 in February**, down from 52.7 in January, while services PMI fell to 49.7 from 52.9.

The **University of Michigan's sentiment index showed U.S. consumer sentiment deteriorated further in February, falling to a reading of 64.7 from 71.1** and missing forecasts of 64.8.

The **Philadelphia Fed's index of business activity in the mid-Atlantic region, meanwhile, fell sharply in February, with a headline reading of 18.1, down from 44.3 in January** and the biggest sequential decline in five years.

Walmart shares slumped after a muted near-term outlook from the world's biggest retailer clouded a solid set of fiscal-fourth-quarter earnings. The Company beat both its top- and bottom-line forecasts with earnings of 66 cents a share and revenue of \$180.55 billion, but its full-year profit guidance of between \$2.50 and \$2.60 missed the LSEG consensus by around 27 cents a share.

The U.S. **Justice Department is investigating UnitedHealth's Medicare billing practices**, the Wall Street Journal reported, while the health insurer said it was unaware of any new probe underway. UnitedHealth Group (NYSE:UNH) shares were down 7.3% in response.

Palantir Technologies plunged from record highs amid reports that the Trump administration is looking to slash the defense budget.

Berkshire Hathaway reported record operating earnings for 2024, driven by strong performance in its insurance businesses and higher investment income. Meanwhile, the firm's cash position rose to a new high of \$334.20 billion in the fourth quarter.

U.S. Treasury debt rallied after Treasury Secretary Scott Bessent said that the Treasury won't be in a hurry to auction more longer-term securities. Bond investors have been concerned that the U.S. could turn to issuing more higher-duration notes and bonds at the same time that the Fed is continuing to reduce its balance-sheet holdings, potentially creating a supply glut. Bessent's comments help ease those concerns, at least in the near term.

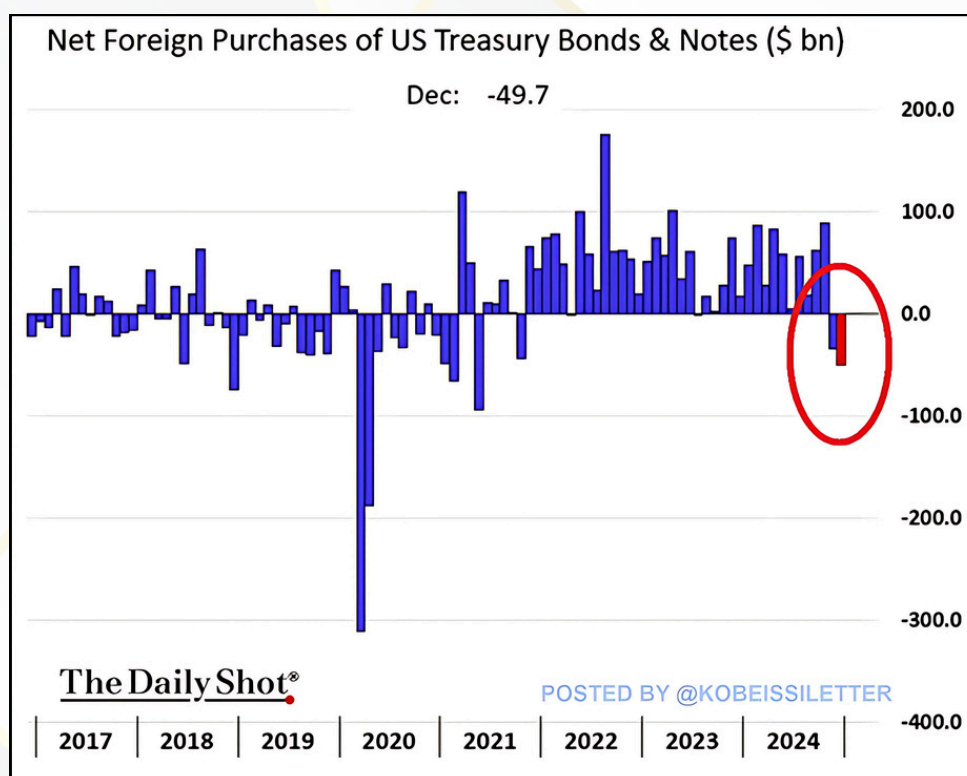
European stocks have been on a roll since the start of the year, outperforming the US. On the macro front, the economy is expected to recover, borrowing costs are coming down, and Germany's election on Sunday has raised expectations for fiscal stimulus. Talks over a ceasefire in Ukraine have also lifted the mood. Optimism about earnings, buybacks and upgrades are adding momentum.

Morgan Stanley raised its rating on Chinese stocks from "Underweight" to "Equal Weight" in a report released Thursday. The recent strong performance of the Hang Seng Index has been mainly driven by a new wave of artificial intelligence innovation sparked by AI startup DeepSeek.

Key economic events coming this week

February 24th	<ul style="list-style-type: none"> • EU CPI (Jan) • Trip.com, Li Auto earnings
February 25th	<ul style="list-style-type: none"> • German GDP (Q4'24) • Home Depot earnings
February 26th	<ul style="list-style-type: none"> • US Crude Oil Inventories • US New Home Sales (Jan) • Lowe's, Nvidia, Snowflake, Salesforce, Stellantis earnings
February 27th	<ul style="list-style-type: none"> • US GDP (Q4'24) • Dell, Rolls Royce, AXA earnings
February 28th	<ul style="list-style-type: none"> • German CPI (Feb) • US PCE (Jan) • China Manufacturing PMI (Feb)

Chart of the Week



Foreign holdings of US Treasuries dropped \$49.7 billion in December, the biggest drop since March 2021. This was the second consecutive month of selling after ~\$30.0 billion in November. China's holdings fell \$76.9 billion in 2024, to \$759.0 billion, the lowest since 2009. Japanese Treasury holdings decreased \$57.3 billion, to \$1.06 trillion, the lowest since 2018.

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