

# Weekly Newsletter

February 7<sup>th</sup>, 2025

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## Musings

*"The stock market is a device for transferring money from the impatient to the patient."*

—Warren Buffet

## Last week in the markets

|                  | Closing level | Weekly change | YTD change |
|------------------|---------------|---------------|------------|
| S&P 500          | 6,025.99      | -0.24%        | 2.45%      |
| Nasdaq Composite | 19,253.40     | -1.91%        | -0.30%     |
| 10Y UST Yield    | 4.493         | -1.10%        | -1.75%     |
| Crude oil        | 71.00         | -2.11%        | -1.00%     |
| Gold             | 2,861.25      | 2.26%         | 9.03%      |
| DXY              | 108.1         | -0.37%        | -0.35%     |
| USD/INR          | 87.59         | 1.25%         | 2.41%      |
| Euro STOXX 50    | 5,312.68      | 1.13%         | 9.37%      |
| India (Nifty)    | 23,559.95     | 0.60%         | -0.36%     |
| Japan (Nikkei)   | 38,787.02     | -1.98%        | -2.78%     |
| China (CSI 300)  | 3,892.70      | 1.98%         | -1.07%     |
| Saudi (TASI)     | 12,433.58     | 0.15%         | 3.30%      |
| Abu Dhabi (ADX)  | 9,586.14      | 0.00%         | 1.77%      |
| Dubai (DFM)      | 5,238.40      | 1.12%         | 1.55%      |

## News from the markets

Market volatility see-sawed this week, as evidenced by the VIX, while the Fear & Greed Index remained in "Fear" Territory. US Nonfarm payrolls moderated last month, and the unemployment rate fell from 4.1% to 4% which reflects **slowing but healthy job growth**. Meanwhile, Inflation expectations rocketed as **US households saw prices surging by 4.3% over the next year**; which is a 100 basis points increase from last month and the highest since November 2023; as Americans feared it may be too late to avoid the negative effects on their purchasing power from President Trump's threatened tariffs..

The rollercoaster ride continued on the tariff front, as **President Donald Trump put a month-long pause on the enforcement of 25% tariffs on Canada and Mexico** at the last minute, temporarily diverting a disastrous trade war in North America. In exchange, Mexico agreed to deploy 10,000 troops to reinforce its border with the United States. Shortly after, Canada followed suit with its own border security measures after a last-minute conversation between Trump and Prime Minister Justin Trudeau.

However, **China was exempt from these negotiations** and a 10% tariff on all imported Chinese goods is already in effect. In response, **Chinese officials retaliated with a 15% tariff on U.S. coal, liquefied natural gas (LNG)**, and 10% on other products such as crude oil, farm equipment, and select American vehicles. They will also exert export controls on critical metals such as tungsten– an essential for electronic, military equipment, and solar panels. **Beijing further threatened legal action against several American-based companies**, including Google. While China's response isn't as extreme as Trump's sweeping tariffs, it's a measured move to pressure Washington to engage in negotiations.

**On Friday, Trump announced that he plans to unveil reciprocal trade tariffs on any country that puts duties on US made goods.** The statement weighed on the markets, largely erasing the midweek recovery.

**India delivered its first rate cut since May 2020**, slashing a key benchmark rate by 25 basis points to 6.25%. **The move is aimed at boosting economic growth**, which is seen falling to a four-year low.

**Gold hit an all time high of 2,886.86 during the week as its record run resumed after a slight post-election pause.** Investment demand in the emerging markets has strengthened again and central banks returned to the gold market with vigor, further fueling the bullish market mood.

**Oil prices edged lower as concerns that the trade war would hurt global growth** outweighed Trump's announcement of reinforced sanctions on Iran.

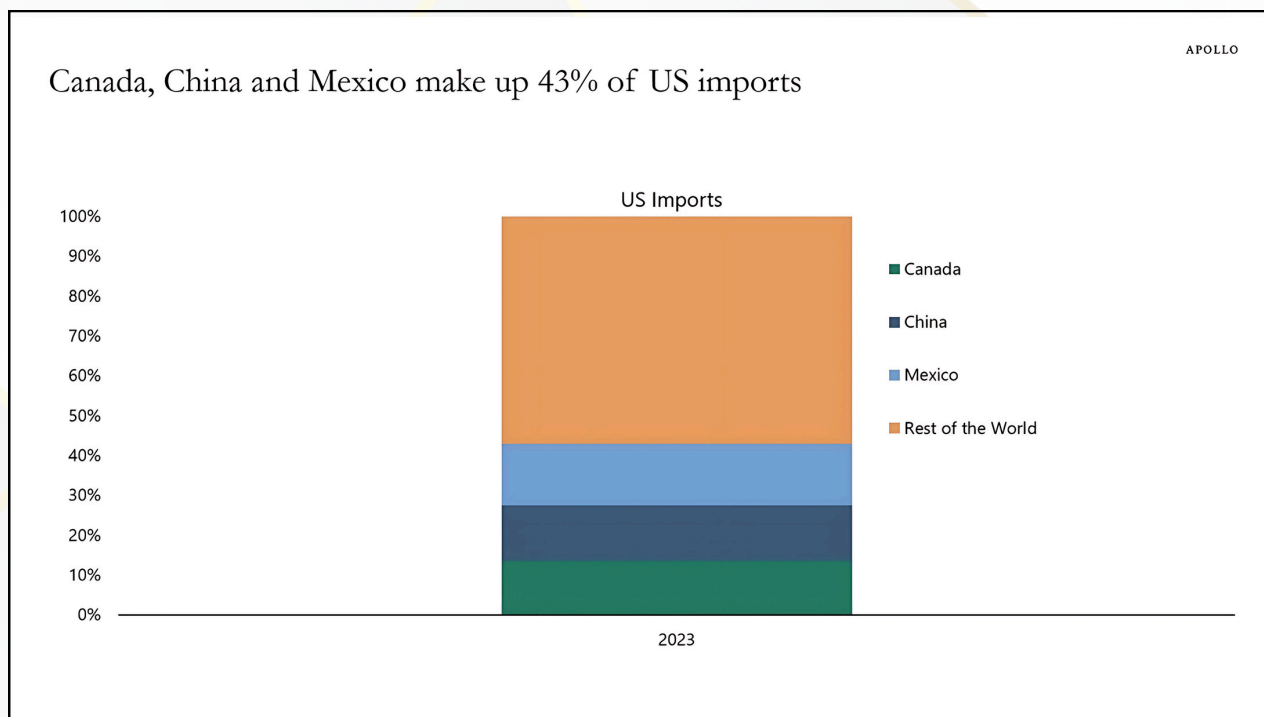
## Key economic events coming this week

|                                 |   |
|---------------------------------|---|
| <b>February 10<sup>th</sup></b> | <ul style="list-style-type: none"> <li>• McDonalds earnings</li> </ul>  |
| <b>February 11<sup>th</sup></b> | <ul style="list-style-type: none"> <li>• Shopify, SMCI earnings</li> </ul>  |
| <b>February 12<sup>th</sup></b> | <ul style="list-style-type: none"> <li>• India CPI (Jan)</li> <li>• US CPI (Jan)</li> <li>• Vertiv, Reddit, Emaar Properties, Air Arabia earnings</li> </ul>  |
| <b>February 13<sup>th</sup></b> | <ul style="list-style-type: none"> <li>• UK GDP Q4'24</li> <li>• US PPI (Jan)</li> <li>• US Initial Jobless Claims</li> <li>• John Deere, Sony, Coinbase, Applied Materials, PaloAlto earnings</li> </ul> |
| <b>February 14<sup>th</sup></b> | <ul style="list-style-type: none"> <li>• EU GDP Q4'24</li> <li>• US Retail Sales (Jan)</li> <li>• Modema earnings</li> </ul>  |



## Chart of the Week

Goods imports make up 11% of US GDP, and **43% of US imports come from Canada, Mexico & China**. This means that **5% of US GDP is directly impacted by higher tariffs on the 3 countries**. This is meaningful when annual GDP growth normally is 2%.



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