

Weekly Newsletter

January 10th, 2025

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Musings

"You can't fight inflation with slogans; it takes disciplined policy and tough decisions."

— Paul Volcker

Last week in the markets

	Closing level	Weekly change	YTD change
S&P 500	5,827.03	-1.94%	-0.93%
Nasdaq Composite	19,161.63	-2.34%	-0.77%
10Y UST Yield	4.763	3.50%	4.15%
Crude oil	76.57	3.53%	6.76%
Gold	2,689.38	1.88%	2.48%
DXY	109.64	0.66%	1.07%
USD/INR	86.15	0.48%	0.72%
Euro STOXX 50	4,981.34	2.32%	2.55%
India (Nifty)	23,431.50	-2.39%	-0.90%
Japan (Nikkei)	39,190.40	-1.77%	-1.77%
China (CSI 300)	3,732.48	-1.13%	-5.14%
Saudi (TASI)	12,097.75	-0.04%	0.51%
Abu Dhabi (ADX)	9,495.48	1.85%	0.81%
Dubai (DFM)	5,228.30	1.98%	1.35%

News from the markets

Data from the Bureau of Labor Statistics released Friday showed 256,000 new jobs were created in December, far more than the 165,000 expected by economists and higher than the 212,000 seen in November.

Meanwhile, the unemployment rate fell from to 4.1% from 4.2% the month prior.

US stock markets finished the week sharply lower. With this move, **the S&P 500 and the Nasdaq as well as the Russell 2000 have given up all the gains made since the November 5th election results.**

At the same time, US Treasury yields skyrocketed, with the **10-year yield reaching levels last seen in October 2023.** As a reminder, the US CPI reading for that month was 3.2% and heading down.

The US Dollar index is now trading at levels last seen in October of 2022 – a 26-month high.

Expectations of an interest rate cut by the US Federal Reserve have moved to the second half of 2025, with some strategists even talking about a rate hike.

A fresh update will come next week with the release of the Consumer Price Index (CPI) for December. Wall Street economists expect that headline inflation rose 2.9% annually in December, an increase from the 2.7% seen in November. Prices are set to rise 0.3% on a month-over-month basis, in line with the month prior.

On a "core" basis, which strips out food and energy prices, CPI is expected to have risen 3.3% over last year in December.

Gold was one of the few beneficiaries and saw prices continue to climb, as concerns over inflation and economic uncertainty drove investors to look to the precious metal as a safe haven asset.

Oil prices also rose, helped by a combination of extreme cold weather, continuing declines in US inventories and a fall in Russian exports.

Meanwhile, the Sterling has been rattled by a sell-off in UK government bonds, amid concerns that inflationary pressures will persist and that central banks will slow down their pace of interest rate cuts. **The 10-year gilt yield traded up to 4.82%, its highest point since 2008.**

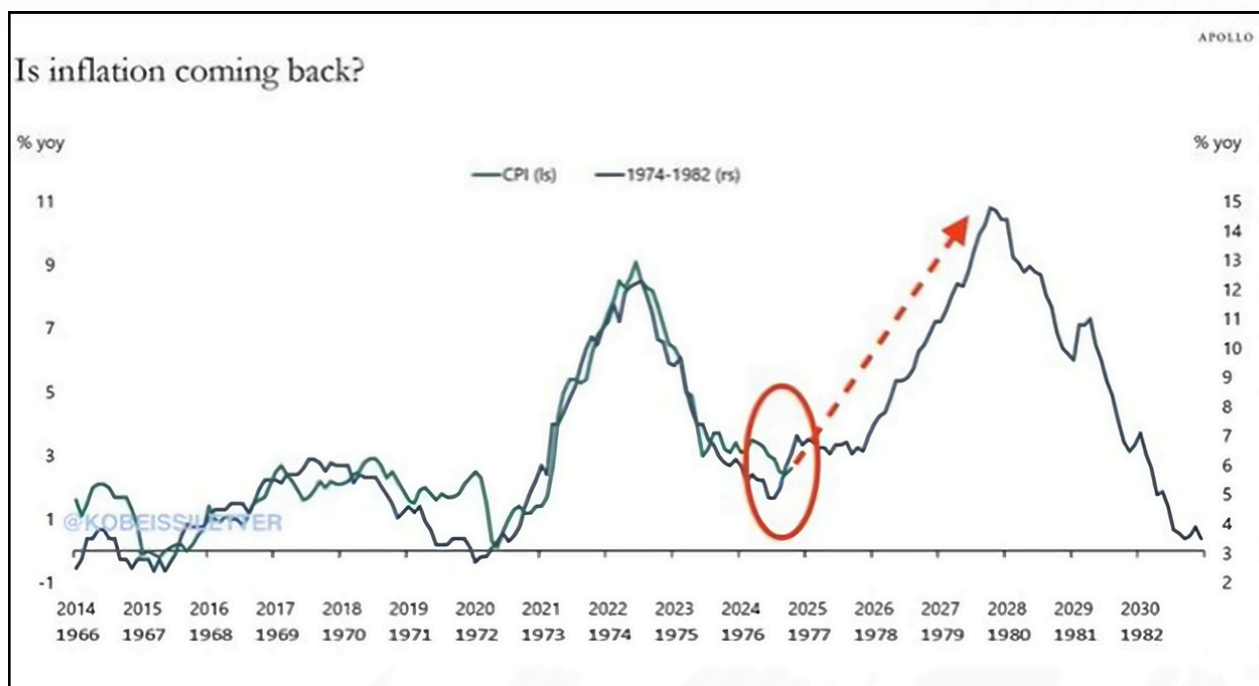
Chinese equities declined for a fifth consecutive day on January 10, pushing a closely watched benchmark index into an official bear market. Stocks in China have been hit particularly hard as investors brace for higher U.S. tariffs on Chinese imports under president-elect Donald Trump. Trade tensions between China and the U.S. have worsened after **America blacklisted Chinese technology firm Tencent Holdings for alleged links to the country's military.** There are also reports that the outgoing administration of U.S. President Joe Biden plans to announce another round of curbs on the export of artificial intelligence (AI) microchips to China.

Indian stocks have also been dragged down by a combination of significant **outflow of foreign capital from Indian markets, the emergence of the HMPV virus and the Indian rupee's fall against the US dollar.**

Key economic events coming this week

January 13 th	-
January 14 th	<ul style="list-style-type: none"> • US PPI (Dec)
January 15 th	<ul style="list-style-type: none"> • US CPI (Dec) • UK CPI (Dec) • US Crude Oil Inventories • JP Morgan, Citibank, Wells Fargo Q4 2024 earnings
January 16 th	<ul style="list-style-type: none"> • US Retail Sales (Dec) • US Initial Jobless Claims • Philadelphia Fed Manufacturing Index (Jan) • UK GDP (Nov) • German CPI (Dec) • China GDP (Q4'24) • TSMC, UnitedHealth, Goldman Sachs, Bank of America, Morgan Stanley, US Bancorp Q4 2024 earnings
January 17 th	<ul style="list-style-type: none"> • Eurozone CPI (Dec) • Schlumberger Q4 2024 earnings

Chart of the Week



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