

# Weekly Newsletter

January 17<sup>th</sup>, 2025

asascapital.com

## Musings

*"Economists are people who are too smart for their own good and not smart enough for anyone else's."*

— Nassim Nicholas Taleb

## Last week in the markets

|                  | Closing level | Weekly change | YTD change |
|------------------|---------------|---------------|------------|
| S&P 500          | 5,996.65      | 2.91%         | 1.96%      |
| Nasdaq Composite | 19,630.20     | 2.45%         | 1.65%      |
| 10Y UST Yield    | 4.623         | -2.94%        | 1.09%      |
| Crude oil        | 77.39         | 1.07%         | 7.91%      |
| Gold             | 2,703.15      | 0.51%         | 3.01%      |
| DXY              | 109.41        | -0.21%        | 0.86%      |
| USD/INR          | 86.55         | 0.46%         | 1.19%      |
| Euro STOXX 50    | 5,138.93      | 3.16%         | 5.79%      |
| India (Nifty)    | 23,203.20     | -0.97%        | -1.87%     |
| Japan (Nikkei)   | 38,451.46     | -1.89%        | -3.62%     |
| China (CSI 300)  | 3,812.34      | 2.14%         | -3.11%     |
| Saudi (TASI)     | 12,256.06     | 1.31%         | 1.82%      |
| Abu Dhabi (ADX)  | 9,499.04      | 0.04%         | 0.85%      |
| Dubai (DFM)      | 5,211.75      | -0.32%        | 1.03%      |

## News from the markets

The major gauges rallied for the week, led by a tech stock resurgence and a shifting mood on Wall Street ahead of Trump's inauguration on Monday

**Markets turned upbeat as investors celebrated earnings from big banks and fresh inflation readings** that signal the Fed continues to make progress in curbing pricing pressures, resuscitating bets on interest-rate cuts in the months ahead. **The consumer price index (CPI) rose at an annual rate of 2.9% in December, up from 2.7% the previous month, and in line with expectations. On a month-to-month basis, the index rose 0.4%.**

Housing starts climbed faster than forecast in December, and US industrial production outstripped estimates. The data added to a picture of strength in the US economy, buoying rate optimism.

**Tesla shares jumped roughly 6% Friday amid speculation that Musk could potentially buy TikTok**, the short-form video app that has amassed a huge following in the US needs to find an American buyer, or it will effectively face a nationwide ban starting next week.

Tesla's share price has surged around 75% since Election Day. The stock is enjoying a broader rally in part thanks to Musk's alliance with President-elect Donald Trump, who could potentially accelerate the EV company's plans to launch a fleet of robotaxis.

Donald Trump and his allies are promising a "blizzard" of activity on Jan. 20, with a wave of executive orders to be signed within hours of his swearing-in and more likely to follow in the days afterward.

**Since Trump was elected on Nov. 5, the 10-year Treasury yield has risen about 40 basis points** as markets have priced in fewer interest rate cuts from the Federal Reserve amid fears inflation won't fall quickly to the central bank's 2% target. The yield is at its highest level since late April 2024 and above levels where strategists believe higher rates weigh on investor's willingness to buy stocks. Similar increases in rates in April 2024 coincided with some of the largest stock market declines of the current bull market.

Major European stock markets finished solidly to the upside, extending recent gains amid optimism over interest rate cuts.

China's economy, an adversary for Trump, grew more than expected last year, topping Beijing's 5% target after a stimulus blitz. But Asia stocks lost ground as investors weigh the potential hit from promised hefty tariffs.

## Key economic events coming this week

|                                |  |
|--------------------------------|--|
| <b>January 20<sup>th</sup></b> | <ul style="list-style-type: none"> <li>• US Inauguration Day</li> </ul>  |
| <b>January 21<sup>st</sup></b> | <ul style="list-style-type: none"> <li>• Netflix Q4'24 Earnings</li> </ul>   |
| <b>January 22<sup>nd</sup></b> | <ul style="list-style-type: none"> <li>• P&amp;G, J&amp;J &amp; HDFC Bank Q4 2024 Earnings</li> </ul>  |
| <b>January 23<sup>rd</sup></b> | <ul style="list-style-type: none"> <li>• Japan CPI (Dec)</li> <li>• BOJ Interest Rate Decision</li> <li>• SK Hynix Q4 2024 Earnings</li> </ul> |
| <b>January 24<sup>th</sup></b> | <ul style="list-style-type: none"> <li>• US Existing Home Sales (Dec)</li> <li>• Verizon and American Express Q4 2024 Earnings</li> </ul>      |

## Chart of the Week

The 10-year note yield has risen ~115 basis points since interest rate cuts began on September 18th. This is the first time this has happened over 11 cutting cycles in the last 40 years. In the previous 10 cutting cycles, rates dropped by an average of 103 basis points after the first rate cut.



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