

Weekly Newsletter

January 31st, 2025

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Musings

"When goods don't cross borders, soldiers will."

—Frédéric Bastiat

Last week in the markets

	Closing level	Weekly change	YTD change
S&P 500	6,040.52	-1.00%	2.70%
Nasdaq Composite	19,627.44	-1.64%	1.64%
10Y UST Yield	4.543	-1.60%	-0.66%
Crude oil	72.53	-2.85%	1.13%
Gold	2,797.94	0.98%	6.62%
DXY	108.50	0.96%	0.02%
USD/INR	86.51	0.43%	1.15%
Euro STOXX 50	5,253.12	0.88%	8.14%
India (Nifty)	23,419.75	1.42%	-0.95%
Japan (Nikkei)	39,572.49	-0.90%	-0.81%
China (CSI 300)	3,817.08	-0.41%	-2.99%
Saudi (TASI)	12,415.49	0.50%	3.15%
Abu Dhabi (ADX)	9,586.12	0.23%	1.77%
Dubai (DFM)	5,180.35	-0.86%	0.42%

News from the markets

A strong start to Q4 earnings season pushed U.S. stocks to new record highs last week, with tech stocks leading and taking the S&P 500 up nearly 4% for the year.

US December PCE inflation, the Fed's preferred inflation measure, rose to 2.6%, in-line with expectations. Core PCE inflation was 2.8%, also in-line with expectations. PCE inflation is now at its highest level since May 2024.

The US Federal Reserve opted to maintain its key interest rate in the range of 4.25%-4.5%, as expected. This decision by the Federal Open Market Committee (FOMC) follows a series of rate cuts that began in September 2024. Wall Street is betting that the Federal Reserve won't cut rates again until June, with futures markets pricing in a second quarter-point reduction before year end.

Donald Trump has vowed to impose sweeping tariffs on imports from Canada, Mexico and China. There will be 25% tariffs on goods coming into the US from Canada and Mexico, and 10% on imports from China from this weekend.

There appears to be some confusion about the details, as there are conflicting reports about the timing and exempted products. All the countries have promised retaliatory measures. The president has also said he is contemplating tariffs on European goods in an attempt to reverse the trade deficit.

Tesla reported earnings and revenue for the fourth quarter that missed analysts' estimates by a wide margin. Earnings per share were 73 cents adjusted vs. 76 cents expected, Revenue was \$25.71 billion vs. \$27.26 billion expected. The stock initially fell in after-hours trading before rebounding.

In India, the first budget of Modi 3.0 was released on February 1st, 2025. **There is greater emphasis on consumption-led expansion, slightly away from the infra-related spending witnessed in the Modi 2.0 regime.** There were concessions in personal I-T rates, which should help to revive urban consumption engine, driven by demand from Auto, FMEG, Housing and Consumer Durables. There is also greater emphasis on Tourism, MSMEs, Agriculture and Healthcare. Overall, it seems like a fairly good job of balancing between reviving growth (6.8%) and containing fiscal deficit (to 4.4%) for FY26.

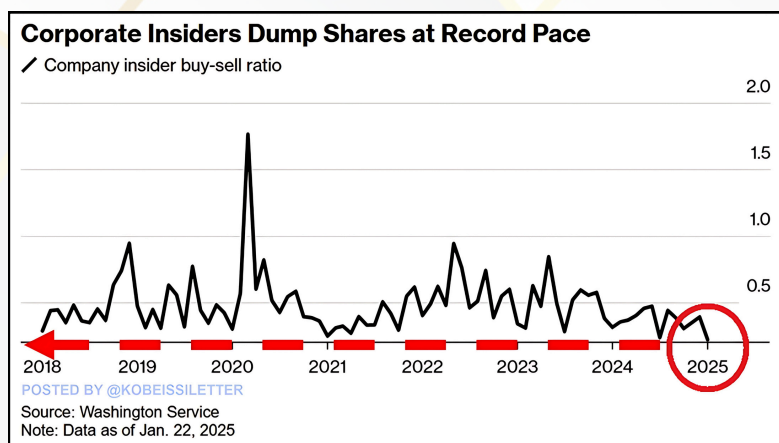
The governing council of the European Central Bank (ECB) decided to lower the three key interest rates by 25 basis points—the fifth rate cut since June last year. Accordingly, the interest rates on the deposit facility, the main refinancing operations and the marginal lending facility will be decreased to 2.75%, 2.90% and 3.15% respectively with effect from February 5.

Key economic events coming this week

February 3rd	<ul style="list-style-type: none"> • EU CPI (Jan) • US Manufacturing PMI (Jan)
February 4th	<ul style="list-style-type: none"> • US JOLTS Job Openings (Dec) • PayPal, Pfizer, AMD, Alphabet earnings
February 5th	<ul style="list-style-type: none"> • US Services PMI (Jan) • Crude Oil Inventories • Walt Disney, Novo Nordisk, Toyota, Ford, Qualcomm, ARM earnings
February 6th	<ul style="list-style-type: none"> • BOE Interest Rate Decision • US Initial Jobless Claims • Eli Lilly, Roblox, ConocoPhillips, Amazon earnings
February 7th	<ul style="list-style-type: none"> • US Nonfarm Payrolls & Unemployment Rate (Jan)

Chart of the Week

The ratio of insider buyers to sellers dropped to 0.22, the lowest since 1988 when data began.



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