



2025

Global Markets Weekly Kickstart
Lunar New Year Edition

New Year Surprises

3 Feb. 2025





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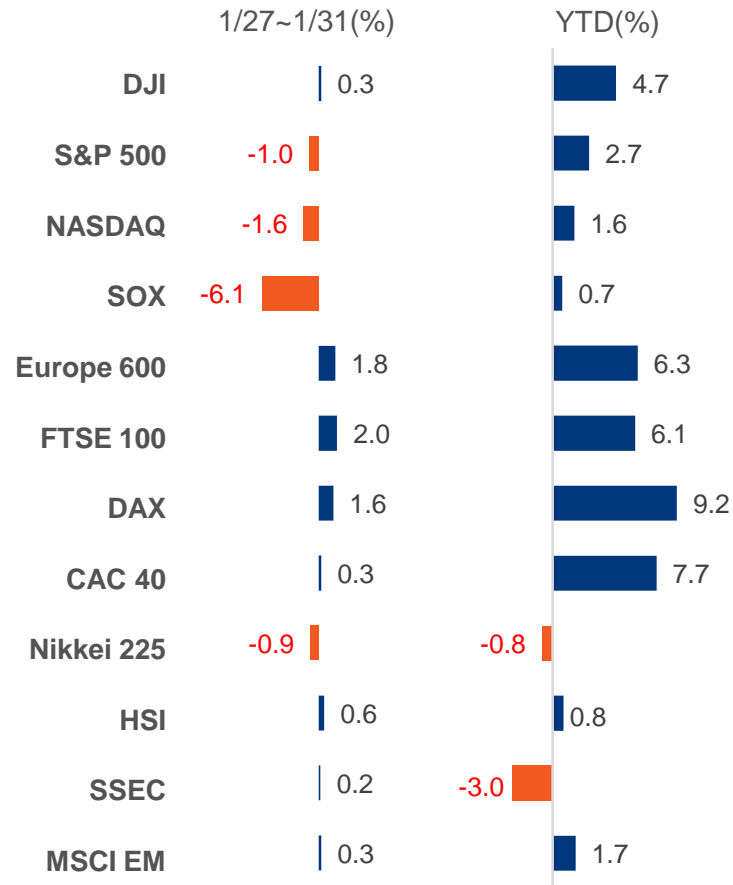
Global PMI Data, U.S. Non-Farm Jobs, and
Unemployment Rates

Market Recap

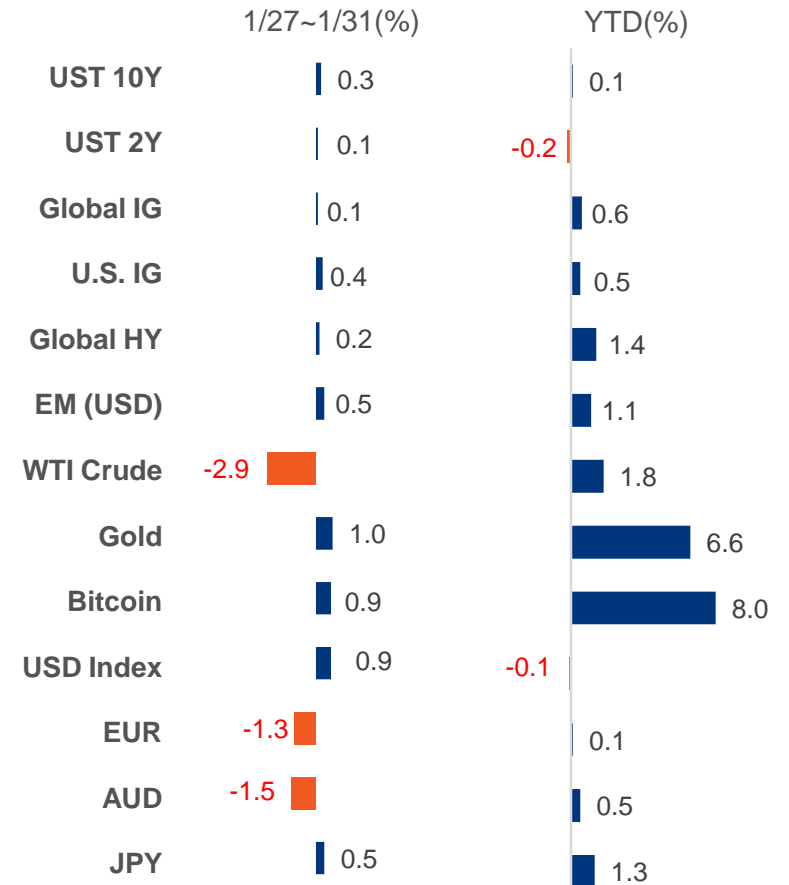
U.S. Stocks Volatile, Bonds Rise: From Nvidia Plunge to Trump Tariff Actions

- ▶ U.S. stocks were volatile during the Lunar New Year, with Nvidia dropping 17% after DeepSeek's AI model launch. Other chipmakers also fell, but analysts expect strong demand for high-end chips. We noted that cloud providers will focus on inference demand, narrowing tech losses. The Philadelphia Semiconductor Index fell 6.1%. Trump imposed a 25% tariff on Canadian and Mexican imports and a 10% tariff on Chinese goods, raising trade tension concerns. The U.S. dollar strengthened, and gold surged to a record \$2,800 per ounce.
- ▶ The ECB cut rates as expected with a dovish tone, boosting European stocks. In Japan, the BOJ's rate hike led to volatile equities and a stronger yen. The Fed maintained rates, as anticipated, lifting bond prices slightly.

Major Stock Indices Performance by Region (%)



Bonds, Commodities and Currencies (%)



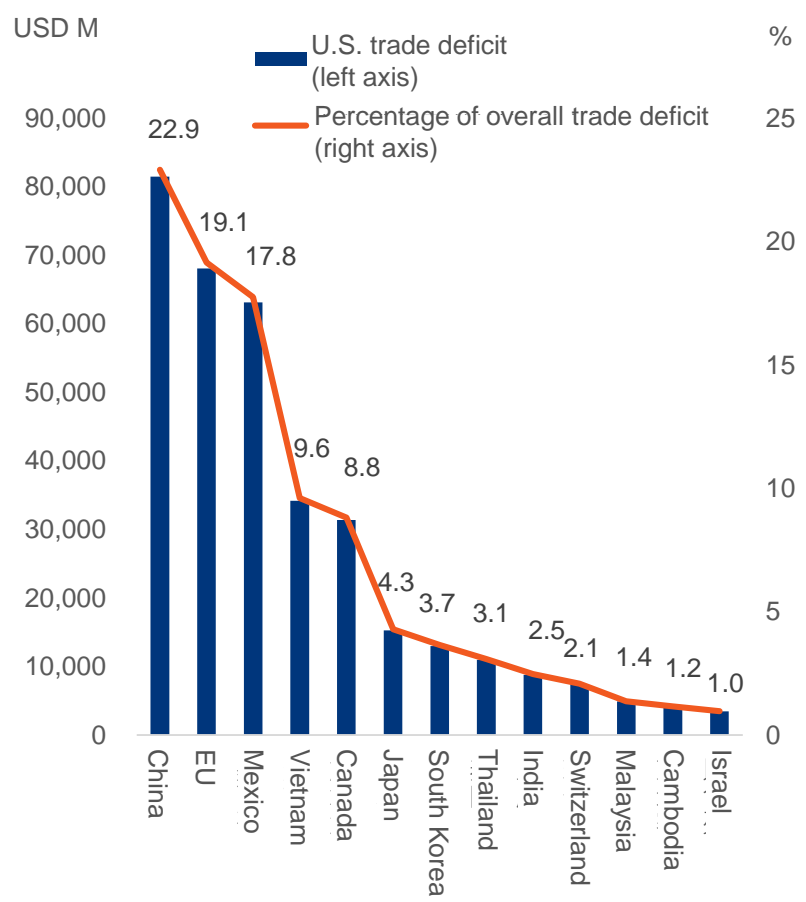
Source: Bloomberg, 2 Feb. 2025

Global Events 1

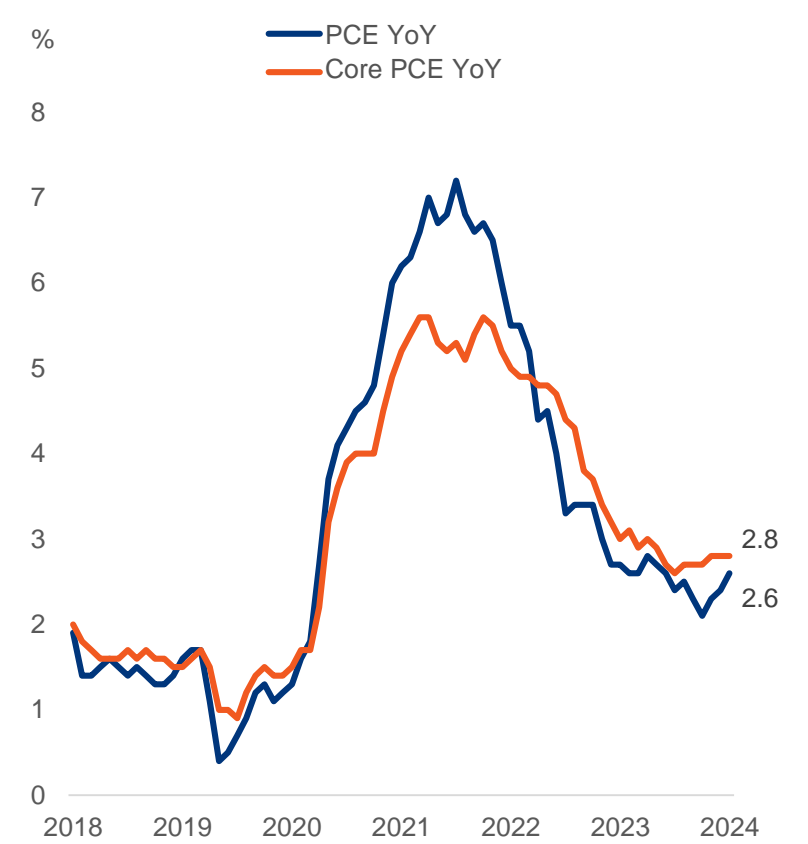
Tariff War Begins; Inflation Keeps the Fed on Hold

- ▶ The U.S. will impose a 25% tariff on imports from Canada and Mexico, and an additional 10% on Chinese goods starting February 4, marking the start of a trade war. With Canada, Mexico, and China as major trade deficit sources, the EU, Vietnam, and other Asian nations could be next. Trump hinted at tariffs on the EU and products like chips, pharmaceuticals, oil, and gas, likely causing ongoing trade tensions and market volatility.
- ▶ U.S. December PCE prices rose 0.3% month-over-month, up from 0.1% in November, with core prices up 0.2%. Annual PCE inflation reached 2.6%, higher than 2.4% last month, while core inflation stayed at 2.8%. These figures suggest inflation remains persistent. With Trump's tariff actions, price pressures may continue, leading the Fed to stay cautious before adjusting policy.

Canada, Mexico, and China Hit with Tariffs; High Trade Deficit Countries May Be Next



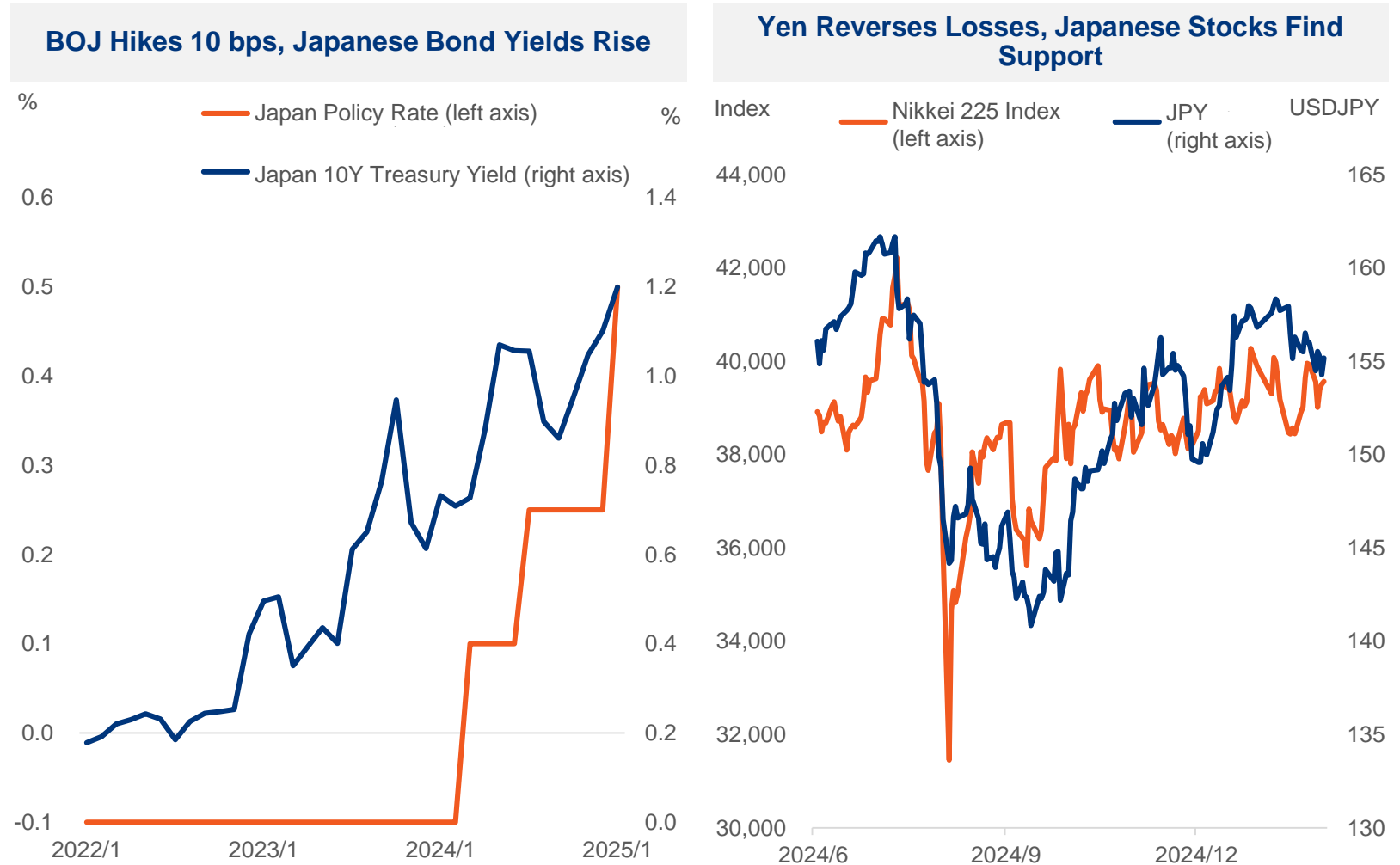
U.S. PCE YoY Inflation Remains Elevated, Bolstering Fed's Hold on Rate Cuts



Source: Bloomberg, 2 Feb. 2025

Global Events 2 BOJ Hikes 10 bps: Yen Gains, Equities Hold Firm

- ▶ The Bank of Japan raised rates by 10 bps in January, driven by: 1) Strong economic performance, with December machinery tool orders rising sharply and producer prices exceeding expectations, signaling wage-driven consumption. 2) Wage growth, with labor unions targeting a 5%+ hike for 2025, matching 2024's 5.1%. 3) U.S. President Trump's uneventful inauguration sparked a market rally, allowing the BOJ to hike rates without increasing global market volatility.
- ▶ The market anticipates two BOJ rate hikes in the second half of the year. The yen may rise but is expected to have a limited impact on Japanese stocks. During the Lunar New Year, the yen rose 0.5%, with stocks range-bound. Investors should focus on domestic-demand stocks.



Source: Bloomberg, 2 Feb. 2025

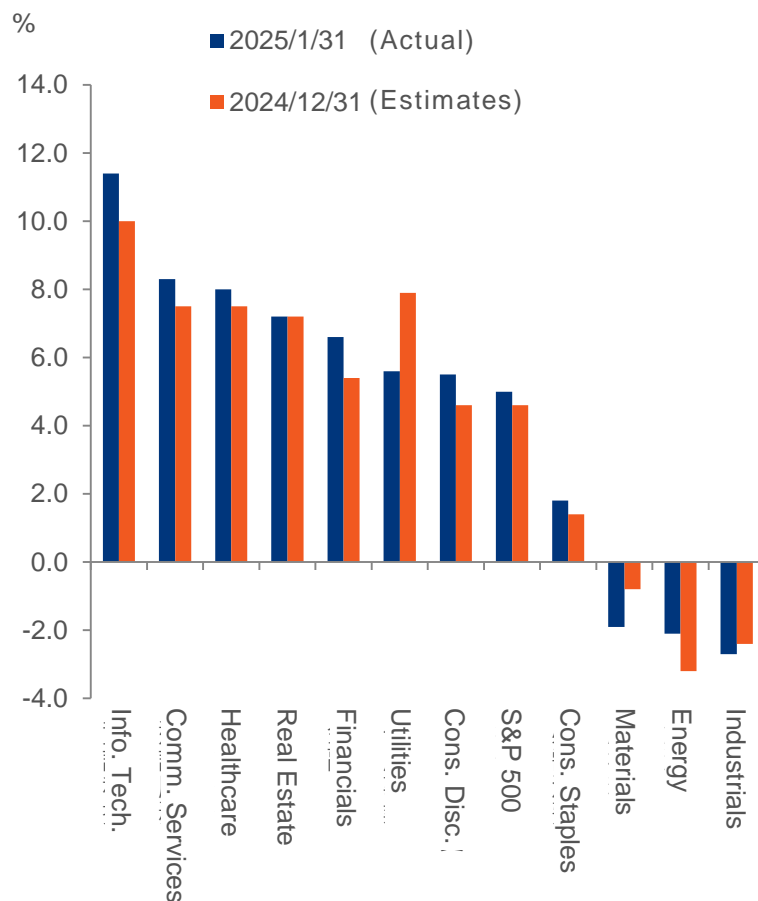
Q4 Earnings

Strong Earnings in Finance, Telecom, and Tech Support 2025 Valuations

- ▶ As of January 31, 36% of S&P 500 companies reported 4Q24 earnings, with 63% beating revenue expectations and 77% exceeding EPS estimates. Revenue and EPS grew 5.0% and 13.2%, the best YoY performance since 4Q21. Financials led, benefiting from higher spreads and strong trading, while communication services saw strong performance from Meta. Tech growth was driven by semiconductors. The energy sector lagged, impacted by weak oil prices, with declines in refining and integrated oil & gas revenues.
- ▶ When EPS exceeded expectations, companies rose 1.5% on average, above the 5-year average of 1.0%. The actual EPS beat estimates by just 5%, below the 5-year average of 8.5%. The 2025 P/E ratio is estimated at 22.0, higher than the 10-year average of 18.2. Despite this, a 14.3% EPS growth is expected, signaling positive earnings growth.

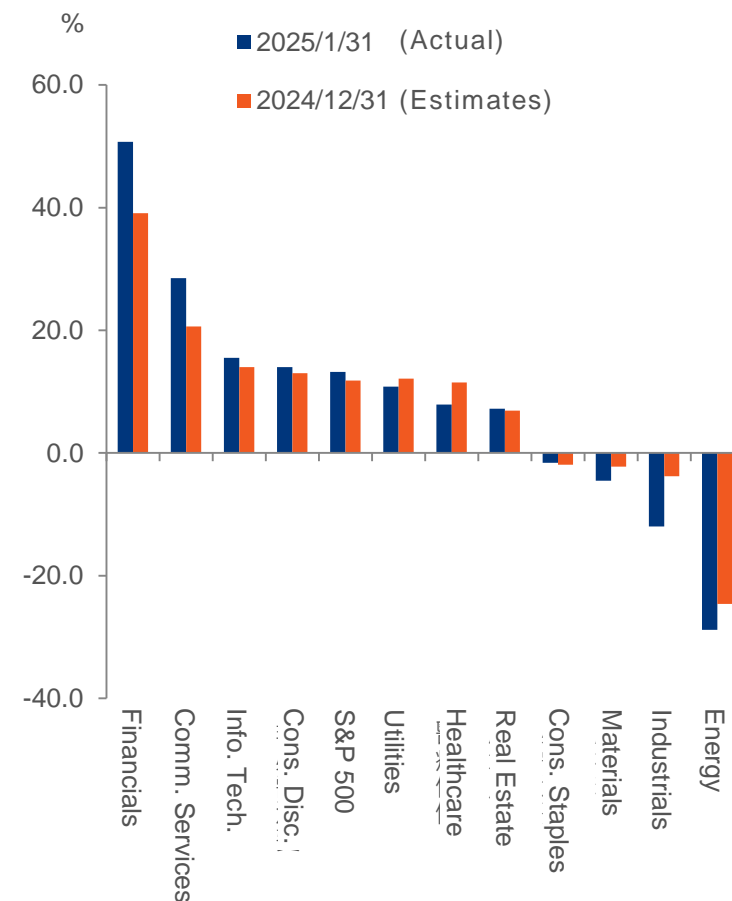
Stronger-Than-Expected Revenue Growth in Tech, Telecom, Healthcare, and Financials

S&P 500 Companies 4Q24 revenue estimates vs. actual



Financials and Communication Services Lead in Profit Growth, Energy Lags

S&P 500 Companies 4Q24 EPS estimates vs. actual



Source: Bloomberg, 31 Jan. 2025

Asset Strategy

Asset Type	Market View	Preferred Assets
<p>Equities</p>	<ul style="list-style-type: none"> ◆ Trump's speech outlined policies on illegal immigration, deregulation, and tariff hikes. Starting February 4, 2025, tariffs of 25% on Canadian and Mexican imports and 10% on Chinese goods will raise market uncertainty. A soft landing for the U.S. economy is expected, with financials, industrials, and defense benefiting. The long-term outlook for AI supports tech stock growth. ◆ Tariff hikes will weaken China's external demand. Europe's economic slowdown and trade uncertainty lead to a neutral view on European stocks. With wage growth and rising consumer spending, the outlook for Japanese stocks is positive. 	<p>Style: Large-cap stocks, Financials, Industrials, Defense, AI, and Technology stocks Regions: U.S., Japan</p>
<p>Bonds</p>	<ul style="list-style-type: none"> ◆ The Fed held rates steady, adopting a wait-and-see stance. With inflation set to decline in 1H 2025, there's room for rate cuts, though market volatility remains. It's recommended to invest in short- to medium-term government bonds and investment-grade debt, focusing on financials, defense, and aerospace sectors. ◆ Long-term bonds are more volatile. Investors should adjust allocations based on risk tolerance, and consider long-term bonds only if employment data shows significant slowdown. 	<p>Duration: Short-term bonds offer fixed yields, while medium to long-term bonds are more volatile. Allocation should be based on the investor's risk tolerance. Types: Treasuries and investment-grade bonds from large corporations. Key sectors include financials, defense, and aerospace, which offer potential upside.</p>
<p>Forex</p>	<ul style="list-style-type: none"> ◆ Trump's "America First" policy has encouraged capital inflows into U.S. companies. With the Fed holding rates steady, the dollar is likely to remain strong in the short term, potentially through early 2025. However, as the economy soft-lands and the Fed cuts rates, the dollar's strength may weaken mid-term. ◆ Trade tariffs may slow non-U.S. economies, increasing rate cuts and widening interest rate gaps, which could weaken non-U.S. currencies. The Japanese yen, however, is expected to strengthen due to the Bank of Japan's rate hikes. 	<p>U.S. dollar is expected to find support at higher levels in the short term.</p> <p>Japanese yen is likely to appreciate gradually in the long term.</p>

Appendix

JAN 2025

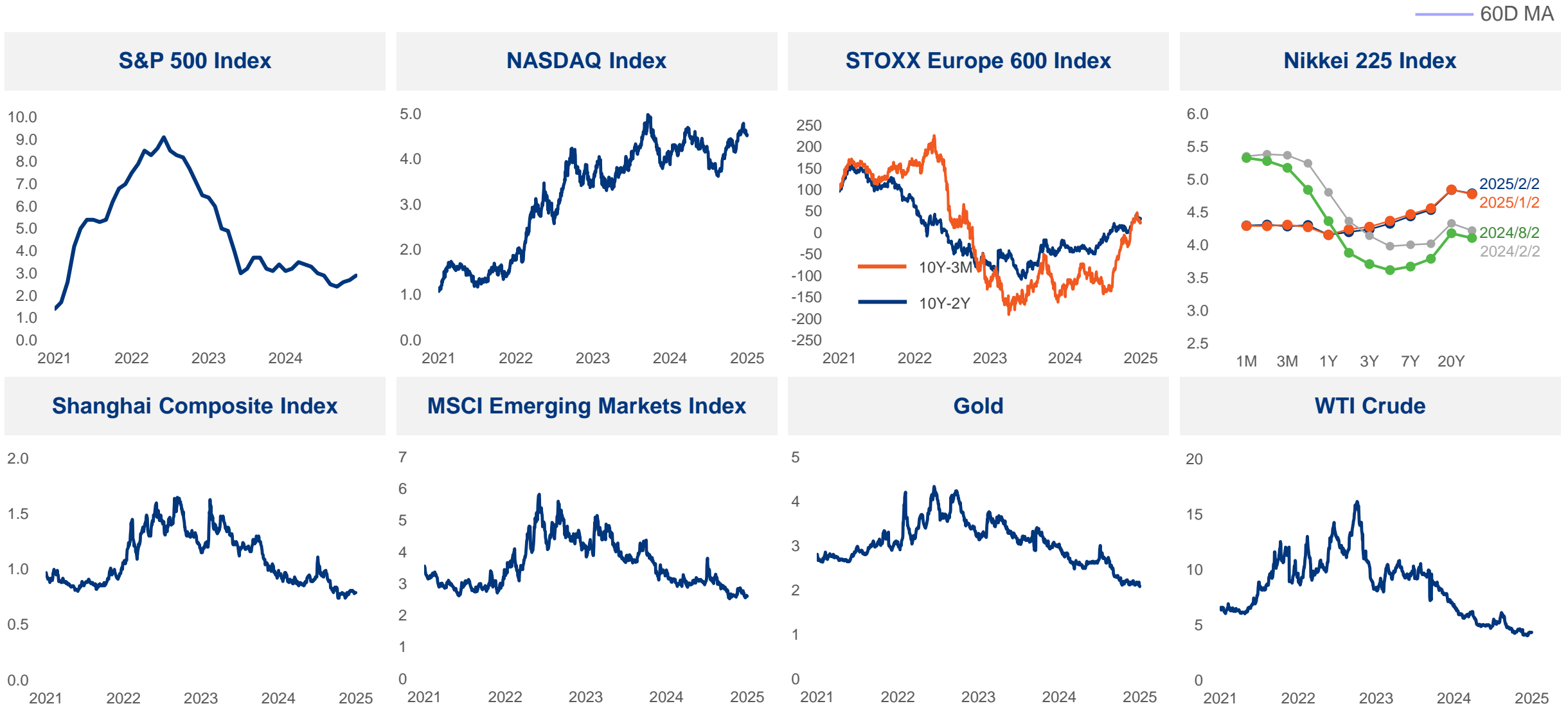
27	Monday	28	Tuesday	29	Wednesday	30	Thursday	31	Friday
<ul style="list-style-type: none"> U.S. Dec. New Home Sales MoM (Act:3.6% Est:1.7% Prev:5.9%) China Jan. Manufacturing PMI (Act:49.1 Est:50.1 Prev:50.1) China Jan. Non-manufacturing PMI (Act:50.2 Est:52.2 Prev:52.2) 		<ul style="list-style-type: none"> U.S. Dec. Durable Goods Orders MoM Initial Value (Act:-2.2% Est:0.6% Prev:-1.2%) U.S. Jan. Conf. Board Consumer Confidence (Act:104.1 Est:105.7 Prev:104.7) Japan Dec. Machine Tool Orders YoY Final Value (Act:12.6% Prev:11.2%) 				<ul style="list-style-type: none"> U.S. Last Week's Initial Jobless Claims (Act:207k Est:225k Prev:223k) U.S. Jan. FOMC Rate Decision (Act:4.5% Est:4.5% Prev:4.5%) U.S. Q4 GDP QoQ Initial Value (Act:2.3% Est:2.6% Prev:3.1%) Eurozone Jan. ECB Main Refinancing Rate (Act:2.9% Est:2.9% Prev:3.15%) Eurozone Q4 GDP YoY Initial Value (Act:0.9% Est:1.0% Prev:0.9%) Eurozone Dec. Unemployment Rate (Act:6.3% Est:6.3% Prev:6.3%) 	<ul style="list-style-type: none"> U.S. Dec. PCE YoY (Act:2.6% Est:2.6% Prev:2.4%) U.S. Dec. Core PCE YoY (Act:2.8% Est:2.8% Prev:2.8%) Japan Dec. Jobless Rate (Act:2.4% Est:2.5% Prev:2.5%) Japan Jan. Tokyo CPI YoY (Act:2.5% Est:2.5% Prev:2.4%) Japan Dec. Industrial Production MoM Initial Value (Act:0.3% Est:0.2% Prev:-2.2%) Japan Dec. Retail Sales MoM (Act:-0.7% Est:-0.1% Prev:1.8%) 		

FEB 2025

3	Monday	4	Tuesday	5	Wednesday	6	Thursday	7	Friday
<ul style="list-style-type: none"> U.S. Jan. ISM Manufacturing (Est:49.9 Prev:49.3) U.S. Jan. S&P Global US Manufacturing PMI Final Value (Est:50.1 Prev:50.1) Eurozone Jan. HCOB Manufacturing PMI Final Value (Est:46.1 Prev:46.1) Eurozone Jan. CPI MoM Initial Value (Est:-0.4% Prev:0.4%) China Jan. Caixin China PMI Mfg (Est:50.6 Prev:50.5) 	<ul style="list-style-type: none"> U.S. Dec. JOLTS Job Openings (Est:8,000k Prev:8,098k) U.S. Dec. Durable Goods Orders Final Value (Est:-2.2% Prev:-2.2%) 	<ul style="list-style-type: none"> U.S. Jan. ADP Employment Change (Est:150k Prev:122k) U.S. Jan. ISM Services Index (Est:54.1 Prev:54.1) U.S. Jan. S&P Global US Services PMI Final Value (Est:52.8 Prev:52.8) Eurozone Dec. PPI MoM (Act: Est:0.5% Prev:1.6%) China Jan. Caixin China PMI Composite (Est:52.4 Prev:52.2) 	<ul style="list-style-type: none"> U.S. Last Week's Initial Jobless Claims (Est:213k Prev:207k) Eurozone Dec. Retail Sales MoM (Act: Est:-0.1% Prev:0.1%) 	<ul style="list-style-type: none"> U.S. Jan. Change in Nonfarm Payrolls (Est:170k Prev:256k) U.S. Jan. Unemployment Rate (Est:4.1% Prev:4.1%) U.S. Feb. U. of Mich. Sentiment Initial Value (Est:72.0 Prev:71.1) 					

Source: Bloomberg

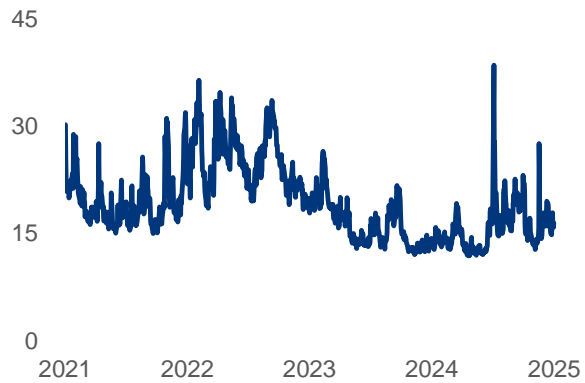
Technical Analysis



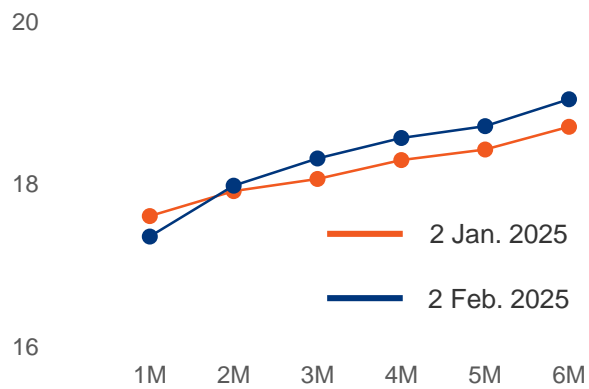
Source: Bloomberg, 2 Feb. 2025

Market Monitor

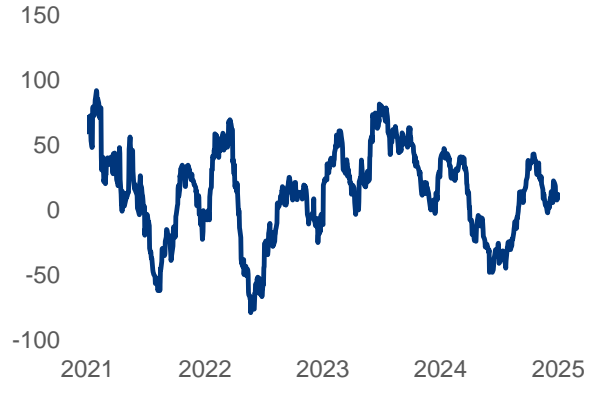
VIX Index



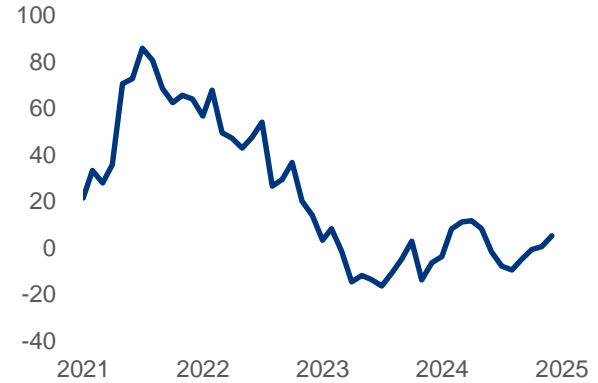
VIX Term Structure



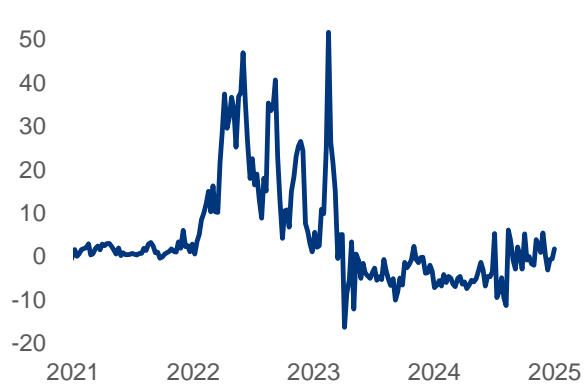
U.S. Citi Economic Surprise Index*



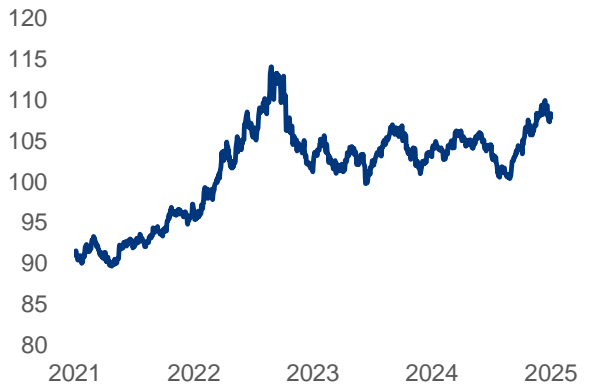
U.S. Citi Inflation Surprise Index*



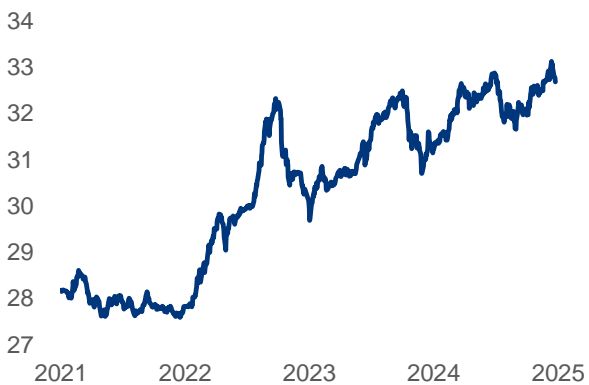
TED Spread (bps)



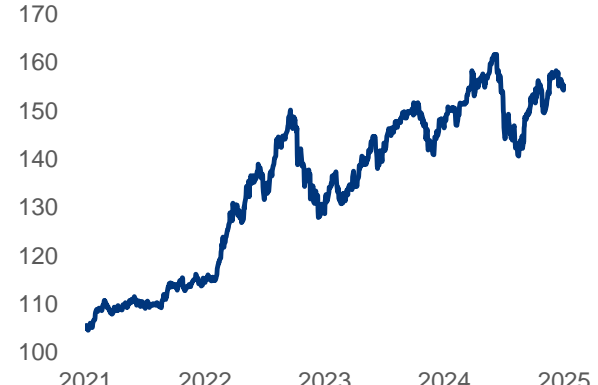
U.S. Dollar Index



USD to TWD



USD to JPY



Source: Bloomberg, 2 Feb. 2025; *The Citi Economic/Inflation Surprise Index measures the deviation between economic data/actual inflation and market expectations. A rising index indicates economic improvement/inflation exceeding market expectations.

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