

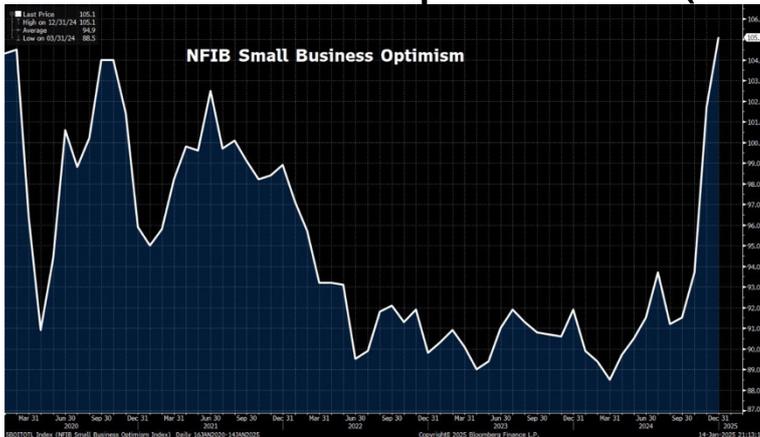


Weekly Market Report

Sunday 19th January 2025

MACROECONOMIC OUTLOOK

NFIB Small Business Optimism Index (Dec)



Source: Bloomberg (14/01/2025)

The NFIB Small Business Optimism Index soared to 105.1 in December 2024, the highest since October 2018, compared to 101.7 in November and beating forecasts of 100.8. It is also the second consecutive month the reading stays above the 51-year average of 98, due to an improved economic outlook following the election. "Expectations for economic growth, lower inflation, and positive business conditions have increased in anticipation of pro-business policies and legislation in the new year.", NFIB Chief Economist Bill Dunkelberg said. The net percent of owners expecting the economy to improve rose 16 points to 52%, the highest since Q4 1983. The percent of small business owners believing it is a good time to expand their business rose six points to 20%. In addition, 20% of owners reported that inflation was their single most important problem, unchanged from November.

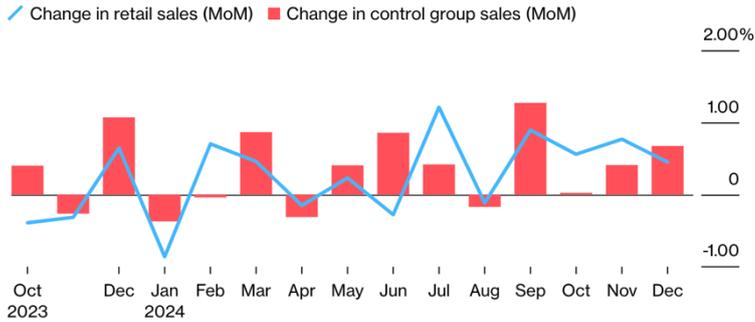
U.S. Consumer Price Index (YoY) (Dec)



Source: Bloomberg (15/01/2025)

The annual inflation rate in the US rose for a 3rd consecutive month to 2.9% in December 2024 from 2.7% in November, in line with market expectations. On a monthly basis, the CPI rose by 0.4%, the most since March, and above forecasts of 0.3%. The index for energy rose 2.6%, accounting for over 40% of the monthly increase, mainly due to gasoline (4.4%). Also, food prices went up 0.3% and shelter also edged up 0.3%. In comparison, the annual core consumer price inflation rate in the United States, which excludes items such as food and energy, eased to 3.2% in December 2024, down from 3.3% in the previous three months and slightly below market expectations of 3.3%. The shelter index, accounting for over two thirds of the total 12-month increase rose 4.6% over the past year, marking the smallest annual gain since January 2022. Other notable year-over-year increases included motor vehicle insurance (+11.3%), medical care (+2.8%), education (+4.0%), and recreation (+1.1%). On a monthly basis, core consumer prices rose by 0.2% in December, after a 0.3% increase in November and below market estimates of a 0.3% advance.

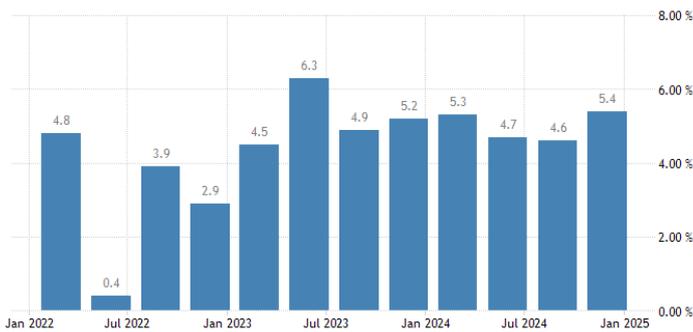
U.S. Retail Sales (MoM) (Dec)



Source: Bloomberg (16/01/2025)

Retail sales in the US increased 0.4% month-over-month in December 2024, the least in four months, compared to an upwardly revised 0.8% rise in November and below forecasts of 0.6%. Despite the slowdown, the figures continue to point to a robust consumer spending. Biggest increases were seen in sales at miscellaneous store retailers (4.3%); sporting goods, hobby, musical instrument, & books (2.6%); and furniture (2.3%). Other increases were also seen in sales at gasoline stations (1.5%); clothing (1.5%); food & beverage stores (0.8%); motor vehicle & parts dealers (0.7%); general merchandise stores (0.3%); and nonstore retailers (0.2%). In contrast, sales declined at building material & garden equipment & supplies dealers (-2%); food services & drinking places (-0.3%); and health & personal care stores (-0.2%). Meanwhile, sales excluding food services, auto dealers, building materials stores and gasoline stations, which are used to calculate GDP, rose 0.7%, the most in three months.

China GDP (YoY) (Q4)



Source: Trading Economics (17/01/2025)

The Chinese economy expanded by 5.4% YoY in Q4 2024, accelerating from 4.6% in Q3 and surpassing market estimates of 5.0%. It was the strongest annual growth rate in 1-1/2 years, boosted by a series of stimulus measures launched since September to boost recovery and regain confidence. In December, industrial output growth quickened to an 8-month high, while retail sales emerged from a 3-month low. However, the jobless rate hit a 3-month top. On the trade front, exports logged a double-digit rise in December, marking the ninth straight monthly gain and reaching the largest amount in 3 years, as firms rushed to complete shipments ahead of potential tariff hikes under the US Trump administration. Imports saw an unexpected rise to notch their highest value in 27 months. For the full year, the GDP grew by 5.0%, aligning with Beijing's 2024 target of around 5% but falling short of a 5.2% rise in 2023. Last year, fixed investment rose by 3.2% YoY, faster than the 2023 pace of 3.0%.

MARKET OUTLOOK

Source: Investing.com

EQUITY INDEX

Name ↕	Last	Open	High	Low	Chg. % ↕
S&P 500	5,996.66	5,995.40	6,014.96	5,978.44	+1.00% ↻
Nasdaq	19,630.20	19,655.55	19,709.64	19,543.32	+1.51% ↻
Dow Jones	43,487.83	43,312.55	43,653.25	43,312.55	+0.78% ↻
FTSE 100	8,505.22	8,391.90	8,533.43	8,391.83	+1.35% ↻
Euro Stoxx 50	5,147.65	5,120.25	5,159.15	5,120.25	+0.80% ↻
CAC 40	7,709.75	7,685.04	7,732.32	7,667.85	+0.98% ↻
DAX	20,903.39	20,732.04	20,924.50	20,716.38	+1.20% ↻
IBEX 35	11,916.30	11,883.10	11,940.80	11,873.50	+0.64% ↻
FTSE MIB	36,267.63	35,941.39	36,314.18	35,929.99	+1.25% ↻
Shanghai	3,241.82	3,226.76	3,256.51	3,219.77	+0.18% ↻
Hang Seng	19,584.06	19,499.10	19,640.37	19,423.70	+0.31% ↻
Nikkei 225	38,438.00	38,478.50	38,510.00	38,057.50	-0.41% ↻

FIXED INCOME

Name ↕	Last	Open	High	Low	Chg. % ↕
U.S. 10Y	4.622	4.621	4.629	4.566	+0.22% ↻
U.K. 10Y	4.6555	4.6400	4.6640	4.6150	-0.21% ↻
France 10Y	3.308	3.330	3.331	3.282	+0.00% ↻
Germany 10Y	2.5030	2.5200	2.5220	2.4810	0.00% ↻
Spain 10Y	3.170	3.163	3.172	3.139	+0.32% ↻
Italy 10Y	3.642	3.633	3.646	3.603	0.00% ↻
China 10Y	1.640	1.688	1.688	1.629	-1.21% ↻
Japan 10Y	1.200	1.200	1.207	1.174	0.00% ↻

FOREX

Name ↕	Last	Open	High	Low	Chg. % ↕
EUR/USD	1.0271	1.0299	1.0331	1.0265	0.00% ↻
USD/JPY	156.30	155.17	156.39	154.98	+0.64% ↻
GBP/USD	1.2163	1.2241	1.2246	1.2160	-0.82% ↻
USD/CHF	0.9149	0.9111	0.9155	0.9096	+0.00% ↻
AUD/USD	0.6190	0.6213	0.6229	0.6164	0.00% ↻
USD/CAD	1.4480	1.4394	1.4485	1.4381	+0.69% ↻
EUR/GBP	0.8439	0.8414	0.8455	0.8412	+0.00% ↻
EUR/JPY	160.54	159.79	161.04	159.72	+0.44% ↻
GBP/JPY	190.11	189.91	190.67	189.31	+0.10% ↻
USD/CNY	7.3249	7.3308	7.3312	7.3239	-0.14% ↻

COMMODITIES

Name ↕	Last	Open	High	Low	Chg. % ↕
XAU/USD	2,701.55	2,713.85	2,717.73	2,698.41	-0.48% ↻
XAGg/USD	0.9738	0.9902	0.9915	0.9674	-2.02% ↻
Crude Oil WTI	77.39	77.91	78.55	77.14	-0.59% ↻
Brent Oil	80.79	81.44	81.93	80.50	0.00% ↻
Natural Gas	3.948	4.280	4.308	3.910	-7.28% ↻
Copper	4.3685	4.4350	4.4700	4.3445	-1.58% ↻
Platinum	965.50	942.00	968.10	939.10	+1.80% ↻
US Corn	484.25	477.00	484.90	476.60	+1.95% ↻
US Wheat	538.75	537.50	542.00	533.25	+0.23% ↻
US Soybeans	1,044.75	1,031.25	1,049.00	1,030.25	+1.28% ↻

US MARKET RECAP

US STOCKS HIGHER AT CLOSE OF TRADE; DOW JONES UP 0.78%

Source: Investing.com (17/01/2025)



Graph 1 – S&P 500 Graph (Source: Bloomberg)

Graph 2 – S&P 500 Map (Source: Finviz)

US stocks were higher after the close on Friday, as gains in the Technology, Consumer Goods and Telecoms sectors led shares higher.

At the close in NYSE, the **DOW JONES rose 0.78%** to hit a new 1-month high, while the **S&P 500 climbed 1.00%**, and the **NASDAQ climbed 1.51%**.

The best performers of the session on the DOW JONES were NVIDIA Corporation, which rose 3.10% or 4.14 points to trade at 137.71 at the close. Meanwhile, Amazon.com Inc added 2.39% or 5.28 points to end at 225.94 and Goldman Sachs Group Inc was up 2.11% or 12.95 points to 625.94 in late trade.

The worst performers of the session were Merck & Company Inc, which fell 2.76% or 2.78 points to trade at 97.92 at the close. Travelers Companies declined 1.18% or 2.85 points to end at 239.52 and Johnson & Johnson was down 0.50% or 0.74 points to 147.03.

The top performers on the S&P 500 were Qorvo Inc which rose 14.43% to 84.21, Intel Corporation which was up 9.25% to settle at 21.49 and Schlumberger NV which gained 6.06% to close at 43.58. The worst performers were JB Hunt Transport Services Inc which was down 7.38% to 172.45 in late trade, Eli Lilly and Company which lost 4.21% to settle at 725.72 and Fair Isaac Corporation which was down 3.51% to 1,900.54 at the close.

The top performers on the NASDAQ were BTC Digital Ltd which rose 73.53% to 8.26, Baird Medical Investment Holdings Ltd which was up 63.28% to settle at 8.85 and Crown Electrokinetics Corp. which gained 56.84% to close at 0.13.

The worst performers were Orangecloud Technology Inc which was down 72.14% to 1.12 in late trade, Dogness International Corp Class A which lost 59.07% to settle at 18.10 and Powell Max Ltd which was down 22.87% to 0.64 at the close.

Rising stocks outnumbered declining ones on the New York Stock Exchange by 1707 to 1048 and 98 ended unchanged; on the Nasdaq Stock Exchange, 1976 rose and 1299 declined, while 134 ended unchanged.

Shares in Goldman Sachs Group Inc rose to all time highs; gaining 2.11% or 12.95 to 625.94. Shares in Orangecloud Technology Inc fell to all time lows; losing 72.14% or 2.90 to 1.12.

RECAP OF FINANCIAL NEWS

Regional Banks Face Headache From Rising Treasury Yields

Source: Bloomberg (18/01/2025)

US Treasury yields have trended up since late last year, and commercial real estate distress risk is straining regional banks' balance sheets again.

Stocks are already reacting to the higher borrowing costs. Smaller bank shares have fallen about 8.2% since late November after the 10-year Treasury yield began trending up. The risk of default by borrowers who bought office buildings before the pandemic sent values plummeting also increases when the cost of credit rises.

A surge in 10-year yields last year likely reversed most of the decline in unrealized losses on banks' available-for-sale and held-to-maturity securities in the third quarter, Federal Deposit Insurance Corp. Chairman Martin Gruenberg said in a Dec. 12 speech. Even after this past week's rally after better-than-expected inflation data, the benchmark has since risen about 0.3 percentage points to around 4.58%, adding to the pain for lenders.

If borrowing benchmarks remain high, regional banks risk higher losses on commercial real estate because borrowers will struggle to refinance, said Tomasz Piskorski, a finance and real estate professor at Columbia Business School. He and fellow researchers estimate about 14% of the \$3 trillion of US CRE loans are underwater, rising to 44% for offices.

Smaller lenders are more vulnerable to CRE defaults after demanding lower down payments from borrowers than their larger counterparts in the run up to the interest-rate hikes that began in 2022. Now that office and multifamily values have crashed, the lenders have less of a buffer before taking losses.

Nigeria Officially Joins BRICS to Boost Trade and Investment

Source: Bloomberg (18/01/2025)

Nigeria has officially joined the BRICS group of emerging-market powers.

BRICS, which stands for Brazil, Russia, India, China and South Africa, has been pushing to expand in recent years as it grows in clout and has accepted other countries including Egypt, Ethiopia, Indonesia and United Arab Emirates.

The enlarged alliance may challenge the dollar's dominance in oil and gas trading and become a stronger counterweight to the Group of Seven industrialized nations.

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Nigeria, Africa's most-populous nation, has been battling soaring inflation and will roll out new rules to simplify its tax system. The current level of tax collection is one of the lowest globally, according to the World Bank, constraining Nigeria's public finances and limiting how much it can invest in essential services and infrastructure.

Traders Boost Bets on US Dollar Strength Ahead of Trump's Return

Source: Bloomberg (17/01/2025)

Speculative currency traders bolstered wagers for an even stronger US dollar in the leadup to President-elect Donald Trump's return to the White House.

Derivative traders held the equivalent of roughly \$34.6 billion in total bets that stand to benefit from further gains in the dollar as of Jan. 14, a nearly \$1 billion increase from the week prior, according to the latest Commodity Futures Trading Commission data released on Friday and aggregated by Bloomberg. That's the most since 2019.

Since Trump's presidential victory, both bullish wagers on the dollar and the dollar's value itself have risen. The Bloomberg Dollar Spot Index has climbed about 5% since the election on the potential for tariffs and inflationary policies under Trump, as well as doubt on future Federal Reserve interest-rate cuts this year.

Long dollar bets have been matched by a surge in short wagers against currencies including the Canadian dollar and euro, the CFTC data show. Non-commercial traders held some \$11.6 billion in bearish positions against the loonie as of Jan. 14, the most among Group-of-10 currencies tracked by the CFTC. That group of traders is short the euro by around \$7.8 billion, according to the data.

IMF Raises Global Economic Growth Forecast

Source: Bloomberg (17/01/2025)

The International Monetary Fund upgraded its global growth forecast for this year, spurred by stronger-than-expected US demand and slowing inflation worldwide that will let central banks continue to cut interest rates.

The IMF raised its projection to 3.3% in an update to its World Economic Outlook on Friday, 0.1 percentage point more than its previous forecast in October. It kept the estimate for 2026 unchanged at 3.3%.

The improved growth outlook is mainly because of the US, which got the biggest upgrade among major economies to its gross domestic product, rising 0.5 percentage point to 2.7%. At a global level, however, that's largely offset by lower expectations elsewhere. Risks to the global growth outlook are overall still tilted to the downside, with the five-year ahead forecast at about 3%, the fund said. The report comes just days before Donald Trump's inauguration, and doesn't incorporate his expected economic plans regarding trade, taxes, immigration and regulations.

Taiwan Dollar Set to Replace Yuan as Asia's Top Funding Currency

Source: Bloomberg (16/01/2025)

The Taiwan dollar is on the verge of overtaking the yuan as Asia's best carry-trade target given its lower risk of interest-rate and currency volatility.

A strategy of borrowing the island's currency to invest in higher-yielding alternatives has generated the second highest return over the past month among Asian currencies behind the yuan, based on the Sharpe ratio that measures risk adjusted relative returns.

Taiwan's currency may soon replace its mainland peer as the region's favored carry trade tool, citing Beijing's efforts to support the yuan that can create wild swings in borrowing costs. In contrast, the island's central bank can afford to be more relaxed as any weakness in the local currency ends up benefiting the export-driven economy and can attract artificial intelligence-led capital flows into local stocks.

"The Taiwan dollar has been one of the better funding currencies in Asia along with the offshore yuan, but with recent intervention risks in the yuan placing bigger chances of a short squeeze, Taiwan dollar becomes much more attractive," said Stephen Chiu, chief Asia foreign-exchange and rates strategist at Bloomberg Intelligence.

The yuan's appeal as a funding source for carry trades is weakening as the People's Bank of China steps up its currency defense ahead of anticipated tariff hikes under a second Donald Trump presidency.

Meanwhile, the Taiwan dollar is starting to look even more attractive as a funding source after weakening beyond what was seen as a key psychological level of 33 per dollar for the first time in nearly nine years this week.

ECONOMIC CALENDAR (GMT UK TIME)

Source: Investing.com

Time	Cur.	Imp.	Event	Actual	Forecast	Previous
Monday, January 20, 2025						
All Day		Holiday	United States - Martin Luther King, Jr. Day			
Thursday, January 23, 2025						
13:30	 USD	★ ★ ★	Initial Jobless Claims		220K	217K
17:00	 USD	★ ★ ★	Crude Oil Inventories			-1.962M
Friday, January 24, 2025						
03:00	 JPY	★ ★ ★	BoJ Interest Rate Decision		0.50%	0.25%
14:45	 USD	★ ★ ★	S&P Global Manufacturing PMI P			49.4
14:45	 USD	★ ★ ★	S&P Global Services PMI P			56.8
15:00	 USD	★ ★ ★	Existing Home Sales (Dec)		4.19M	4.15M

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Sources: Bloomberg, Reuters, FT, Investing.com, Trading Economics, Boursorama, Zone Bourse