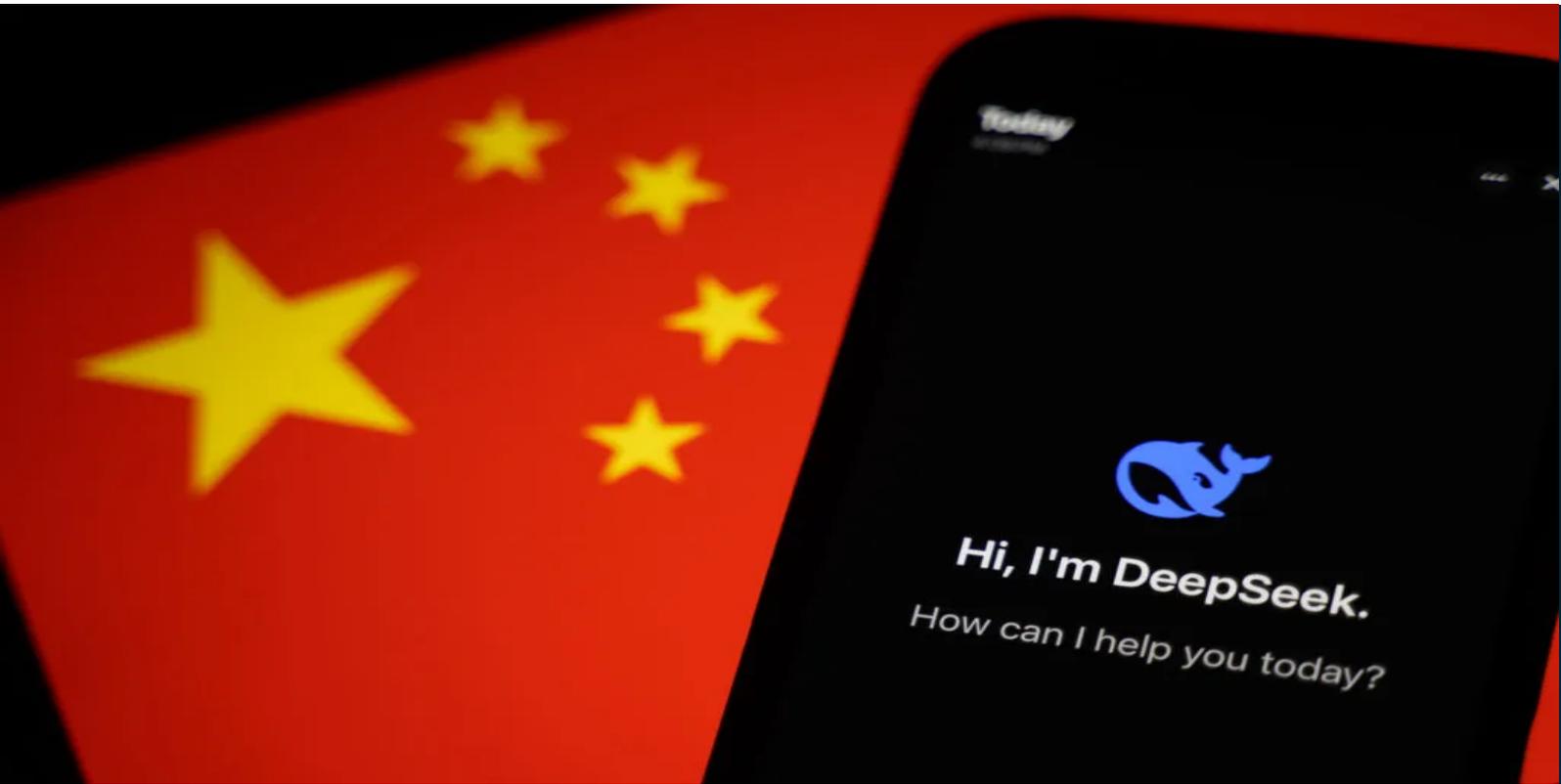


Editor: Quentin Ly

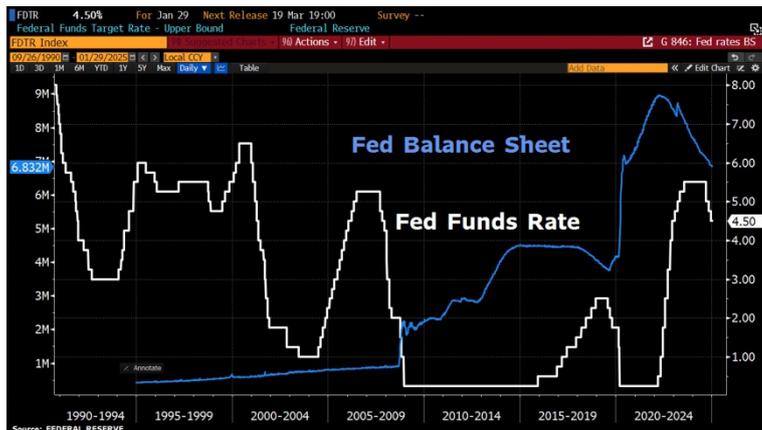


Weekly Market Report

Sunday 2nd February 2025

MACROECONOMIC OUTLOOK

FED Interest Rate Decision

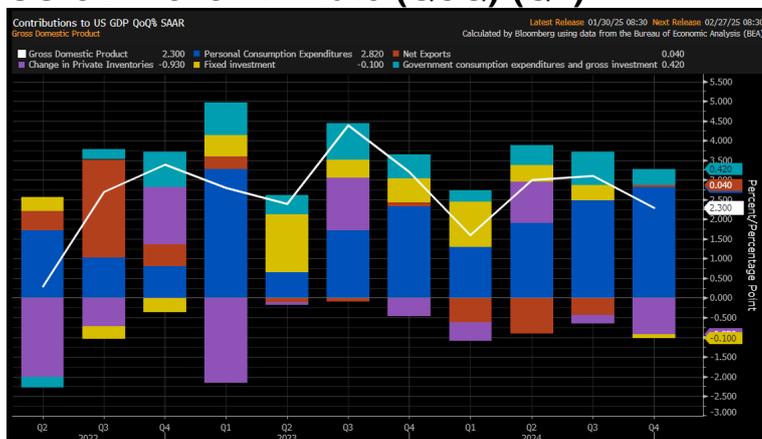


Source: Bloomberg (29/01/2025)

The Federal Reserve kept the fed funds rate steady at the 4.25%-4.5% range during its January 2025 meeting, in line with expectations. The central bank paused its rate-cutting cycle after three consecutive reductions in 2024 that totaled a full percentage point. Chair Powell said the Fed is not in a hurry to lower interest rates, and that it paused cuts to see further progress on inflation.

Policymakers noted that recent indicators suggest that economic activity has continued to expand at a solid pace. The unemployment rate has stabilized at a low level in recent months, and labor market conditions remain solid. Additionally, the central bank acknowledged that inflation remains somewhat elevated and removed its previous reference to ongoing progress toward the 2% target. The Fed also said the economic outlook is uncertain and is attentive to the risks to both sides of its dual mandate.

US GDP Growth Rate (QoQ) (Q4)

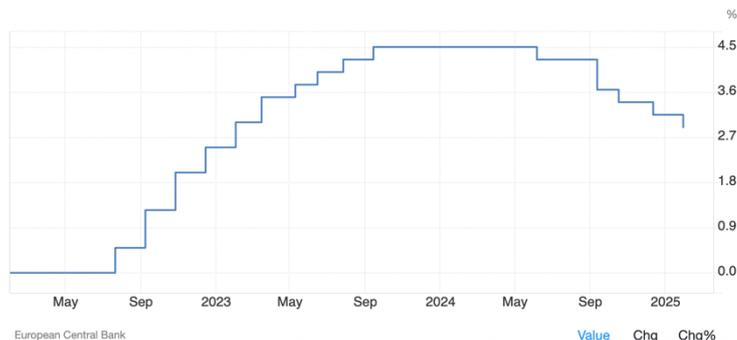


Source: Bloomberg (30/01/2025)

The US economy expanded an annualized 2.3% in Q4 2024, the slowest growth in three quarters, down from 3.1% in Q3 and forecasts of 2.6%, according to the advance estimate from the BEA.

Personal consumption remained the main driver of growth, increasing 4.2%, the most since Q1 2023 (vs 3.7% in Q3 2024). Spending rose faster for both goods (6.6% vs 5.6%) and services (3.1% vs 2.8%). On the other hand, fixed investment contracted for the first time since Q1 2023 (-0.6% vs 2.1%), due to equipment (7.8% vs 10.8%) and structures (-1.1% vs -5%). However, investment in intellectual property products continued to rise (2.6% vs 3.1%) and residential investment rebounded (5.3% vs -4.3%). Also, private inventories were a big drag, cutting 0.93 pp from the growth. Both exports (-0.8% vs 9.6%) and imports (-0.8% vs 10.7%) contracted, leaving the contribution from net trade little changed. Government expenditure rose at a slower pace (2.5% vs 5.1%). **Considering full 2024, the economy advanced 2.8%.**

ECB Interest Rate Decision

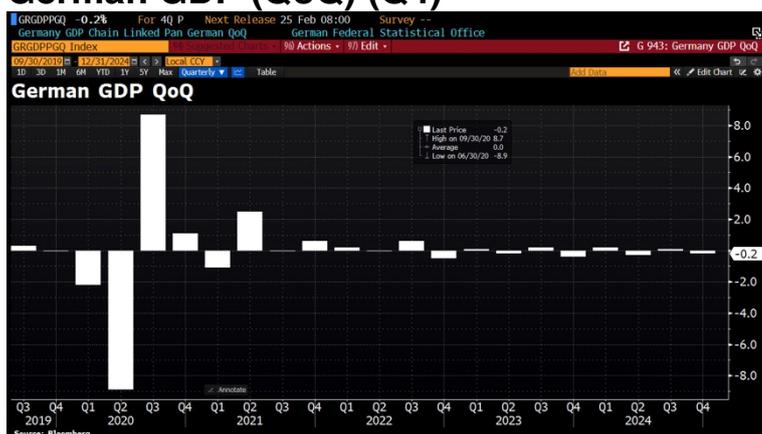


Source: Trading Economics (30/01/2025)

The European Central Bank lowered its key interest rates by 25 bps in January 2025, as expected, reducing the deposit facility rate to 2.75%, the main refinancing rate to 2.90%, and the marginal lending rate to 3.15%.

This move reflects the ECB's updated inflation outlook, with price pressures easing in line with projections. While domestic inflation remains elevated due to delayed wage and price adjustments, wage growth is moderating, and corporate profits are absorbing some inflationary effects. Despite persistent tight financing conditions, the rate cut is expected to gradually ease borrowing costs for firms and households. The ECB remains data-driven and has not committed to a predetermined rate path, emphasizing a cautious approach to ensuring inflation stabilizes at its 2% target.

German GDP (QoQ) (Q4)



Source: Bloomberg (30/01/2025)

The German economy contracted 0.2% on quarter in the last three months of 2024, following a 0.1% expansion in Q3 and worse than forecasts of a 0.1% fall, preliminary estimates showed.

Exports were significantly lower, offsetting a rise in private and government consumption. Year-on-year, the GDP also contracted 0.2%. **Considering the full 2024, the German economy shrank 0.2%, following a 0.3% drop in 2023.** For 2025, the government revised its 2025 growth forecasts lower to 0.3% from 1.1%. The economy minister stated that it is increasingly evident that Germany faces deep-rooted structural challenges, including a shortage of skilled labor, excessive bureaucracy, and weak investment in both the private and public sectors. The economy is facing considerable challenges, including soaring energy prices, weak external demand, and a decline in competitiveness. With parliamentary elections scheduled for February, business leaders are likely to call for reduced energy prices and taxes.

MARKET OUTLOOK

Source: Investing.com

EQUITY INDEX

Name ↕	Last	Open	High	Low	Chg. % ↕
S&P 500	6,040.53	6,096.79	6,120.91	6,030.93	-0.50% ↕
Nasdaq	19,627.44	19,832.33	19,969.17	19,575.21	-0.28% ↕
Dow Jones	44,544.66	45,054.36	45,054.36	44,507.22	-0.75% ↕
FTSE 100	8,673.96	8,646.88	8,692.84	8,646.88	+0.31% ↕
Euro Stoxx 50	5,287.15	5,299.85	5,314.55	5,273.05	+0.09% ↕
CAC 40	7,950.17	7,954.43	7,996.41	7,928.84	+0.11% ↕
DAX	21,732.05	21,771.49	21,800.52	21,689.29	+0.02% ↕
IBEX 35	12,368.90	12,450.50	12,465.60	12,357.80	-0.41% ↕
FTSE MIB	36,471.75	36,552.32	36,628.29	36,378.17	+0.12% ↕
Shanghai	3,250.60	3,256.61	3,274.39	3,250.60	-0.06% ↕
Hang Seng	20,225.11	20,337.46	20,337.46	20,165.73	+0.14% ↕
Nikkei 225	39,607.00	39,628.50	39,683.50	39,452.50	+0.34% ↕

FIXED INCOME

Name ↕	Last	Open	High	Low	Chg. % ↕
U.S. 10Y	4.542	4.524	4.583	4.500	+0.44% ↕
U.K. 10Y	4.5340	4.5590	4.5720	4.5190	-0.66% ↕
France 10Y	3.201	3.284	3.285	3.189	-1.84% ↕
Germany 10Y	2.4590	2.5190	2.5390	2.4530	-2.38% ↕
Spain 10Y	3.113	3.158	3.168	3.106	0.00% ↕
Italy 10Y	3.552	3.596	3.609	3.547	-1.11% ↕
China 10Y	1.640	1.700	1.700	1.627	-0.61% ↕
Japan 10Y	1.242	1.213	1.248	1.213	+2.48% ↕

FOREX

Name ↕	Last	Open	High	Low	Chg. % ↕
EUR/USD	1.0362	1.0391	1.0435	1.0350	0.00% ↕
USD/JPY	155.18	154.30	155.24	153.92	+0.57% ↕
GBP/USD	1.2390	1.2419	1.2473	1.2384	0.00% ↕
USD/CHF	0.9107	0.9093	0.9117	0.9072	+0.00% ↕
AUD/USD	0.6211	0.6210	0.6264	0.6202	+0.00% ↕
USD/CAD	1.4524	1.4491	1.4560	1.4372	+0.00% ↕
EUR/GBP	0.8359	0.8367	0.8377	0.8353	0.00% ↕
EUR/JPY	160.80	160.32	161.52	159.91	+0.30% ↕
GBP/JPY	192.27	191.63	193.08	191.16	+0.37% ↕
USD/CNY	7.2507	7.2507	7.2507	7.2507	0.00% ↕

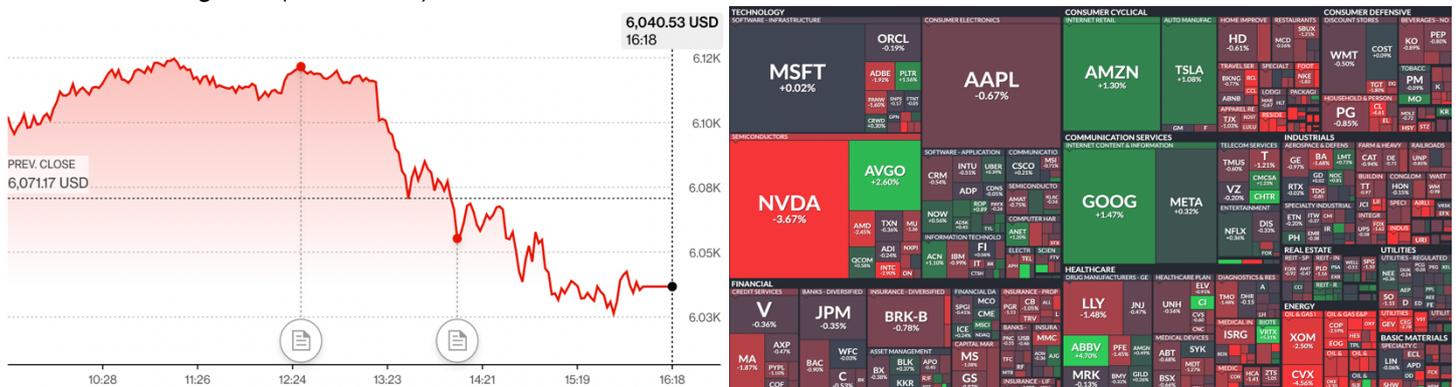
COMMODITIES

Name ↕	Last	Open	High	Low	Chg. % ↕
XAU/USD	2,801.00	2,794.04	2,817.57	2,790.78	+0.25% ↕
XAGg/USD	1.0057	1.0166	1.0195	1.0005	-0.98% ↕
Crude Oil WTI	72.53	73.20	73.84	71.94	-0.27% ↕
Brent Oil	75.67	76.12	76.50	75.16	-0.29% ↕
Natural Gas	3.044	3.081	3.118	2.990	0.00% ↕
Copper	4.2790	4.3075	4.3190	4.2570	-0.70% ↕
Platinum	1,043.70	1,027.10	1,045.60	1,023.30	+1.63% ↕
US Corn	482.00	490.00	490.25	479.60	-1.63% ↕
US Wheat	559.50	569.00	569.00	551.75	-1.24% ↕
US Soybeans	1,042.00	1,042.75	1,052.00	1,034.00	-0.19% ↕

US MARKET RECAP

US STOCKS LOWER AT CLOSE OF TRADE; DOW JONES DOWN 0.75%

Source: Investing.com (31/01/2025)



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

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

US stocks were lower after the close on Friday, as losses in the Oil & Gas, Basic Materials and Consumer Goods sectors led shares lower.

At the close in NYSE, the **DOW JONES lost 0.75%**, while the **S&P 500 lost 0.51%**, and the **NASDAQ lost 0.28%**.

The best performers of the session on the DOW JONES were Amazon.com Inc, which rose 1.30% or 3.04 points to trade at 237.68 at the close. Meanwhile, Amgen Inc added 0.49% or 1.40 points to end at 285.42 and Cisco Systems Inc was up 0.22% or 0.13 points to 60.60 in late trade.

The worst performers of the session were Chevron Corp, which fell 4.56% or 7.13 points to trade at 149.19 at the close. NVIDIA Corporation declined 3.67% or 4.58 points to end at 120.07 and Sherwin-Williams Co was down 2.02% or 7.39 points to 358.16.

The top performers on the S&P 500 were Franklin Resources Inc which rose 10.35% to 22.24, Eastman Chemical Company which was up 7.53% to settle at 99.65 and Vertex Pharmaceuticals Inc which gained 5.31% to close at 461.68.

The worst performers were Deckers Outdoor Corporation which was down 20.51% to 177.36 in late trade, Walgreens Boots Alliance Inc which lost 10.30% to settle at 10.28 and ResMed Inc which was down 8.33% to 236.18 at the close.

The top performers on the NASDAQ Composite were TCTM Kids IT Education Inc ADR which rose 329.82% to 0.78, Reborn Coffee Inc which was up 62.56% to settle at 3.30 and Focus Universal Inc which gained 62.49% to close at 6.09.

The worst performers were Enveric Biosciences Inc which was down 46.41% to 2.09 in late trade, NewGenlvf Group Ltd which lost 42.47% to settle at 0.15 and Global Star Acquisition Inc which was down 39.10% to 8.83 at the close.

Falling stocks outnumbered advancing ones on the New York Stock Exchange by 1981 to 798 and 87 ended unchanged; on the Nasdaq Stock Exchange, 2110 fell and 1176 advanced, while 141 ended unchanged.

Shares in Enveric Biosciences Inc fell to 5-year lows, losing 46.41% or 1.81 to 2.09. Shares in NewGenlvf Group Ltd fell to all-time lows, down 42.47% or 0.11 to 0.15. Shares in Global Star Acquisition Inc fell to 52-week lows, losing 39.10% or 5.67 to 8.83.

RECAP OF FINANCIAL NEWS

Canada, Mexico Hit Back at Trump Tariffs, China Vows Action

Source: Bloomberg (01/02/2025)

Canada and Mexico vowed to hit back at the US after President Donald Trump followed through on threats to impose 25% tariffs on imports of their goods, instigating a trade war that's set to reshape global supply chains.

Canadian Prime Minister Justin Trudeau said the country will impose 25% tariffs against C\$155 billion (\$106 billion) of US goods, while Mexican President Claudia Sheinbaum also pledged retaliation. China vowed "corresponding countermeasures" to Trump's 10% levy on Chinese products, without immediately announcing any new tariffs.

A tit-for-tat tariff fight among the world's major economies, Trump has warned Europe that it's in his crosshairs, too, adds fresh headwinds to the outlook for global growth, for profits of companies suddenly facing higher import taxes and for financial markets adjusting to new trade flows.

Bloomberg Economics estimated that Trump's move will raise the average US tariff rate to 10.7% from near 3% currently and "deal a significant supply shock" to the domestic economy. US gross domestic product would suffer a 1.2% hit and a widely watched gauge of core inflation would increase by 0.7%.

Giant Power Cables Linking Europe Are Growing Source of Tension

Source: Bloomberg (01/02/2025)

The collapse of Norway's government this week brings into focus the hundreds of cables transporting electricity across borders in Europe and how they're being transformed into political weapons.

A dispute about exports of Norway's cheap power is partly behind the government breakdown. Elsewhere, Swedish Energy Minister Ebba Busch said she was "furious" with Germany in December as exports to Europe's biggest economy caused higher prices for the Nordic nation. In France, the far-right party wants to stop free trading across borders altogether.

Europe's electricity system is the world's largest interconnected grid linking nearly 600 million citizens, according to energy think tank Ember. It embodies the spirit of solidarity in the European Union and sharing resources with your neighbors. The rise of right-leaning parties with an emphasis on inward-looking policies is disrupting the harmony.

Gold Climbs to Record as Traders Weigh Threat From Tariffs

Source: Bloomberg (31/01/2025)

Gold hit another record, with investors flocking to safe havens after US President Donald Trump reiterated threats to impose tariffs on Mexico and Canada.

Bullion topped \$2,800 for the first time on Friday. The surge came after Trump said he would follow through on imposing 25% levies on imports from Canada and Mexico on Feb. 1. He also threatened China with measures, without specifying a level.

The precious metal, on track for its fifth consecutive weekly gain, has benefited from haven demand as Trump's tariff threats spur fears of trade wars that could sap economic growth. There are also worries that his pledges to cut taxes and overhaul immigration may erode US finances and reignite inflation. Federal Reserve Chair Jerome Powell said Wednesday that the US central bank was in "wait-and-see" mode with regard to the potential impact of the new administration's policies.

The Federal Open Market Committee left interest rates unchanged this week as expected — after cuts at each of the three previous meetings since September — and indicated that stalled progress toward lower inflation warranted a patient approach.

Traders' ECB Rate Cut Bets Fuel Biggest Yield Drop in Two Months

Source: Bloomberg (30/01/2025)

Short-dated German bonds headed for their best day in more than two months as traders ramped up wagers on additional interest-rate cuts from the European Central Bank this year.

The two-year yield fell as much as 10 basis points to 2.18%, the biggest drop since Nov. 22, while longer-dated rates also fell. Money markets came to close to fully pricing three more quarter-point reductions this year, following Thursday's cut which had been widely expected and took the deposit rate to 2.75%.

In contrast to the US, where the Federal Reserve held rates steady this week, investors are confident that the ECB has a clear path to reduce borrowing costs further with the region's economy stalling and the 2% inflation target in reach. Policymakers still see their current monetary-policy stance as restrictive, according to Thursday's statement.

HSBC's Longshot Dream of Rivaling Wall Street Comes to an End

Source: Bloomberg (29/01/2025)

For years HSBC Holdings Plc harbored dreams of becoming a major player on Wall Street and in the City of London. This week, it finally called time on those ambitions.

The London-based lender began informing select managers in its corporate advisory and equity underwriting teams in New York, London and continental Europe that it was shuttering their businesses last Friday. However, for most staffers the announcement on Tuesday came as a complete shock, according to people familiar with the matter who asked not to be named discussing internal information.

As bankers made their way into HSBC's offices, they were only aware that they had to dial in to an important call. As that call got underway — led by Chief Executive Officer Georges Elhedery and Michael Roberts, the bank's new head of corporate and institutional banking — it became clear that once their current deal pipeline was exhausted, their jobs would be gone.

The number of staff affected will be in the low hundreds, two of the people familiar with the matter said. In lieu of losing their jobs, some bankers will be given the option to move to Hong Kong or Dubai, where HSBC will maintain its full investment banking presence, they said.

DeepSeek 'Started a Revolution' for AI and Investors

Source: Bloomberg (28/01/2025)

The artificial intelligence landscape appears to have changed. Nvidia's dominance has been disrupted by Chinese startup DeepSeek, whose surge in popularity is raising questions about the valuations of US tech giants. That this new rival to ChatGPT comes at a fraction of the latter's cost has poked holes in the justification for massive AI budgets.

"They have started a revolution," says Stephen Yiu, chief investment officer of Blue Whale Growth Fund, who joins this week's Merryn Talks Money. Now anyone "can start to work on some AI application."

DeepSeek leveled the playing field, he explains, and the market is responding. Hype over this feat drove a nearly \$1 trillion rout in US and European technology stocks on Monday as investors sought to cut their exposure. Yiu, whose investment fund is backed by billionaire Peter Hargreaves, reduced its stakes in major US technology companies on concern over the costs of AI at the end of 2024.

ECONOMIC CALENDAR (GMT UK TIME)

Source: Investing.com

Time	Cur.	Imp.	Event	Actual	Forecast	Previous
Monday, February 3, 2025						
All Day		Holiday	China - Chinese New Year			
All Day		Holiday	China - Chinese New Year			
10:00	EUR	★ ★ ★	CPI (YoY) (Jan) P		2.4%	2.4%
14:45	USD	★ ★ ★	S&P Global Manufacturing PMI (Jan)		50.1	49.4
15:00	USD	★ ★ ★	ISM Manufacturing PMI (Jan)		49.3	49.2
15:00	USD	★ ★ ★	ISM Manufacturing Prices (Jan)		52.6	52.5
Tuesday, February 4, 2025						
15:00	USD	★ ★ ★	JOLTS Job Openings (Dec)		7.880M	8.098M
Wednesday, February 5, 2025						
13:15	USD	★ ★ ★	ADP Nonfarm Employment Change (Jan)		149K	122K
14:45	USD	★ ★ ★	S&P Global Services PMI (Jan)		53.1	56.8
15:00	USD	★ ★ ★	ISM Non-Manufacturing PMI (Jan)		54.2	54.1
15:00	USD	★ ★ ★	ISM Non-Manufacturing Prices (Jan)			64.4
15:30	USD	★ ★ ★	Crude Oil Inventories			3.463M
Thursday, February 6, 2025						
12:00	GBP	★ ★ ★	BoE Interest Rate Decision (Feb)		4.50%	4.75%
13:30	USD	★ ★ ★	Initial Jobless Claims		214K	207K
Friday, February 7, 2025						
13:30	USD	★ ★ ★	Average Hourly Earnings (MoM) (Jan)		0.3%	0.3%
13:30	USD	★ ★ ★	Nonfarm Payrolls (Jan)		154K	256K
13:30	USD	★ ★ ★	Unemployment Rate (Jan)		4.1%	4.1%

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