

# 45<sup>2</sup> (2025) = Success<sup>2</sup>

## Macro Overview

US

**US equities finished lower for the week. Major indices were mostly lower across the holiday-shortened week.**

In corporate news, United States Steel Corp faced pressure after President Biden officially blocked the Nippon Steel deal. Apple returned to the spotlight following a report about increased iPhone discounts in China, with Reuters noting that shipments of foreign-branded smartphones to China dropped over 47% year-over-year in November. Tesla also made headlines after reporting softer Q4 deliveries on Thursday, though it announced that its sales in China rose nearly 9% to a record high of 657,000 vehicles in 2024. The New York Stock Exchange will be closed Thursday to mourn the death of former President Jimmy Carter.

In economic data, US Initial Jobless Claims Fall to Eight-Month Low to End 2024: Initial applications for US unemployment capped 2024 at an eight-month low, reflecting the relatively muted levels of job cuts in a labor market that has remained surprisingly resilient. New claims fell by 9,000 to 211,000 in the week ended Dec. 28, lower than all but one estimate in a Bloomberg survey. Meanwhile continuing applications, a proxy for the number of people receiving benefits, also fell to a three-month low of 1.84 million in the week ended Dec. 21.

December ISM Manufacturing rebounded for the second Month in a row, to print at 49.3 Vs 48.2 expected. This is the highest level since April last year. Prices paid and new orders came out at 52.5, higher than expected and higher than previous Month, only the employment component printed at 45.3, roughly 3points below the previous Month.



The S&P 500 wrapped up 2024 with a 23.31% gain, achieving back-to-back years of over 20% growth for the first time since 1998, despite some late-December softness. Most sectors posted gains, with the exception of materials, which declined by 1.83%. Notable outperformers included airlines, banks, credit card companies, P&C insurers, and staples retailers. The index saw positive performance in all four quarters, with more than 10% of the annual gain coming from a strong Q1. Corporate earnings were consistently robust, with forecasts for FY24 predicting ~9.5% annual earnings growth, surpassing the ten-year average of 8.0%. Big tech played a significant role in driving the market's strength.

This week will be much busier in terms of economic data in the US with the release of the December Services PMI & ISM, the November JOLTS, the December 18th FOMC Meeting Minutes as well as the December Payrolls, Unemployment rate, Average hourly earnings and Labor Force Participation and finally the January preliminary University of Michigan Sentiment Index.

EUROPE

**The Eurostoxx 600 closed 0.20% higher for the week.**

In 2024, the supply side improved less than the ECB anticipated, while core inflation remained stubbornly high due to robust wage growth and concentrated price adjustments. Consequently, the ECB began cutting rates mid-year.

Beneath the surface, several developments emerged last year. First, sectoral performance disparities persisted, with manufacturing stuck in contraction. Second, country performance gaps widened, as Spain experienced a boom while Germany stagnated, facing an increasing risk of recession. Third, modest growth in domestic final sales was largely driven by sustained strength in government consumption, while consumer spending and capital expenditures fell short of expectations. Fourth, growth was more employment-intensive than anticipated, resulting in weak productivity growth. Fifth, politics unexpectedly took center stage with early elections in France and Germany, likely due to pressures from immigration, high inflation, and below-par growth.

Overall, the Euro area's economic performance has been mixed. On the positive side, there has been resilience to shocks, supported by strong nominal income growth and tight labor markets. On the downside, the region has struggled to build solid growth momentum once shocks have started to subside, with much of this cyclical weakness attributable to Germany.

In terms of economic data, the German labor continued to soften with the unemployment rate stable at 6.1% on the national measure in December and at 3.4% on the harmonized measure in November. Spanish inflation rose more than expected on the CPI but not on the HICP. Core inflation in the CPI rose 0.2%pt to 2.6% oya, but this includes processed food and may not be a good signal for core inflation in HICP. The Euro area broad money

supply (M3) accelerated to 3.8% in November 2024, up from 3.4% in the previous month. This suggests that the transmission from monetary normalization to the real economy is progressing gradually, suggesting that policy rates are still at restrictive levels.

Over in the UK, 3Q GDP growth was revised down to owing to weaker than previously estimated government consumption growth.

This week we will see the Euro area PMIs on Monday, EU CPI and UK Construction PMI on Tuesday, EU Consumer Confidence on Wednesday, EU retail sales on Thursday.

## ASIA

**Santa Claus rally faded with the markets in Asia generally lower in the last week of 2024. MSCI Asia Ex Japan closed the week lower by 0.99%. The weakest market was China with the CSI 300 closing the week lower by 5.17%.**

China's gross domestic product is expected to expand around 5% for the full year of 2024, President Xi Jinping said, signalling the world's second-largest economy is on track to meet its official target. To booster China's domestic consumption, last week NDRC announced the national trade-in program will expand consumption subsidies to cover smartphones and other electronics. The government has also awarded a range of civil servants across the nation their first significant pay rise in years as policymakers try to boost morale and spur spending. According to Bloomberg reports, the basic salaries of many government employees have been bolstered by at least RMB500 (~US\$68.51) per month.

The Caixin/S&P Global manufacturing PMI for China nudged down to 50.5 in December from 51.5 the previous month, undershooting analysts' forecasts. Services however expanded. The Caixin/S&P Global services purchasing managers' index (PMI) rose to 52.2 in December from 51.5 the previous month. The growth pace was the fastest since May 2024, surpassing the 50-mark that separates expansion from contraction on a monthly basis. In Japan, the composite PMI, which combines manufacturing and service activity, rose to 50.5 in December from 50.1 in November. Taiwan was a rare bright spot, with activity growing at the fastest pace in five months with PMI survey respondents reporting strong sales in Asia, Europe and North America. South Korea's PMI showed activity shrinking in December and the decline in output gathering pace, a stark contrast to better-than-forecast export growth figures released on Wednesday. Malaysia and Vietnam also reported declines in factory activity. India's manufacturing activity grew at its weakest pace for 2024, its PMI showed, although the South Asian economy's factories continued to outperform regional peers, reporting uninterrupted expansion for the past three-and-a-half years. The HSBC India Manufacturing Purchasing Managers Index (PMI) recorded at 56.4 in December, down from 56.5 in November.

South Korea's central bank Governor Rhee Chang-yong said on Thursday the pace of interest rate cuts ahead will be flexible, as trade-offs on growth, inflation, foreign exchange and household debt are expected to widen.



South Korea's anti-corruption agency has requested that police take over efforts to detain impeached President Yoon Suk Yeol after its investigators failed to bring him to custody following a standoff with the presidential security service last week. The Seoul Western District Court last Tuesday issued a warrant to detain Yoon and a separate warrant to search his residence after the embattled president defied authorities by refusing to appear for questioning over his short-lived martial law decree on Dec. 3.

The technology sector in Korea provided some direction to the market even after the negative sentiment in the country. The Korean government is committing 20 trillion won to bolster its domestic semiconductor industry. The plan includes a proposal to establish a Korean Semiconductor Manufacturing Company (KSMC), modelled after Taiwan's TSMC. By 2025, South Korea plans to provide over KRW14tn in policy financing for the semiconductor sector, including KRW4.25tn in low-interest loans through the Korea Development Bank and a new 120 billion won semiconductor ecosystem fund, which will grow to KRW420bn in the future.

Singapore's 2024 GDP growth beats expectations, expanding at 4.3% in Q4, taking full year growth to 4%. Singapore's resilience could be tested by offshore factors ranging from China's slowdown to trade tensions stirred by the incoming Trump administration and other geopolitical fissures. The government didn't provide an outlook for 2025 growth. "Singapore is not immune from these global mood shifts and pressures," Prime Minister Wong said on Dec. 31. Still, "we remain a beacon of safety, security and stability in a troubled world."



## GeoPolitics

**US - China:** China trade dependence on US drops to new low. The US only accounted for 11.2% of China's aggregate exports and imports in dollar terms over Jan-Nov, marking the lowest since China joined WTO in 2001. China is rerouting US-bound exports through third countries to avoid tariffs, while prompting growing concerns that China is exporting deflation to developing regions. On imports, China turning to alternative sources of grains. Brazil has been the largest supplier of soybeans at 70% of the total with US at 20%. US share of wheat imports has fallen below 20% from nearly 40% in 2017, substituted by Australia, Canada and France.

**US - China:** The Biden administration is reported to be considering a rule that could limit or ban Chinese drones in the US, the latest in a series of measures aimed at addressing national-security concern. Drones also became a focus for lawmakers in US Congress last year, with House Republicans asking the Biden administration to declassify information about risks from the aircraft. Currently, Shenzhen based DJI and Autel Robotics contribute to 90% of the worldwide drone market according to the US lawmakers. On the other hand, China also added 28 US entities to its export control list to "safeguard national security and interests".

**EU - Russia:** *Russian gas exports via Soviet-era pipelines running through Ukraine came to a halt on New Year's Day*, marking the end of decades of Moscow's dominance over Europe's energy markets. The gas had kept flowing despite nearly three years of war, but *Russia's gas firm Gazprom said it*

*had stopped at 0500 GMT after Ukraine refused to renew a transit agreement.* The last remaining EU buyers of Russian gas via Ukraine, such as Slovakia and Austria, have arranged alternative supply, while Hungary will keep receiving Russian gas via the TurkStream pipeline under the Black Sea. The EU has slashed its dependence on Russian energy since the start of the war in Ukraine by buying more piped gas from Norway and LNG from Qatar and the United States. *Ukraine will lose up to \$1 billion a year in transit fees from Russia.* For Russia, the loss of one of its two remaining gas-pipeline routes to Europe will slash revenue by about \$6 billion a year.

**Israel - Palestine:** The population of Gaza has fallen 6% since the war with Israel began nearly 15 months ago as about 100,000 Palestinians left the enclave while more than 55,000 are presumed dead, according to the Palestinian Central Bureau of Statistics. Around 45,500 Palestinians, more than half of them women and children, have been killed since the war began but another 11,000 are missing, the bureau said, citing numbers from the Palestinian Health Ministry.

**Iran - Britain/France/Germany:** The next round of nuclear talks between Iran and three European countries will take place on January 13th 2025 in Geneva. U.N. nuclear watchdog chief Rafael Grossi told Reuters in December that Iran is "dramatically" accelerating its enrichment of uranium to up to 60% purity, closer to the roughly 90% level that is weapons grade. Tehran denies pursuing nuclear weapons and says its programme is peaceful.



## Credit/Treasuries

The US Treasury curve bear steepened during the first few sessions of 2025. The 2years yield gained 6bps, 5years yield was up 9bps, 10&30years gained 12bps. *The 2-10 spread is now*

*trading at +33bps, its highest level since May 2022.* US IG 5years credit spreads were unchanged while US HY 5years credit spreads tightened by 6bps.

## FX

***DXY USD Index rose 0.88% to close the week at 108.95, continuing its upward trend, driven by the prospect of US tariffs and hawkish Fed.***

US Macro data was resilient; weekly initial jobless claims at its lowest level since April (A: 211k, C: 221k, P: 219k); ISM Mfg (A: 49.3, C: 48.3); Final Dec Mfg PMI (A: 49.4, C: 48.3). Support level at 108, while Resistance level at 110.

**European Currencies** fell against USD; **EURUSD** fell 1.13% to 1.0308; **GBPUSD** fell 1.23% to 1.2423; **USDCHF** rose 0.72% to 0.9085.

Weakness on EUR was due to concerns on the energy situation after the expiry of the transit deal between Russia and Ukraine. In addition, Euro Area Mfg was below consensus (A: 45.1, C: 45.2). **GBPUSD** saw biggest loss, impacted by negative risk sentiment. **UK Mfg PMI** fell to a 11-month low (A: 47.0, C: 47.3).

**Antipodean Currencies** fared better against USD, compared to its European Counterparts. **AUDUSD** was relatively unchanged last week, closing at 0.6216, while **NZDUSD** fell 0.39% to 0.5613.

**USDJPY** fell 0.39% to 157.26 driven by negative risk sentiment, supporting higher JPY. Immediate resistance level at 158, while support at 156.

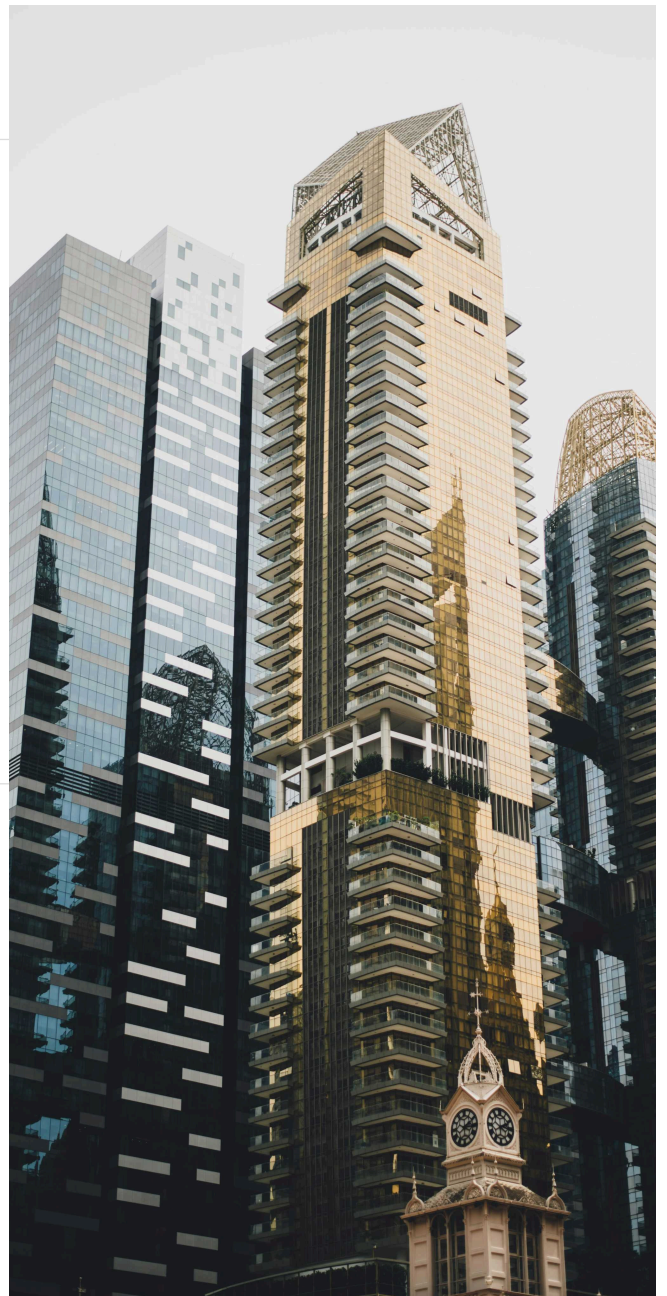
## Oil & Commodity

**Oil Futures** rose significantly last week amid dual concerns around weak demand and oversupply; **WTI** rose 4.76% to 73.96, while **Brent** rose 3.15% to 76.51. The rebound in oil prices last week is likely attributed to more technical rather than fundamental. Upside wild cards such as wars in Ukraine and Middle East, along with US tensions with Iran and Venezuela supported higher oil prices. In addition, oil price is supported by the report where outgoing President Biden is preparing to issue a decree permanently banning new offshore oil drilling in some US coastal waters.

**Gold** rose 0.72% to 2640.22 despite higher USD. This is likely driven by negative risk sentiment at the start of the year, as Market participants position themselves in the new year with higher volatility, possible impacted by higher geopolitical tensions.

## Economic News This Week

- **Monday** – AU/JP/CH/EU/UK/CA/US Svc/Comps PMI Dec Final, SZ Retail Sales, US Factory Orders/Durable Goods Orders
- **Tuesday** – AU Building App., SZ CPI, EU ECB CPI Exp./CPI, UK Construction PMI, US JOLTS/ISM Svc Index
- **Wednesday** – NZ ANZ Commod. Price, AU/SW CPI, EU Cons./Svc/Indust./Econ. Confid., US MBA Mortg. App./ADP/FOMC Mins.
- **Thursday** – AU Retail Sales, CH CPI/PPI, EU Retail Sales, US Initial Jobless Claims/Wholesale Inv.
- **Friday** – NO CPI, CA Employ., US NFP/UMich





# Key Market Moves

6 January, 2024

Name	WTD	MTD	YTD	Last px
MSCI ACWI Index	-0.52%	0.70%	0.70%	847.22
S&P 500 Index	-0.48%	1.03%	1.03%	5,942.47
Dow Jones Industrial Average	-0.60%	0.44%	0.44%	42,732.13
NASDAQ Composite Index	-0.51%	1.61%	1.61%	19,621.68
EURO STOXX 50 Price EUR	-0.56%	-0.50%	-0.50%	4,871.45
STOXX Europe 600 Price Index EUR	0.20%	0.11%	0.11%	508.19
Nikkei 225	-0.96%	-1.06%	-1.06%	39,470.75
Tokyo Stock Exchange Tokyo Price Index TOPIX	-0.60%	-0.71%	-0.71%	2,765.13
MSCI AC Asia Pacific Index	-0.87%	-0.14%	-0.14%	181.37
MSCI AC Asia Pacific Excluding Japan Index	-0.99%	-0.14%	-0.14%	568.63
MSCI Emerging Markets Index	-0.89%	-0.21%	-0.21%	1,073.21
Shanghai Shenzhen CSI 300 Index	-5.17%	-4.13%	-4.13%	3,772.24
Hang Seng Index	-1.64%	-1.70%	-1.70%	19,719.46
India NSE Nifty 50 Index	0.80%	1.52%	1.52%	24,004.75
Taiwan Stock Exchange Index	-1.58%	1.04%	1.04%	23,274.37
Korea KOSPI Index	1.54%	3.12%	3.12%	2,474.47
Singapore Straits Times Index STI	0.80%	0.73%	0.73%	3,815.11
Thailand SET Index	-1.19%	-1.10%	-1.10%	1,384.76
Jakarta Stock Exchange Composite Index	1.82%	1.19%	1.19%	7,164.43
Philippines Stock Exchange PSEI Index	1.15%	1.75%	1.75%	6,642.87
Vietnam Ho Chi Minh Stock Index / VN-Index	-1.61%	-0.96%	-0.96%	1,254.59

Source: Bloomberg

Name	WTD	MTD	YTD	Last px
US Generic Govt 10 Year Yield	(0.01)	0.01	0.01	4.62
Euro Generic Govt Bond 10 Year	0.01	0.02	0.02	2.43
Japan Generic Govt 10Y Yield	(0.02)	0.02	0.02	1.12
MARKIT CDX.NA.HY.32 06/24	-0.63%	-2.35%	-2.35%	304.15
MARKIT CDX.NA.IG.32 06/24	-1.22%	-2.38%	-2.38%	48.66
MARKIT CDX.EM.31 06/24	-2.43%	-3.94%	-3.94%	165.72
EUR-USD X-RATE	-1.13%	-0.43%	-0.43%	1.03
GBP-USD X-RATE	-1.23%	-0.66%	-0.66%	1.24
CHF-USD X-RATE	-0.70%	-0.28%	-0.28%	1.10
USD-JPY X-RATE	-0.39%	0.26%	0.26%	157.61
USD-CNY X-RATE	0.35%	0.36%	0.36%	7.33
USD-HKD X-RATE	0.20%	0.12%	0.12%	7.78
USD-INR X-RATE	0.28%	0.20%	0.20%	85.78
NYMEX Light Sweet Crude Oil	4.76%	3.37%	3.37%	74.14
ICE Brent Crude Oil Future	3.15%	2.71%	2.71%	76.66
VIX Index	1.13%	-7.03%	-7.03%	16.13
Gold Spot	0.72%	0.72%	0.72%	2,643.33
Silver Spot	0.81%	2.72%	2.72%	29.69
Palladium Spot	1.01%	1.10%	1.10%	922.66
Bitcoin/USD	5.66%	4.93%	4.93%	98,338.53
Etherum/USD	9.02%	8.59%	8.59%	3,634.10

Sources – Various news outlets including Bloomberg, Reuters, Financial Times, FactSet, Associated Press

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