



CIO OFFICE MORNING MARKET WRAP

14 January 2025

The week started with a relatively quiet session on global markets. US Treasury yields were unchanged, and so were stocks from developed markets, down -0.1% on average. Emerging markets lost -1.7% overall, but it was mostly a morning catchup from Asia following last Friday's US hawkish developments. The dollar continued to slightly grind higher, and gold fell -1% to \$2,665, which can probably be linked to reported progress towards a peace agreement between Israel and Gaza – a “distinct possibility”, according to a US senior official. Still, oil prices continued to rise, up +1.5% to \$81 for a barrel of Brent crude. GCC stock markets closed -0.5% lower but are still one of the rare positive regions of the young 2025, led by the Dubai DFM and its +1.5% YTD gain so far.

There was no major market moving data yesterday, apart from the positive report on China's trade we already commented. Monthly CPI in India came in line with expectations at 5.22% year on year in December, after 5.48% in November.

The most significant news this morning comes from Donald Trump's economic team, who is said to consider a slow and gradual implementation of tariffs to avoid generating more inflation risk. If confirmed, this would be exactly the kind of pragmatism we expect, illustrating why, as we wrote yesterday, the current concerns may actually be positive, leading to some policy caution. More surprising in the also unconfirmed rumor about Elon Musk potentially acquiring TikTok's US operations in case the app would be banned. We can assume that such an outcome wouldn't exactly match the initial objectives of this procedure, which was initiated by the Democrats.

Markets this morning:

Markets in Asia are mixed as we write this morning. Japan is the negative outlier, down -1.8%, but as it was closed Monday this could be another delayed reaction to last week's turbulences. Elsewhere, the perspective of gradual tariffs pushes both Hong-Kong and Shanghai/Shenzhen stocks +1.6% higher, while Korea gains +0.3% in sympathy. US Treasury yields are marginally lower in Tokyo trading and the dollar slips -0.3% against trade-weighted counterparts, for the first time in 6 sessions. No doubt, markets enjoy the idea of the new administration being potentially cautious on price pressures.

Upcoming Key events/data:

Inflation relief -or scare- will depend on tomorrow's monthly US CPI report, the most important single data of the week at 5.30PM Dubai time. Meanwhile, today at the same time, we will look at the US factory gate prices (PPI) which are expected, at the headline level, to have progressed from 3% YoY to 3.5%. This will be followed by the US Federal budget balance for December at 11PM Dubai time.

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