



CIO OFFICE MORNING MARKET WRAP

15 January 2025

Tuesday was quiet for US Treasuries with overall stable yields across the curve. The dollar fell -0.6% against trade weighted counterparts, breaking a streak of 5 straight sessions of appreciation, following yesterday's press reports on tariffs, and a benign US PPI report. Stocks from emerging markets enjoyed it, up +1.3% on average, led by China at +2.4%. Developed markets were down -0.7% for the MSCI World, with Japan being the only major negative contributor. The price of Brent crude oil retreated \$1 to just below \$80, which didn't weight on GCC stock markets, up +0.6%. Gold continued to grind higher to \$2,677.

The US producer price index (PPI) report came out with a nice little surprise. At the headline level, factory gate prices rose by a softer-than-expected +0.2% in December, while core PPI was flat, much below the +0.3% median forecast. Today's CPI report is obviously much more important for markets and for the Fed. Still, in the current mood, we take it. By contrast, the US NFIB report showed small-business optimism rising to a 6-year high, which usually correlates with hiring intentions – which won't help on the monetary easing front. The US Federal budget balance for December didn't give bond vigilante reasons to relax, with a slightly deeper than expected monthly deficit of \$86.7tn.

Markets this morning:

Asian markets trade on the cautious side as we write this morning, ahead of today's US CPI report. Stocks are mostly flat (Japan, Hong-Kong) or slightly positive (Korea, onshore China). There is no notable move in US Treasuries in Tokyo trading and the dollar is marginally weaker, mostly against the offshore yuan and the yen. Gold trades \$5 lower to \$2,672 while oil prices are stable.

Upcoming Key events/data:

All eyes today are on the US December CPI inflation report at 5.30PM Dubai time. In year-over-year terms, the median forecast is for a +0.2% increase at the headline level to 2.9%, and stability for the core CPI at 3.3%. The same gauge for the UK will be released earlier at 11am Dubai time, with expectations for headline at +2.6% YoY and core at +3.4%. Finally, the US Empire Manufacturing index will be released at 5.30PM.

Have a great day.

Chief Investment Office
Wealth Management,
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