



CIO OFFICE MORNING MARKET WRAP

29 January 2025

A sharp rebound in megacap tech stocks lifted global equities, reversing losses from the previous session's AI-driven selloff. The MSCI ACWI rose 0.6%, while the S&P 500 gained 0.9%, as buyers stepped in to scoop up beaten-down names. Nvidia jumped 8.9%, recovering from a \$600 billion market cap wipeout on Monday. Microsoft added 2.9% on reports it is in talks to acquire ByteDance's U.S. TikTok operations. The rebound in major indexes masked underlying weakness, as the S&P 500 Equal Weight Index fell 0.5%, reflecting softer participation across the market. Gains came in even with fresh signs of economic softness, with U.S. consumer confidence dropping to 104.1 vs estimates of 105.7, a four-month low in January. AI stocks, which have dominated the recent market cycle, faced turbulence earlier in the week after a cheap AI model from Chinese startup DeepSeek sparked fears of increased competition. Traders seized the opportunity to add exposure, pouring \$4.3 billion into the QQQ ETF "tracks the Nasdaq 100"—the largest one-day inflow since 2021. Semiconductor funds also saw strong buying activity.

European equities gained, with the MSCI Europe Index rising 0.4% to a record high as strong earnings helped offset recent AI-driven volatility. Siemens Energy jumped 8% after raising its 2025 free cash flow forecast, while SAP briefly hit an all-time high on strong cloud sales. Luxury stocks lagged, with the LVMH ADR dropping 2.3% in U.S. trading even as results came in slightly above estimates but failed to match the strong earnings from Richemont earlier this month. The company's 14% drop in profit, even after a 5% cut in marketing spend, raised questions about the pace of recovery in high-end consumer demand. Miners struggled as commodity prices weighed President Trump's latest trade comments after he signaled plans for broader tariffs. European equities have now outperformed the S&P 500 for a second straight month, with earnings in focus as 21% of the STOXX 600 index's market cap reports this week.

Oil prices pushed higher, with Brent crude rising 0.5% to \$77.5 per barrel and gold added 0.8% to \$2,764 an ounce following renewed tariff threats by President Trump. The Bloomberg Dollar Spot Index edged up 0.3%, pressuring other major currencies, while bond markets remained steady, with the 10-year Treasury yield holding at 4.54%.

Markets this morning:

Today, Asian markets trading volumes were light, with several regional markets closed for the Lunar New Year. Japan's TOPIX gained ground, up 0.7% higher supported by chip-related stocks which tracked U.S. peers higher after sharp declines earlier in the week. Sony was a standout performer, rising 3.2% higher in a rotation into software and gaming stocks, viewed as a safer bet amid AI volatility.

Upcoming Key events/data:

Markets are now shifting focus to the Fed meeting, with expectations that rates will remain unchanged. Powell is expected to face questions about how the Fed is factoring in Trump's agenda; the rate decision will be released Wednesday at 2 PM Washington time, followed by Powell's press conference. Today, Tesla, Microsoft, Meta and ASML are set to report earnings results; Apple follows on Thursday post-market close. The Bank of Canada also announces its rate decision Wednesday, followed by the ECB's policy update on Thursday, alongside Eurozone GDP, consumer confidence, unemployment data, U.S. GDP and jobless claims data.

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