



CIO OFFICE MORNING MARKET WRAP

30 January 2025

Equities fell yesterday but recovered from session lows, as the Fed kept interest rates unchanged and Chair Jerome Powell delivered reassuring remarks to the market. The MSCI ACWI declined 0.2%, while the S&P 500 dropped 0.5%, with weakness concentrated in megacap stocks. Microsoft slid 1.1% after reporting slowing growth in its cloud business, while Tesla climbed 4.2% in after hours as Elon Musk pledged a return to growth in 2025. Meta shares were also up 2.3% after Mark Zuckerberg projected a “really big year” in AI, though guidance fell short of expectations. Nvidia dropped 4.1% giving back gains from its rebound after the DeepSeek-driven selloff. Fed Chair Jerome Powell signaled no urgency to cut rates, stating that policymakers want more confirmation on inflation progress before adjusting policy further. Treasury yields initially spiked before retreating as Powell attempted to downplay the hawkish tone in the FOMC statement. Powell also pointed to uncertainty around President Trump’s economic policies, including potential shifts in trade, immigration, and tax policy, as a reason for the Fed’s cautious approach. He stated that officials are waiting to see which policies are enacted before assessing their potential impact on inflation and growth.

AI remains a key driver of market volatility. SoftBank is reportedly in talks to invest up to \$25 billion in OpenAI, intensifying competition in the space. Microsoft and OpenAI are investigating whether DeepSeek-linked groups illicitly accessed proprietary data. Meta is doubling down on AI investments, planning to spend as much as \$65 billion on infrastructure projects in 2025. Following DeepSeek’s low-cost AI model rattled the U.S. tech sector, Microsoft and Meta’s CEOs defended their aggressive spending, emphasizing its necessity for staying ahead in the evolving industry. Alibaba joined the AI competition, touting its new Qwen 2.5 Max model as superior to DeepSeek’s and Meta’s Llama, based on internal benchmark tests. The company is aggressively expanding its AI cloud services, slashing prices in a bid to win market share from local competitors Tencent and Baidu.

European equities outperformed, with the MSCI Europe Index gaining 0.5% to a record high, driven by strong corporate earnings. ASML gained 5.5%, reversing its earlier slump, as AI investments fueled a surge in chipmaking equipment orders. Luxury stocks lagged, with LVMH dropping 5.0% as disappointing sales figures weighed on the sector. The ECB’s decision today remains in focus, with expectations of a quarter-point cut.

Within Asia, China remains closed for Lunar New Year. Indian markets advanced ahead of the upcoming Union Budget, as expectations for pro-growth measures targeting consumption and job creation lifted sentiment. The MSCI India Index climbed 1.3%, extending its recent gains. Japan’s TOPIX gained 0.7%, supported by chip-related stocks and a rally in Sony, which hit a five-decade intraday high following news of a CEO transition expected to boost profits.

Brent crude dipped 1.2% to \$76.6 per barrel, while gold also declined by 0.8% to \$2,759. The two-year yield edged up to 4.21%; 10-year yield was little changed at 4.53%. The Bloomberg Dollar Spot Index kept flat.

Markets this morning:

Today, Asian markets saw limited gains, with several regional markets—including China, Hong Kong, and South Korea—closed for the Lunar New Year holiday. The yen strengthened ahead of a speech by Bank of Japan Deputy Governor Ryozi Himino, with traders speculating he could adopt a more hawkish stance following the Fed’s decision. SoftBank shares saw volatility after reports of its potential multibillion-dollar OpenAI investment.

Upcoming Key events/data:

The focus now shifts to key economic data releases. Today, the ECB delivers its rate decision, alongside Eurozone consumer confidence, unemployment data, and GDP figures. In the U.S., Q4 GDP and weekly jobless claims data will be released. On earnings reports, Apple and Deutsche Bank announce results. On Friday, attention turns to U.S. personal income and spending data, the Fed’s preferred inflation gauge—PCE inflation—and the employment cost index.

Chief Investment Office
Wealth Management,
Emirates NBD.

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