



CIO OFFICE MORNING MARKET WRAP

17 April 2025

The aftereffects of the Nvidia curbs remained in the markets overnight. ASML added to the chip markets' woes as the net bookings fail 19% short of consensus even though the order backlog remains robust at \$34 Bn. TSMC is set to report its earnings today. The sell off had eased a bit earlier in the day when China appointed a negotiator from its side and announced that it was ready to talk to the US if it gets respect. Meanwhile, President rump announced in his usual tone that "big progress" was made in his meeting with a Japanese trade delegation. S&P 500 crashed 2.2% and Nasdaq extended losses more than 3%. European stocks were mixed earlier in the day. The ECB is poised to cut rates by a quarter point today, amid decelerating services inflation and risks from US tariffs.

US Treasury yields declined 3 to 5 bps across the curve with belly of the curve outperforming. Market sees the probability of a June rate cut at 80% and a cumulative 90 bps of rate cuts till December this year. The \$13 Bn 20-year Treasury bond auction saw robust demand. US March Retail Sales was higher than expectations as customers went on a shopping spree before the onset of the tariff regime. This would mean that future numbers are expected to be lower. Understandably markets were not very excited. The control group sales only increased by 0.4%. The WTO slashed its forecast for merchandise trade this year as tariffs upend global commerce. Volumes are expected to decline by 0.2% — almost 3 percentage points lower than it would have been without the US-led trade war.

Chairman Powell's speech at the Chicago Economic Forum did not deviate from his earlier statement. He emphasized that the Fed is ready to wait till more policy clarity emerges. He also added that the labour market is in pretty good shape but without price stability there can be no robust employment generation. This was in stark contrast to Monday's remarks by Waller who mentioned that in the event of a toss-up between weak economy and a higher inflation, the Fed would be ready to support growth. Waller is widely anticipated to succeed Powell.

Markets this morning

Asian stocks remain positive this morning. Hang Seng is up 1.6% and Nikkei has gained 0.8%. Japan's exports rose by a slower-than-expected 3.9% in March. US Equity futures are in the green. 10-year US Treasury yields are up 3 bps at 4.30%. Gold notched a new record of \$3,357 spurred by trade uncertainty and Powell's hawkish comments. It trades at \$3,342 currently. Brent Crude has also increased and trades above \$66.3.

Upcoming key events/data:

Apart from the ECB policy meeting, Turkey will also make a rate decision. After the emergency overnight rate hike to support Lira last month, the central bank is expected to maintain its one-week Repo rate at 42.5%. We get the jobless claims and Housing Starts from the US. Along with TSMC we have UnitedHealth, Netflix, and American Express also releasing their Q1 results today.

Have a good day!

Chief Investment Office
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