



CIO OFFICE MORNING MARKET WRAP

21 April 2025

Equities diverged sharply last week, revealing a market grappling with asymmetric risks and region-specific catalysts. The MSCI ACWI advanced 0.4%, supported by a 2.3% gain in emerging markets, with India and China stabilizing. Developed markets were more subdued, up 0.2%, while U.S. equities reversed lower. The S&P 500 fell 1.5% as markets recalibrated expectations around Fed policy and tech gave up recent ground. Fed Chair Jerome Powell rejected speculation of a near-term pivot, signaling that the central bank is not inclined to ease just yet. This policy posture collided with fragility in tech, where Nvidia came under renewed scrutiny after chip restrictions intensified. Nvidia flagged a \$5.5 billion inventory exposure related to expanded U.S. export restrictions. ASML missed on bookings, and although TSMC offered a constructive outlook, sentiment across tech deteriorated. The Nasdaq 100 dropped 2.3%, underperforming major benchmarks. Political risk re-emerged as Trump publicly criticized Powell and questioned the Fed's independence, adding to uncertainty around forward guidance. Europe posted a strong rebound. The MSCI Europe index rose 4.0%, lifted by broad-based gains across banks, defensives, and utilities. The ECB cut rates and removed its "restrictive" language, signaling flexibility in response to macro risk. President Lagarde cited rising external uncertainty, including the impact of trade fragmentation. Luxury names underperformed, with LVMH and Hermes both citing weaker Chinese and U.S. demand. Still, broader equity sentiment improved as bond yields fell and expectations for further easing gained traction.

Asia delivered stronger performance. Japan's TOPIX gained 2.5%, supported by a weaker yen and renewed demand for exporters following clarity in U.S.-Japan trade discussions. Semiconductor stocks recovered after TSMC's earnings, and broader industrials found support. In China, the MSCI index rose 1.6%. Property developers led gains following comments from Premier Li Qiang indicating further credit easing. Home prices showed modest recovery, but market appetite remains selective. Concerns around platform regulation, delisting risk, and U.S. policy pressure continue to weigh on the tech complex. The ADX and DFM posted gains of 1.4% and 2.8% last week, supported by positive earnings from banks and steady investor flows. Sovereign entities including ADNOC and Mubadala continued expanding international exposure. India outperformed global peers. The MSCI India index advanced 4.5%, as foreign and domestic flows emerged around improving macro data and policy consistency. Consumption trends remain stable, inflation is moderating, and the RBI has maintained a supportive stance. Apple's expanding manufacturing base in India reinforced the country's strategic importance in global supply chains. Financials and large-cap defensives led the rally, and positioning remains constructive.

Within commodities, Brent oil rose over 3.2% on Thursday, closing at \$68.0, supported by supply concerns and escalating geopolitical rhetoric on Iran. Gold hit a record before reversing, finishing down 0.5% at \$3,326. U.S. 10-year yields rose to 4.32%, reflecting reduced rate cut expectations and lingering inflation risk. Treasury performance turned negative into week's end, highlighting market discomfort with policy ambiguity.

Markets this morning:

US equity futures are down this morning, mirroring losses across Treasuries and a weaker dollar after fresh political noise out of Washington rattled confidence in the Fed's independence. The dollar is at its lowest since January, following reports that President Trump is considering firing Fed Chair Powell, a headline that's injected a layer of policy risk into rate markets. Gold is pushing to a new record, while the yen's strength is hitting Japan hard: the Nikkei fell over 1% as the currency surged to a seven-month high ahead of US-Japan trade talks, pressuring exporters and banks. In China, the tone is more constructive. The CSI 300 rose for the first time in over a week, with tech and EV battery makers leading the charge. While the PBoC left lending rates unchanged, markets are leaning into expectations for stronger fiscal support amid the ongoing trade standoff.

Upcoming key events/data:

All eyes now turn to earnings, Alphabet and Tesla report this week, kicking off a heavy stretch for US megacaps. Both will be closely watched for guidance amid macro headwinds and regulatory overhangs. For now, political noise is clouding the macro picture, and markets are back in reactive mode. This week also brings a dense macro calendar. We get data on Flash PMIs from the U.S., eurozone, and Asia. IMF and World Bank meetings will include updated global growth forecasts. U.S. data includes durable goods, new home sales, and revised consumer sentiment. Trade negotiations with Korea, India, and Japan resume in Washington, with tariff policy under renewed scrutiny.

Have a good day!

Chief Investment Office
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