



بنك الإمارات دبي الوطني  
Emirates NBD

## CIO OFFICE MORNING MARKET WRAP

### 4 February 2025

Tariffs again made headlines on Monday spurring volatility across asset classes, and traders scrambled to cope with the changing newsflow about Trump’s trade negotiations. Stocks opened lower and fell as much as 2%, to then retrace most of their initial losses after the US president agreed to delay tariffs of 25% on Mexico by one month, following a conversation with his counterpart. Currencies turned around as well, with the peso going into a sharp recovery, and the US dollar almost reversing its climb. Amidst rising uncertainty sector returns leaned defensive, as consumer staples and utilities led gains, while technology trailed. After the market close news was broken that Canada’s tariffs were delayed by 30 days as well, following a troops pledge near the border by PM Trudeau. The Canadian dollar reversed its losses. Treasury yields settled higher at the shorter end of the curve, though market pricing of future Fed rates did not change much. Looking on the brighter side, Palantir Technologies jumped in extended trading, following a full-year revenue forecast that exceeded estimates, on “untamed organic growth” in demand for its AI software. As for the economy, manufacturing in the United States expanded for the first time since 2022, while in Europe the broader picture of ongoing disinflationary pressures was confirmed in the CPI release. In China, the business survey of smaller companies saw manufacturing drop and hold just above contraction territory.

**Markets this morning:**

President Trump’s delaying of tariffs on Canada and Mexico sent Asian shares rallying, reversing Monday’s risk-off sentiment, and shifting focus on a planned call between the US and China. Stocks in Hong Kong, Australia, and Japan gained alongside US futures. China would be subject to 10% tariffs if no deal is reached by 12:01 am NY time today. So far, the Asian markets have been holding up relatively well as compared to 2018, during the first trade escalation. After all, investor’s positioning nowadays is much lighter and valuations are closer to historic lows, especially in China where lots of bad news is already priced in. Market participants, while trying to find their bearings, have wavered between the perception of unmanageable change emanating from the Washington administration versus protectionism intended as a mere negotiating tool. The new reality is starting to be factored in by Fed officials, and Chicago President Goolsbee said that the Fed should proceed with caution in easing policy amidst rising uncertainty. In other markets, the US dollar slipped, oil was weaker, while gold consolidated its gains.

**Upcoming Key events/data:**

Today’s highlights in the United States will be Alphabet, Nvidia’s rival AMD, and Pepsico earnings, the durable goods and factory orders, as well Fedspeak from various officials. Job openings will also be in focus with the JOLTS report.

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