



## CIO OFFICE MORNING MARKET WRAP

12 February 2025

Tuesday was mildly negative for most asset classes. US Treasury yields rose marginally but homogeneously across the curve, adding 1 to 2 basis points on most maturities, after Fed Chair Powell reiterated his patient stance. Global stocks were flat in developed regions and down -0.3% in emerging markets. The dollar weakened -0.3% against trade-weighted counterparts, with the yen being an exception, and Indian rupee strengthening as the central bank intervened to smooth volatility. An ounce of gold traded -0.4% lower, just below \$2,900 and a barrel of Brent crude 1\$ higher at \$77.

No one was really surprised to hear Jerome Powell telling the US congress that the Fed doesn't need to rush to cut rates, a message reinforced by other Fed officials during the day. Fed funds futures are now allocating a 5% probability to a cut in March, and pricing only 35bps of cumulative easing in 2025. It's however good to remember that market expectations can move quickly, and that they have more impact on current market action than proven predicting power. The US NFIB survey showed that small businesses of America remain broadly optimistic. Meanwhile the Trump administration continues to cut government expenses: Federal agencies will only be allowed to hire one worker for every four leaving. Negotiations continue in the Middle East with Jordan agreeing to take 2,000 ill children for Gaza, in exchange for a continued aid from the US. Tension is rising again between Israel and Hamas as both parties blame the other for breaching some parts of the cease-fire agreement.

### **Markets this morning:**

The mood is overall positive in Asia as we write this morning. Stocks rally +2% in Hong-Kong, resuming its tech rally, and are slightly positive in Japan, Korea and onshore China. US Treasury yields are only marginally higher in Tokyo trading. The 2,5 and 10-year are respectively at 4.3%, 4.38% and 4.54%. The dollar is steady while the yen is weaker at 153.6. Both gold and crude oil slip -0.3%.

### **Upcoming key events/data:**

The release of the day -if not of the week- is the US CPI inflation report due at 5.30PM Dubai time. Headline inflation is expected to gain +0.3% monthly and to stay at +2.9% year-on-year. The same monthly increase is forecast for core CPI, expected to drop from 3.2% to 3.1% over the last 12 months. India will also reveal its YoY CPI where the consensus expects moderation to 4.5%. We will also have more speeches from central bank officials, including Jerome Powell again, this time with the House of Representatives.

Have a good week ahead!

Chief Investment Office  
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