



CIO Office Morning Notes

3 February 2026

Stocks climbed bolstered by unexpectedly solid manufacturing data in the United States released by the Institute of Supply Management. The S&P 500 (+0.5%) closed near all-time highs with industrials (+1.3%) and small caps (+1%) leading the way. The Dow Industrials (+1%) outperformed. Gold (-1%) dropped, though it pared an earlier plunge, while Brent crude (-6.2%) tumbled on fading geopolitical premium as Trump said Washington is talking with Iran. The jump in manufacturing activity to its highest level since 2022 was driven by new orders and production with the ISM index rising to 52.6. That followed nearly a year of contraction and languishing activity for the past three years. Strong data saw the yield on the 10-year note rise 4bps to 4.28% and the US dollar add 0.3%. Bitcoin climbed about 2% from an almost 12-month low. Traders slightly reduced bets of rate cuts with the next move now seen only in July. But even two rate cuts in the second half of the year could be enough to stoke inflationary pressures, given rising commodity prices, a strong economy, and immigration policies curbing labor supply.

Trump dominated the headlines yet again. Echoing biblical language, we can say that Trump taketh, and Trump giveth. And this time, Trump did give. The United States reached a trade deal with India that will see tariffs on Indian goods cut from 25% to 18%. Well, President Modi did give as well, agreeing to stop buying Russian oil. According to Trump India would also reduce non-tariff barriers and purchase over \$500bn of US goods. The rupee rallied and the MSCI India ETF rose as much as 2.4%. Even more importantly, Trump launched Project Vault, aiming for a national stockpile of critical minerals and rare earths meant to insulate manufacturers from supply shocks. Under specific agreements manufacturers will be able to run down their share of critical materials at pre-agreed prices, mitigating US dependence from Chinese supply chains. Institutional investors were involved, and the project was oversubscribed. Trump did give again, in the sense of making a genuine attempt at reversing the negative effects of excessive outsourcing during the globalization era. The quest for materials continues globally, as countries vie for access to resources deemed critical for national security. Global fragmentation of supply chains is in full swing, that will add to inflationary pressures at some point.

Markets this morning:

Asian stocks recovered from their worst sell off in two months as gold and silver rebounded after Monday's wild gyrations. The MSCI Asia Pacific Index erased most of Monday's losses advancing 1.8% led by tech shares. South Korea surged 5% after plummeting on Monday. US futures advanced on a stronger-than-expected sales outlook by Palantir, that jumped about 5% in extended trading. However, Chinese internet firms fell in Hong Kong on the possibility the government could levy a higher value-added tax on them. Gold jumped as much as 4.2% and silver rose 8.1%, clawing back some of Monday's losses. Indian equities should be set to ease their round of underperformance following the trade deal with the United States.

Upcoming key events/data:

Today we are light on macro releases, the only highlight being the JOLTS report providing a snapshot of US labor demand and supply dynamics. On the earnings front Pfizer, PepsiCo, and AMD are slated to report.

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