Monday 03.02.2025

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Weekly Market Review

Financial Headlines

United States

The Federal Reserve held its first Federal Open Market Committee (FOMC) meeting last week. As expected, there was no interest rate cut. This was despite recent pressure from President Trump, who told the World Economic Forum in Davos he would push for immediate rate cuts. Fed chair Jerome Powell stated in his address that the Fed does not need to rush to change its policy stance, and that the policy stance was "very well calibrated" to balance both maximum employment and price stability. Saturday February 1st saw President Trump move on his campaign promises with the introduction of 25% tariffs on imports from Canada and Mexico, and 10% tariffs on China imports.

Europe & UK

In Europe, the European Central Bank cut interest rates for the first time in 2025 and the fifth time in the past 12 months. The cut was expected by markets, and leaves the main refinancing operations at 2.90%, the Deposit facility at 2.75% and the marginal lending facility at 3.15%. The ECB press release stated that disinflation continues, and the Euro Area inflation rate is expected to slow to 2% in 2025. Markets expect a further three cuts in 2025.

In the UK, plans are being created by the Government which would see subsidies devised for electric vehicle purchases by guaranteeing consumer loans. This means that the state would underwrite private sector loans which would reduce the monthly repayments and bring EV costs in line with petrol and diesels cars. More than 80% of new cars in the UK are purchased using finance or lease deals.

Ireland

The Irish Government has lowered its shareholding in Irish bank AIB once again from 17.5% to 12.5%, with an expectation now that the State could exit the Bank completely by the end of 2025. The sale of shares resulted in a return of €652mn, with the shareholding going to institutional investors. Since the bank bail-out for €21bn in 2010, the Government has recouped €17.9bn, having gradually sold shares since 2021. Elsewhere, the CSO estimates that Ireland's population will increase to between 5.77mn and 6.40mn by 2042, with the Mid-East region of Kildare, Louth, Meath and Wicklow seeing the largest regional growth.

Asia-Pacific

A new report published last week found that Chinese commercial banks, in tandem with private entities both inside and outside the country, issued loans totalling $57bn over 21 years in 19 countries to boost mining and processing of clean energy minerals. China produces the most clean energy of any country in the world, well over double the level of the US, and this has been part due to China's control over supplies of critical minerals such as copper, cobalt and lithium, which allows the country to build solar and wind energy farms. The historic investment by China in renewable energy sources makes it difficult for countries in the West to catch up, with the International Energy Agency anticipating that China's renewable energy capacity will triple between 2024 and 2030.

Market Movers

Equity Indices	Value	Weekly Change	YTD Change
S&P 500	6,040.53	+0.73%	+2.70%
NASDAQ	19,627.44	+1.31%	+1.64%
EuroStoxx50	5,286.87	+2.46%	+7.98%
EuroStoxx600	539.53	+2.47%	+6.29%
FTSE 100	8,673.96	+2.36%	+6.13%
ISEQ	10,205.87	+0.82%	+4.60%

Interest Rate	Current Rate	Direction	Rate Change
FED	4.50%	—	0
ECB	2.75%	↓	-0.25
BOE	4.75%	—	0

Fixed Income	Yield	Weekly Change	YTD Change
US 10YR	4.542	-1.61%	-0.66%
US 2YR	4.205	-1.32%	-0.74%
German 10YR	2.4805	-3.36%	+4.11%
UK 10YR	4.5340	-0.45%	+0.95%
Irish 10YR	2.733	-2.08%	-0.70%

FX	Value	Weekly Change	YTD Change
EUR/USD	1.0362	-1.26%	+0.07%
EUR/GBP	0.8359	-0.41%	+1.05%
GBP/USD	1.2390	-0.87%	-1.01%

Asset Class Review

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Equities

In the US, equity markets suffered one of their worst days since August 2024 last Monday, after news broke of DeepSeek, the Chinese AI company which had developed a generative AI chatbot in only a few months, with a final training run costing just $5.6mn. The development potentially undermines the massive scale of investment currently being pumped into AI development in the US, with Meta recently allocating $65bn in capital spending for AI expansion. The S&P 500 fell by 1.47% while the NASDAQ plummeted 3.07%. NVIDIA and Broadcom shares suffered the most following the DeepSeek news, with both falling 17%. The sell-off was short lived however, as markets rebounded on Tuesday. The S&P 500 rose 0.9% while the NASDAQ gained 1.5%, as tech stocks led the market higher. NVIDIA gained 8.8%, halving the losses endured on Monday that saw $593bn of market cap erased. Equities fell once again on Wednesday, with the S&P 500 and NASDAQ both down 0.5%. The Federal Reserve held rates as expected, stating that growth and the labour market were strong and that policy changes would not be rushed. Markets also awaited key earnings from Meta, Microsoft and Tesla on Wednesday evening. Markets rose once again on Thursday, as the AI recovery continued after an intensely volatile week, with positive earnings from Meta and Tesla helping boost market sentiment. For the week, the S&P 500 and NASDAQ closed higher, up 0.73% and 1.31% respectively.

In Europe, markets fell last Monday amid a global sell-off following the DeepSeek announcement. However, due to the lack of tech exposure in Europe, losses were tame in comparison to the US. The Eurostoxx50 fell 0.6%, while the broad STOXX600 closed flat due to its low tech weighting. The UK's FTSE 100 closed flat, aided by gains from Astrazeneca and HSBC despite losses in the energy and mining sectors. Markets rose on Tuesday, with the Eurostoxx50 adding 0.3% while the STOXX600 rose 0.5%, hitting a new record high in the process. ASML shares fell nearly 1%, having suffered a double digit decline on Monday. In the UK, the FTSE 100 rose 0.2%, supported by the wider market rebound and a weaker pound. European stocks jumped to new highs on Wednesday, with the Eurostoxx50 hitting a 24-year high while the STOXX600 hit an all time new record high, due to strong Q4 earnings. ASML, whose shares plummeted on Monday due to the DeepSeek news, saw its share price rise 5% after fourth quarter bookings exceeded expectations. In the UK, the FTSE 100 stayed relatively flat, with Diageo shares falling after poor earnings from LVMH and Remy Cointreau, two of the world's largest cognac producers. Diageo also announced it had sold off its holding in Guinness Ghana Breweries to the Castel Group. European markets rose after the ECB cut rates by 25bps, with the Eurostoxx50 up 1% and the STOXX600 climbing 0.9%. The FTSE 100 rose over 1%, tracking the European gains after the ECB rate cut. For the week, European and UK equities closed higher despite the volatility, up between 2.36% and 2.46%.

Bonds

Global bond yields fell last week, as the Federal Reserve struck a cautious tone on the pace of interest rate cuts in 2025. Fed chair Powell stated that the Fed was currently well calibrated to achieve its mandates without giving away any meaningful hints on future cuts. Markets still expect two cuts in 2025, with one of these cuts potentially coming at the February meeting. The US 10yr yield closed at 4.54%. In the UK, the 10yr Gilt fell to 4.53%, tracking the declines in the US.

Commodities

Crude oil prices fell slightly last week, as economic policy and monetary policy weighed on prices. The cautious tone from the Fed pulled prices lower as interest rate cuts could spur economic growth, which in turn could raise oil demand. Increase in US crude oil stockpiles also pulled prices lower. Brent crude closed at $75.67, while WTI closed at $72.53. In metals, gold prices rose last week to $2797, despite the pause from the Fed as the ECB, Bank of Canada and Swedish Central Banks all cut rates.

Key Events

- 06/02/2025 - Bank of England Interest Rate Decision
- 07/02/2025 - US Non farm payrolls

We're delighted to present both our 2025 Investment Outlook and first podcast episode of 2025. We reflect on 2024 before looking ahead to 2025, revisiting the prevailing themes of the four 'i's – Inflation, Interest Rates, Income/Earnings, and Investment. Our first Making Waves podcast of 2025 similarly reviews the year just gone and discusses investment opportunities and key macro-economic data for 2025. Be sure to check out our LinkedIn posts or listen to our content on your preferred podcast platform.