

Weekly Market Update

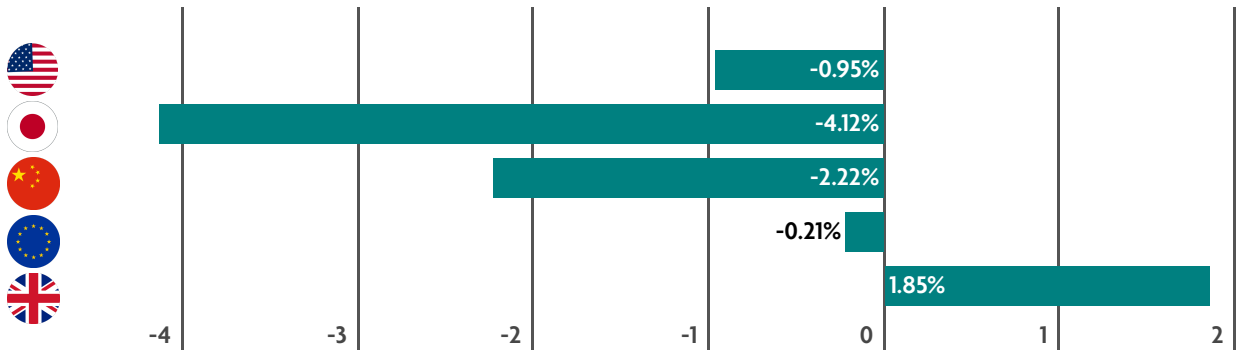


3rd March 2025

Last week's performance – major stock markets

Weakness in global markets continued last week as Donald Trump and his plans for tariffs continued to concern markets.

Market Monitor (%): How did major stock markets perform last week*?



Key stories from last week

US stocks delivered a negative return last week. The Magnificent Seven stocks declined amid ongoing regulatory uncertainty and concerns that the multiyear artificial intelligence-fuelled rally could be losing steam. Tariff fears also continued to be a drag on equities as President Donald Trump reiterated plans to impose new levies on several trade partners by March 4.

The highlight of the week's economic calendar arguably came from the Labor Department's release of its core personal consumption expenditures (PCE) price index on Friday morning. The Federal Reserve's preferred inflation gauge showed prices rising by 0.3% in January, largely in line with expectations. On a year-over-year basis, prices rose 2.6%, down from December's reading of 2.9% but still above the Fed's long-term target of 2%. The report also noted that while personal incomes rose 0.9% in January, spending contracted, a sign that consumers may be exercising caution in the face of persistent inflation and uncertainty.

Japan's stock markets retreated over the week, with the Nikkei 225 Index falling 4.1%. Domestic chip- and artificial intelligence-related stocks led the declines amid a sell-off in the U.S. technology space. Concerns also grew about how an escalation of tariffs by the U.S., including an additional 10% duty on Chinese imports, could impact the outlook for Japan's economy and the path of further monetary policy normalization by the Bank of Japan (BoJ).

BoJ Governor said that there are many uncertainties surrounding the degree to which U.S. tariffs will affect the global economic outlook. The central bank will assess the potential impacts of U.S. tariffs and other policies on the Japanese economy and use these to make a judgment on monetary policy.

Other headlines this week came from China, where most of the week's declines occurred on Friday, a day after President Trump announced an additional 10% levy on Chinese imports effective March 4, along with 25% tariffs on Canada and Mexico. The Trump administration previously imposed a 10% tariff on all Chinese products that went into effect February 4. In response, China will "counter with all necessary measures to defend its legitimate rights and interests," a Ministry of Commerce spokesperson said.

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*Source: Bloomberg. All performance measured in local currency.

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