



Weekly Market Report For 6 – 9 May 2025


Overview



- ❖ Fed kept rate at 4.25-4.5% with a hawkish stance as it needs time to evaluate the tariff impact on inflation.
- ❖ The US tariffs rate on China lowered to 30% and Chinese duties on US goods will drop to 10%.
- ❖ Global shares surged with Dow Jones +2.8%, S&P 500 +3%, NASDAQ +4%, and Hang Seng +3%.
- ❖ China exports grew 8.1% in April, PBOC announced a 0.10% cut in key rate and a 0.50% reduction in RRR.
- ❖ India and Pakistan stock markets surged 3% and 9.2% respectively on ceasefire agreement.

Market Brief



 Last week, US shares changed slightly after the Fed held its policy rate steady with hawkish remark as the central bank has been waiting for more information on inflation before making rates decision.

US-China trade deals

- o The US and China agreed to lower tariffs for the next 90 days. The US agreed to drop the 145% tax Trump imposed last month to 30%. China agreed to lower its tariff rate on US goods to 10% from 125%. The tariff reductions were larger than markets had anticipated.
- o Bloomberg expected the new tariffs would reduce US stagflation risks by half. The effective tariff rate on the US would be lowered to 10.4% from 20.3%.
- o US President Donald Trump said China had agreed to remove non-tariff barriers to US imports. Still, Trump offered a dose of caution, saying that tariffs could still go above the 30% level if the two countries failed to reach a trade deal in 90 days, but would stop short of ratcheting them back up to 145%.
- o The announcement by the US and China sent shares surging on May 12, with Dow Jones +1.100 points (+2.8%), S&P 500 +3%, Nasdaq +4%, Hong Kong's Hang Seng index +3%, and USD posted the biggest daily gain since presidential election in November 2024. On the other hand, gold prices -3% and the 10-year US treasury yield climbed to 4.47%.
- o Trump said he would keep in place his 10% base tariff on most goods coming from the UK to the US. The deal will eliminate tariffs on steel and aluminum and cut tariffs on up to 100,000 UK cars to 10% and any vehicles exported above the 100,000 quota will be tariffed at the rate of 25%. The UK has dropped tariff on the US goods to 1.8% from 5.1%.

FOMC meeting

- o The Federal Reserve decided to keep rates at 4.25% - 4.50% as expected. The Fed Chair said the central bank is in no rush to cut as Fed officials believe the tariffs deployed by the Trump administration will push up prices and lower growth, potentially raising unemployment in the process.
- o Investors have been focusing on the Fed Chair remark this week, which may deliver an economic update after US-China trade deals.

China

- o China exports grew 8.1% YoY in April, exceeding market forecasts of 2.0%. Imports dropped 0.2%, outperforming market estimates of a 5.9% decline. The trade account shows a surplus of USD96 billion.
- o Exports to ASEAN +21%, Europe +8.3%, while shipments to the US -21% dampened by Trump tariffs.
- o The PBOC cut the 7-day reserve repurchase rate by 0.10% to 1.40% and lowered the reserve requirement ratio (RRR) by 0.50%. The RRR cut is expected to release about CNY1 trillion (USD139 billion) in long-term liquidity.

Geopolitical conflicts

- o On May 12, Indian stock markets gained 3% and Pakistan stock market surged 9.2% following India-Pakistan ceasefire.
- o Ukrainian President Volodymyr Zelensky accepted Putin's surprise proposal for direct negotiations in Istanbul on May 15.

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