



# Weekly Market View

## The “Tariff man” or ‘The Art of the Deal’?

→ US President Donald Trump calls himself a “Tariff man”. He is also the author of a 1980s bestseller ‘The Art of the Deal’. For investors assessing which of the two facets of the US president will dominate his second term, his first two weeks suggest tariffs will play a more prominent role this time, likely causing market volatility.

→ Although markets are likely to restrain his more ambitious agenda, rising trade uncertainty reinforces the need to maintain a diversified foundation allocation, with a preference for US assets and gold.

→ China’s low-cost AI model DeepSeek is a wake-up call for US tech giants to make their AI investments more efficient. History shows low-cost technological breakthroughs increase the size of the pie. We see room for rotation within the technology sector, likely benefiting software and infrastructure sub-sectors.

→ While US tariffs are a near-term threat, China’s technology sector is likely to be a long-term beneficiary of wider AI adoption, reinforcing our bullish view on the Hong Kong Technology index.

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What are DeepSeek’s implications for global equities?

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Do you expect JPY to extend this year’s outperformance vs. other G10 currencies?

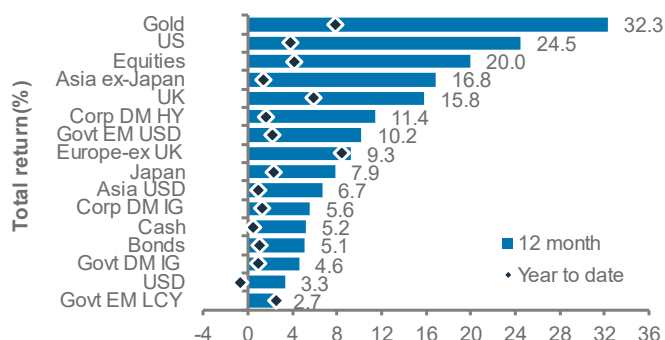
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What are the implications of India’s annual budget for domestic equities?

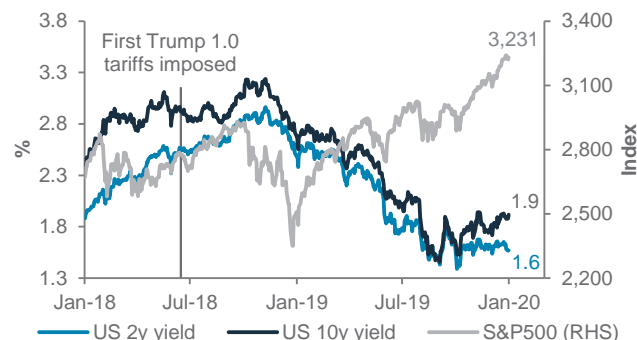
## Charts of the week: When gold shines...

### Gold's outperformance over the past year and year-to-date reflects heightened uncertainty around US policy

Performance of key asset classes, 12m and year-to-date return



US government bond yields and S&P500 index in 2018-19\*



Source: Bloomberg, Standard Chartered; \*Indicates market impact of trade war during Trump's first presidency

## Editorial

### The “Tariff man” or ‘The Art of the Deal’?

US President Trump calls himself a “Tariff man”, extolling the virtues of protectionist duties to tackle US economic and social challenges. He is also the author of a 1980s bestseller ‘The Art of the Deal’ which provides insight into the way he thinks about business dealmaking. For investors assessing which of the two facets of the US president will dominate his second term, his first two weeks suggest tariffs will play a more prominent role this time, likely increasing market turbulence this year. Although markets are likely to eventually restrain his ambitious agenda, rising uncertainty reinforces the need to maintain a diversified foundation allocation, with a preference for US assets and gold. Alternative assets such as private equity and debt and real estate, thanks to their historically low correlation with equities and bonds, should also help reduce portfolio volatility.

**‘Tariff man’ strikes:** The US president, after indicating on inauguration day he may go soft on tariffs, imposed stiffer-than-expected 25% import duties on Canada and Mexico. He then postponed the duties for a month after his counterparts pledged tighter border controls. Trump’s 10% additional tariff on imports from China stands, doubling the average tariff rate to 20%. China has retaliated with targeted tariffs and started anti-trust investigations on some US technology leaders. Meanwhile, Europe’s leaders have been warned stiff tariffs are coming.

**Vulnerable trade partners:** US trading partners are more vulnerable to US tariffs today, compared with Trump 1.0, as the size of the US trade deficit has almost doubled since the start of the pandemic, led by deficits with the EU and Mexico. Almost a third of Mexico’s GDP, a fifth of Canada’s GDP and a fifth of EU’s global exports come from exports to the US. This gives the US president more leverage to use tariffs as a powerful negotiating tool to extract concessions. **This is consistent with our Overweight stance on US assets in our portfolios.**

**US policy uncertainty spurs gold to record high.** Gold has risen 9% this year, making it the best performing major asset class. If the announced tariffs against Canada, Mexico and

China stand, the effective US tariff rate will soar to c. 10%, the highest since 1946, from 2.3% currently. Studies show tariffs boost short-term inflation but hurt medium-term growth. Using Fed models from Trump’s first term, Bloomberg Economics estimated the proposed tariffs, if passed through to consumers, could lift US core inflation by 0.7% and cut US GDP by 1.2%. However, supply disruptions (especially to auto and energy sectors), retaliation from trade partners and USD moves mean the actual impact could vary significantly. **The uncertainty is likely to keep the Fed on hold for now and gold well bid.**

**Tariffs as a revenue source:** Unlike Trump’s first term, tariff proceeds are likely to be a key component of funding proposed tax cuts. Investors are waiting for Treasury Secretary Scott Bessent, a proponent of measured tariffs, to lay out his tax plans. Elon Musk’s ability to cut government spending will also determine how much taxes can be cut without unsettling bond markets. An ambitious programme to deliver most of Trump’s tax cut promises made during the election would require tariffs to be more widely used and be longer lasting.

**Restrained by Mr. Market.** Trump’s quick reversal on Canada and Mexico tariffs after US equities sagged suggests markets are likely to remain vital constraints on Trump’s policies. Almost 40% of S&P500 companies’ revenues and 57% of technology sector revenues are sourced from abroad, leaving them exposed to trade disruptions. While this should give investors some assurance against extreme policies, it emphasises **the need to balance traditional portfolios with gold and alternative assets to moderate volatility.**

**China likely to counter with fiscal stimulus.** The additional 10% tariff on China is likely to directly reduce its GDP growth by c. 0.5%, but the indirect impact is likely to be greater. Although China has reduced its direct exposure to the US via exports in recent years, it is more reliant on global trade. It also faces deflation challenges at home. We expect Beijing to ease fiscal and monetary policy in the coming weeks to counter the impact of US tariffs. Authorities have kept the currency stable through daily FX fixing, sustaining the possibility of a trade deal.

## The weekly macro balance sheet

**Our weekly net assessment:** On balance, we see the past week's data and policy as negative for risk assets in the near-term

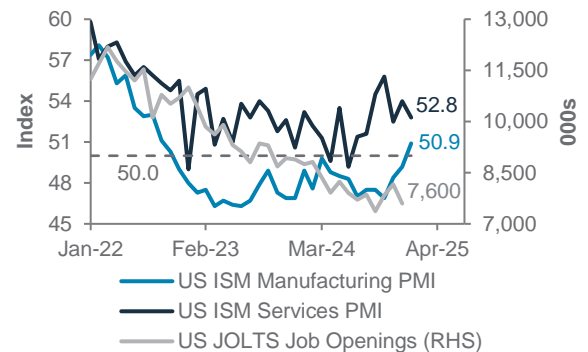
**(+) factors:** US manufacturing recovery

**(-) factors:** US, China services slowdown; US-China trade tensions; cautious Fed

	Positive for risk assets	Negative for risk assets
Macro data	<ul style="list-style-type: none"> <li>US ISM Manufacturing PMI and employment sub-index rose more than expected to 50.9 and 50.3 respectively</li> <li>US ISM Services PMI prices paid sub-index eased to 60.4</li> <li>US personal income rose as expected in December</li> <li>Euro area's producer price inflation was stable at 0.0% y/y, above expectations</li> <li>Euro area's retail sales rose as expected in December</li> </ul>	<ul style="list-style-type: none"> <li>US ISM Service PMI fell unexpectedly to 52.8</li> <li>US job openings fell below expectations</li> <li>US factory orders missed estimates at -0.9% m/m</li> <li>China's Caixin manufacturing and services PMIs dropped unexpectedly to 50.1 and 51.0 respectively</li> <li>Euro area's headline and core inflation rose more than expected</li> </ul>
	<b>Our assessment: Neutral</b> – US manufacturing recovery vs. US services, job market slowdown, rising Euro area inflation	
Policy developments	<ul style="list-style-type: none"> <li>The BoE cut its policy rate by 25bps</li> </ul>	<ul style="list-style-type: none"> <li>Fed's Goolsbee and Collins expressed caution against rate cuts, given the uncertainty on tariffs</li> </ul>
	<b>Our assessment: Negative</b> – Cautious Fed officials	
Other developments	<ul style="list-style-type: none"> <li>Trump paused tariffs on Mexico and Canada for 30 days</li> </ul>	<ul style="list-style-type: none"> <li>Trump imposed 10% additional tariffs on China; China imposed tariffs on select US exports, restricted critical mineral exports and revived antitrust investigations into US Tech companies</li> <li>US President Trump said 'in no hurry' to speak with China President Xi on the latest tariff war</li> <li>Trump proposed US could take over Gaza</li> </ul>
	<b>Our assessment: Negative</b> – Rising US-China trade tensions	

### US manufacturing recovered in January, but services slowed; job openings remain on downtrend, suggesting a cooling job market

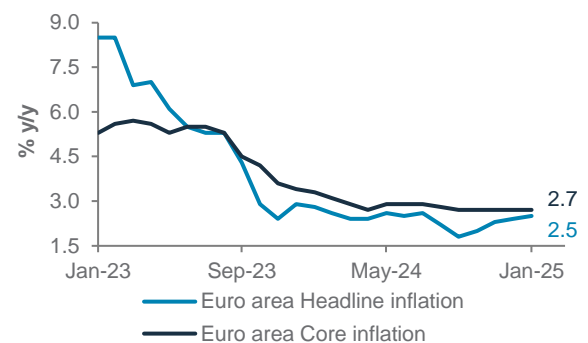
US ISM manufacturing and services PMIs; JOLTS job openings



Source: Bloomberg, Standard Chartered

### Euro area inflation remains sticky, although weaker growth and trade uncertainty is likely to allow the ECB to keep cutting rates

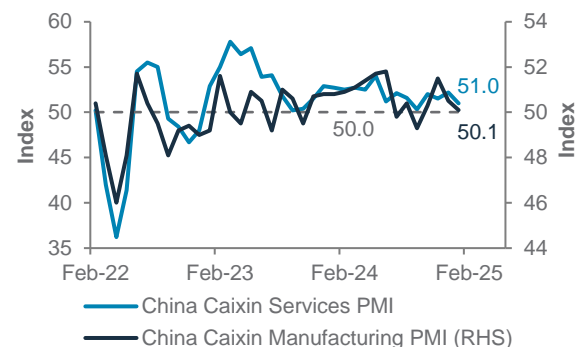
Euro area headline and core inflation



Source: Bloomberg, Standard Chartered

### China faces increasing urgency to ease policy further as domestic economy remains lacklustre, while exports face rising US protectionism

China's Caixin manufacturing and services PMIs



Source: Bloomberg, Standard Chartered

## Top client questions

### Q What are DeepSeek's implications for global equities?

The emergence of DeepSeek, a cheap-cost alternative to OpenAI, has profound implications to global technology investing. It will lead to companies emphasising upon **the efficiency of AI-investments**, i.e. demanding more “bang-for-the-buck” for their AI-investments. Hyperscalers, i.e. large cloud service providers, are likely to remain aggressive with AI spend, though the mix may change. They will likely require more efficient chips and greater compute, as they **accelerate AI adoption and the development of “higher-end” areas**, e.g. agentic and physical AI.

We believe this is going to **increase the “size of the pie” in the AI-industry, which is positive for the long-term**, and hence, our stance to buy on dips in the broader US technology and communication services sectors. However, in the near-term, there is likely to be volatility ahead still in specific industries or stocks. Thus, **within the technology sector, investors should use the “scaling-in” approach, to areas such as semiconductors and related equipment**, where we expect valuation multiples to compress.

We also expect rotation within the technology sector. **Software companies** will likely benefit more, due to the Trump effect, e.g. no tariff headwinds, increased M&A, and AI monetisation. Large software-as-a-service providers with access to customer data will benefit from the emergence of low-cost solutions such as DeepSeek.

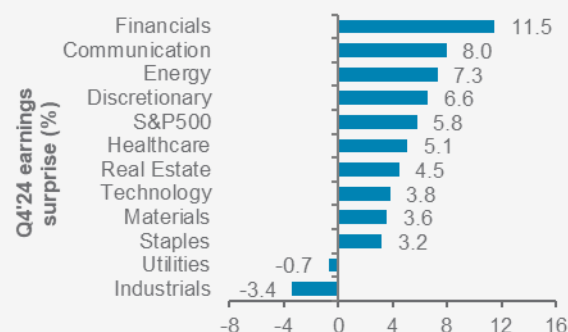
We remain overweight US equities. 5,800 is a key support for the S&P 500, followed by 5,650. Of the 58% of US companies that have reported Q4'24 results, 76% beat earnings expectations, above the “average beat” of 67%. Q4'24 earnings growth forecast has gone up to 12.7% y/y from 9.6% in the beginning of 2025. 9 out of 11 sectors delivered positive earnings surprises, led by Financials and Communications. The guidance from mega-cap growth companies has been mixed, citing headwinds from the USD and capacity additions from cloud growth, but we believe demand outlook remains healthy.

From a global perspective, **Chinese technology companies linked to the development of AI will likely benefit**. We have seen a slight rotation into Chinese equities since the end of Jan-25. While the trade war is a key macro risk, DeepSeek is a positive surprise for Chinese equities, narrowing the discount of Chinese equities vs. global ones. We expect this to **push up the floor of the Hang Seng Index to the 20,000 level**. In summary, we recommend a core allocation into China within our Neutral stance in Asia ex-Japan equities, advocating a “barbell approach” of positioning into high-dividend non-financial state-owned enterprises and the Hang Seng Technology Index.

— Daniel Lam, Head, Equity Strategy

### US financial and communication services sectors have led earnings surprises in the Q4 2024 reporting season

Earnings surprises of S&P 500 sectors in Q4'24



Source: LSEG I/B/E/S, Standard Chartered

### The Hang Seng Index's likely technical support level has risen to the 20,000 level

Hang Seng Index



Source: Bloomberg, Standard Chartered



## Top client questions (cont'd)

### Q What are the implications of India's annual budget for Indian equities?

India's annual budget for 2025 attempts to boost growth while staying on the path of fiscal consolidation. A sizeable income tax cut (~0.3% of GDP) for individuals with annual incomes below INR 1.2 mn was a positive surprise. Other key announcements included 1) measures to boost employment and income through increased outlays for key employment sectors – agriculture, tourism, exports, and enhanced credit support for small-and-medium businesses and individuals; 2) increased deregulation to facilitate doing business, including tax rationalisation, rationalisation of duties and export tariffs, and incentivisation for energy distribution and transmission reforms; and 3) fiscal deficit set at 3.5% of GDP and central government debt-to-GDP ratio at 50% by FY 2031.

In our view, the budget sets a floor for GDP growth amid a cyclical slowdown. Improved discretionary spending power of consumers could drive a pick-up in private consumption. The focus on public-private-partnership (PPP) could boost private capex.

We find the budget supportive of our preference for Indian equities over a 12-month horizon. The market's valuation has eased, with the Nifty index 12-month forward P/E falling to 19x from September 2024 peak of 21x. Additionally, India is less prone to the intensifying tariff war. While volatility may remain elevated in the near-term, we would adopt a buy-on-dip strategy to add the asset class.

— **Ravi Singh**, *Chief Investment Strategist*

### Q Do you expect JPY to extend this year's outperformance against other G10 currencies?

JPY has been the strongest currency among G7 since the start of the year. USD/JPY has fallen 3.2% year-to-date. Notably, Japan's inflation-adjusted real wages rose 0.6% year-on-year in December, driven by winter bonuses. Markets continue to price BoJ rate hikes, with 30 bps expected by year-end. Meanwhile BoJ board member Naoki Tamura suggested rates should rise to around 1% by the fiscal year ending March 2026. We consider the pair likely to test support at 149.2 and the yen to appreciate on the back of further hawkish comments amid potential tariff-related developments. We prefer to express this against commodity currencies.

Australia's underlying inflation fell from 3.6% to 3.2% y/y in the December quarter and retail sales softened m/m. The market is pricing in 90 bps of RBA rate cuts by year-end. With expectations of a dovish RBA tilt next week, we have a bearish stance on AUD/JPY. A firm break below 93.59 is likely to edge towards 90.15.

— **Iris Yuen**, *Investment Strategist*

### Indian budget stuck to its fiscal consolidation path while providing a growth boost

Key numbers from the Budget

	FY26 BE	FY25 RE
Fiscal deficit as % of GDP	4.4%	4.8%
Gross Borrowing (INR tn)	14.8	14.1
Disinvestment (INR tn)	0.47	0.33
Gross tax revenue growth	10.8%	10.7%
RBI Dividend (INR tn)	2.1	2.1
Capital Expenditure (INR tn)	11.2	10.2
<b>Special Outlays (INR)</b>		
Urbanization Fund (INR tn)	0.10	
Maritime Development Fund (INR tn)	0.25	
States infra development (INR tn)	1.50	

Source: Bloomberg, Standard Chartered.

BE = Budget estimates; RE = Revised estimates; FY26 is the fiscal year ending 31 Mar 2026

### We expect further AUD/JPY downside

AUD/JPY and technicals



Source: Bloomberg, Standard Chartered

## Top client questions (cont'd)

### Q What's the outlook for GBP/USD after the BOE policy meeting?

The BoE cut its policy rate by 25bps as the market widely expected, marking the lowest level since June 2023. However, two officials backed a 50bps cut, fuelling market expectations of further easing, which is supported on the UK fundamental front: unemployment climbed, core inflation fell from 3.5% to 3.2% in December, and consumer confidence fell more than expected in January.

However, the retreat of UK gilts since mid-January and the tax rise are likely to alleviate the UK government debt stress. We expect to see some fiscal stability, which will support the GBP in the coming months. Additionally, GBP is less sensitive to tariff, along with neutral technical signals. Hence, GBP/USD is likely to be rangebound between 1.2100-1.2810 in the next 3 months.

— Iris Yuen, Investment Strategist

### GBP/USD is likely to be rangebound

GBP/USD with technicals



Source: Bloomberg, Standard Chartered

### Q What are the implications of the US Treasury Department's quarterly refunding announcement? What is your expectation for the term premium?

The US Treasury, as anticipated, maintained a stable refunding plan in its February 5 announcement. However, uncertainty remains regarding how the expected tax cuts under the Trump administration will be funded. Generally, the market expects the US Treasury to have enough leeway until the third quarter of 2025 to utilize accounting measures and draw on its cash balance to avoid a debt-ceiling breach, thereby keeping volatility in check.

The US 10-year yield has retreated from a high of 4.8% in mid-January to below 4.5% following the lower-than-expected CPI print and weaker January ISM Services Index. Yield volatility remained contained earlier this week amid the ongoing tariff disputes. Similarly, the US Treasury 2-year to 10-year spread has flattened from 42bps to the current 23bps.

We expect the 10-year yield to be in the range of 4% to 4.25% in 6-12 months and anticipate three cuts to the Fed funds rate in 2025. This implies that the term premium, the extra interest rates an investor would demand to lend their money out for a longer time, will remain relatively stable while the yield curve shifts lower. We reiterate our recommendation for investors to lock in current yields given our view that interest rates will move lower from the current higher levels.

— Ray Heung, Senior Investment Strategist

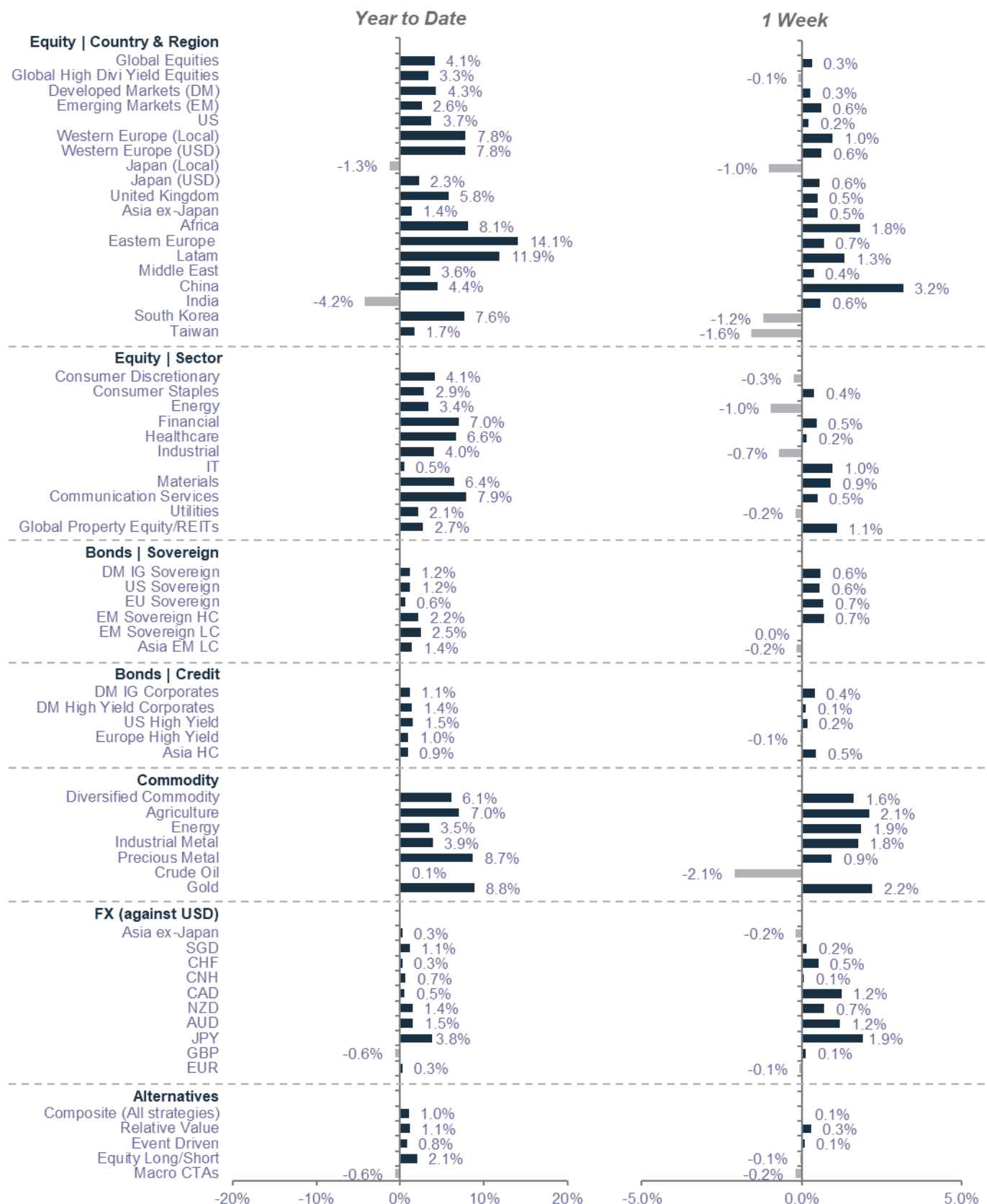
### US 10-year government bond yield has fallen below 4.5% amid growth concerns as trade uncertainty rise

US 2-year and 10-year government bond yields



Source: Bloomberg, Standard Chartered

## Market performance summary\*



Sources: MSCI, JP Morgan, Barclays Capital, Citigroup, Dow Jones, HFRX, FTSE, Bloomberg, Standard Chartered

\*Performance in USD terms unless otherwise stated, 2025 YTD performance from 31 December 2024 to 6 February 2025; 1-week period: 30 January 2025 to 6 February 2025

## Our 12-month asset class views at a glance

Asset class	
<b>Equities</b>	▲
US	▲
Europe ex-UK	▼
UK	◆
Asia ex-Japan	◆
Japan	◆
Other EM	◆
<b>Bonds (Credit)</b>	◆
Asia USD	◆
Corp DM HY	▲
Govt EM USD	◆
Corp DM IG	◆
<b>Bonds (Govt)</b>	◆
Govt EM Local	▼
Govt DM IG	◆
<b>Preferred Sectors</b>	
US Technology	▲
US Communication	▲
US Financials	▲
Europe Communication	▲
Europe Technology	▲
Europe Healthcare	▲
Europe Financials	▲
China Technology	▲
China Communication	▲
China Discretionary	▲
India Industrials	▲
India Financials	▲
India Technology	▲
<b>Alternatives</b>	◆
<b>Gold</b>	▲

Source: Standard Chartered Global Investment Committee

Legend: ▲ Most preferred | ▼ Less preferred | ◆ Core holding

## The S&P500 has next interim resistance at 6,217

Technical indicators for key markets as of 6 February close

Index	Spot	1st support	1st resis- tance	12m forward P/E (x)	*12m forward dividend yield (%)
S&P500	6,084	5,862	6,217	22.3	1.4
STOXX 50	5,357	5,061	5,508	14.8	3.2
FTSE 100	8,727	8,355	8,933	12.1	3.9
Topix	2,752	2,669	2,816	14.6	2.6
Shanghai Comp	3,271	3,183	3,316	11.9	3.2
Hang Seng	20,892	19,412	21,632	9.4	3.7
Nifty 50	23,603	22,991	24,011	19.2	1.6
MSCI Asia ex-Japan	713	687	726	12.7	2.6
MSCI EM	1,102	1,059	1,124	12.0	3.0
WTI (Spot)	70.6	67.1	77.4	na	na
Gold	2,856	2,699	2,948	na	na
UST 10Y Yield	4.43	4.29	4.69	na	na

Source: Bloomberg, Standard Chartered; \*as at close of 6-Feb-25

Note: These short-term technical levels are based on models and may differ from a more qualitative analysis provided in other pages

## Economic and market calendar

	Market	Event	Period	Expected	Prior
MON	EUR	Sentix Investor Confidence	Feb	–	-17.7
TUE	USD	NFIB Small Business Optimism	Jan	104	105.1
WED	USD	CPI y/y	Jan	2.9%	2.9%
	USD	CPI Ex Food & Energy y/y	Jan	3.1%	3.2%
THU	JPY	PPI y/y	Jan	–	3.8%
	GBP	Industrial Production y/y	Dec	–	-1.8%
	GBP	GDP q/q	4Q P	–	0.0%
	GBP	GDP y/y	4Q P	–	0.9%
	USD	PPI Final Demand y/y	Jan	–	3.3%
	USD	PPI Ex Food & Energy y/y	Jan	–	3.5%
	USD	Initial Jobless Claims	8-Feb	–	–
	USD	Continuing Claims	1-Feb	–	–
FRI/SAT	EUR	GDP SA y/y	4Q P	–	0.9%
	EUR	GDP SA q/q	4Q P	–	0.0%
	USD	Retail Sales Control Group	Jan	–	0.7%
	USD	Industrial Production m/m	Jan	0.3%	0.9%
	USD	Capacity Utilization	Jan	77.7%	77.6%

Source: Bloomberg, Standard Chartered

Prior data are for the preceding period unless otherwise indicated. Data are % change on previous period unless otherwise indicated

P - preliminary data, F - final data, sa - seasonally adjusted, y/y - year-on-year, m/m - month-on-month

## Investor diversity has normalised across asset classes

Our proprietary market diversity indicators as of 6 Feb close

Level 1	Diversity	1-month trend	Fractal dimension
Global Bonds	●	↑	1.86
Global Equities	●	↓	1.74
Gold	●	↓	1.49
<b>Equity</b>			
MSCI US	●	↑	1.67
MSCI Europe	●	↑	1.58
MSCI AC AXJ	●	→	1.53
<b>Fixed Income</b>			
DM Corp Bond	●	↑	1.96
DM High Yield	●	↓	1.61
EM USD	●	→	1.60
EM Local	●	↑	1.80
Asia USD	●	↑	1.74
<b>Currencies</b>			
EUR/USD	●	↑	1.41

Source: Bloomberg, Standard Chartered; **Fractal dimensions below 1.25 indicate extremely low market diversity/high risk of a reversal**

Legend: ● High | ● Low to mid | ○ Critically low



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# INVESTIPS

FROM THE CIO'S DESK

PRESENTED BY



**Steve Brice**  
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