

MARKET UPDATE

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Asia stocks mixed, Chinese shares surge.

Asian stocks were mixed on Tuesday, with Chinese stocks jumping on reports of a gradual U.S. tariff increase under Donald Trump, while sharp declines in Japanese shares pressured other regional equities.

Asian shares had fallen sharply in the previous session as investors reassessed the likelihood of U.S. interest rate cuts following stronger-than-expected payroll data released last week.

U.S. stock index futures were higher in Asian trade on Tuesday. Market participants now await a key inflation reading due later this week to assess the Federal Reserve's interest rate outlook, after it took a hawkish stance in its last meeting.

Chinese shares surge on gradual U.S. tariff increase news

China's Shanghai Shenzhen CSI 300 index jumped 2%, and Shanghai Composite index climbed 1.8%, while Hong Kong's Hang Seng index rose 1.5%.

Members of President-elect Donald Trump's incoming economic team are considering a plan to gradually increase tariffs each month, Bloomberg News reported on Tuesday.

Gold prices edge higher.

Gold prices rose slightly in Asian trade on Tuesday, steadying from overnight losses as traders speculated over just how severe President-elect Donald Trump's planned trade tariffs will be.

Markets were also awaiting more cues on U.S. interest rates from key inflation data due this week, with the dollar remaining near two-year highs in anticipation of the print. This trend pressured gold and other precious metals.

Spot gold rose 0.2% to \$2,669.41 an ounce, while gold futures expiring in February rose 0.2% to \$2,684.85 an ounce by 23:17 ET (04:17 GMT).

The yellow metal saw some safe haven demand this week, although this was largely offset by continued resilience in the dollar.

Trump trade tariffs could be gradual, report says

Trump's team is preparing a plan for a gradual imposition of trade tariffs in the coming months, Bloomberg reported on Monday, although it was unclear whether the President-elect will follow through on the plan.



Dollar near 2-year high.

The dollar hovered near its highest level in more than two years on Tuesday as traders scale back wagers on U.S. rate cuts in 2025 after strong economic data, while investor worries about Britain's fiscal health kept frail sterling in the spotlight.

With President-elect Donald Trump set to step back into the White House next week, the focus has been on his policies that analysts expect will boost growth but add to price pressures.

The threat of tariffs along with the Federal Reserve's stated measured approach to rate cuts this year have lifted Treasury yields and the dollar, putting the euro, pound, yen and yuan under pressure.

Prashant Newnaha, a senior Asia-Pacific rates strategist at TD Securities, said the market's focus now appears to be shifting towards the possibility that U.S. tariffs may be raised gradually.

"The decline in the USD overnight to these headlines suggests that tariff fears have been baked in," said Newnaha, referring to a Bloomberg report that suggested the Trump administration could take a gradual approach to tariffs.

The euro was steady at \$1.02545 but hovered near the more than two-year low of \$1.0177 it touched on Monday. The single currency has struggled at the start of the year after dropping more than 6% in 2024 as investors fret about the weak economic growth in the region and tariff threats.

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