WEEKLY BULLETIN May 2025: Issue #2

Quote of the Week.

"The windshield is bigger than the rearview mirror, because where we are going is more important than where we have been"

As we enter the second half of Q2, investors are caught between the rearview warning of a US credit downgrade and the forward-looking optimism of a Big Tech-fuelled rally. Markets rallied sharply last week, led by the "Magnificent Seven" stocks, with the S&P 500 and Nasdaq 100 posting their second-best weekly gains this year. Yet beneath the surface, fractures are forming.

Moody's downgrade of US sovereign credit — dismissed as a "lagging indicator" by Treasury Secretary Scott Bessent — has nonetheless shaken confidence in the safe-haven status of Treasuries, sending yields higher and the dollar lower. At the same time, gold surged as investors hedged against fiscal erosion and geopolitical uncertainty. Meanwhile, signs of de-escalation in the US-China tariff standoff boosted risk appetite, but not without consequence. China's bold negotiation posture is inspiring other US trade partners like South Korea to toughen their stance. The playbook is changing.

Amid this backdrop, central banks like Australia's are eyeing fresh rate cuts, while hedge funds quietly rotate back into defensive trades — betting on the yen and trimming tech exposure. With US retail earnings on deck and technical charts flashing overbought signals, the week ahead promises less clarity and more recalibration.

Asia-Pacific markets experienced mixed movements as investors weighed the implications of the US-China tariff truce and regional economic indicators:

- **Hong Kong**: The Hang Seng Index surged over 3% following the announcement of a 90-day partial suspension of tariffs between China and the US, signalling improved investor sentiment.
- **India**: The Nifty 50 index climbed 4.2% last week, bolstered by robust foreign institutional investor inflows totalling ₹159.25 billion ($1.9 billion). Analysts project potential advancement towards the 25,200–25,800 range, contingent upon maintaining support above 24,800.
- **Japan**: The Nikkei 225 faced a decline of 0.98%, reflecting investor caution amid ongoing US-China trade discussions.
- **Australia**: The S&P/ASX 200 outperformed regional peers, rising 0.22%, as investors anticipated potential rate cuts from the central bank in response to easing price pressures.
- **China**: Mainland indices showed modest gains, with the Shanghai Composite and Shenzhen Component Indexes inching higher amid cautious optimism over trade developments.

Last Week 's Notable Events.

US Economy/Politics

- US CPI +2.3% vs exp 2.4% y/y; Core CPI 2.8% vs exp 2.8% - 15th May
- US Retail Sales ex Auto & Gas +0.2% vs exp +0.3%, last +1.1% -15th May
- US UoM Sentiment 50.8 vs exp 53.4 – 16th May
- Trump announces $200 billion in deals during UAE visit, AI agreement signed – 16th May
- Trump says US to set tariff rates for other nations in weeks – 17th May

Europe Economy/Politics

- EU won't accept UK-styled tariff deal with Trump, minister says – 16th May
- UK on verge of deal with EU to let Britons use European passport e-gates – 18th May

Asia Pacific Economy/Equity

- India disputes Trump claim it will charge 'no tariffs' – 15th May
- US tells Vietnam trade deficit 'unsustainable' and major concern during tariff talks – 16th May
- Singapore and US to discuss preferential or 'zero tariffs' on pharmaceutical exports, says DPM Gan – 17th May
- China is top buyer for Canadian crude on Trans Mountain pipeline – 17th May
- Nvidia reportedly plans to establish research centre in Shanghai – 17th May

Weekly Data Monitor

Weekly chart:

- US stocks rally.
- Asia Real Estate lags behind.
- Gold eases-off as Trump scores new trade deals in Middle East.

Note: The chart shows normalised weekly highs and lows for the Indicator, BLUE being the LATEST.

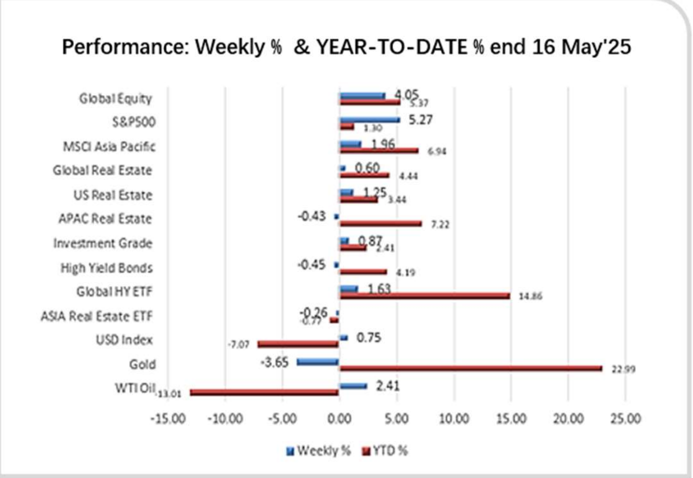
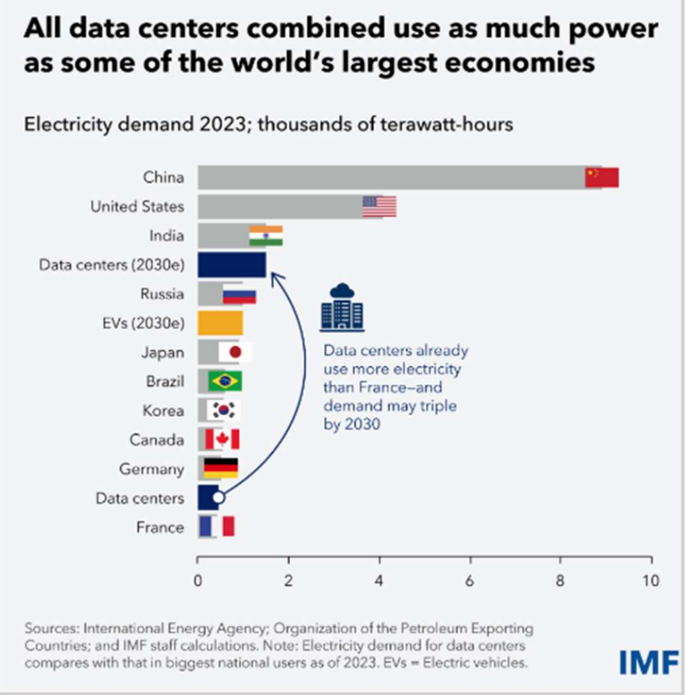


Chart of the Week

As AI adoption accelerates globally—especially following a wave of strategic partnerships between the U.S. and Middle Eastern nations—the demand for data infrastructure is poised to explode. The IMF chart highlights a staggering projection: by 2030, data centers alone could consume more electricity than entire economies like Russia or Japan, tripling from current levels. Already, their power usage exceeds that of France.

This surge is not isolated. With electric vehicles (EVs) and AI model training adding massive pressure to national grids, the race to AI dominance will be constrained not just by compute power, but by electricity supply. This creates a multi-year tailwind for the energy sector, particularly in markets leading the AI charge—the United States and China.



Investment Themes to Watch:

US energy infrastructure providers (e.g., grid modernization, natural gas, nuclear, and renewables).

Chinese power producers with state backing to support AI and EV growth.

Data center REITs and utilities poised to benefit from long-term power purchase agreements.

Energy technology firms (e.g., smart grid, energy storage, efficient cooling systems).

In this AI-driven arms race, energy security becomes the new tech moat. Investors may consider overweighting selective U.S. and Chinese energy assets that stand to benefit from this structural demand boom.