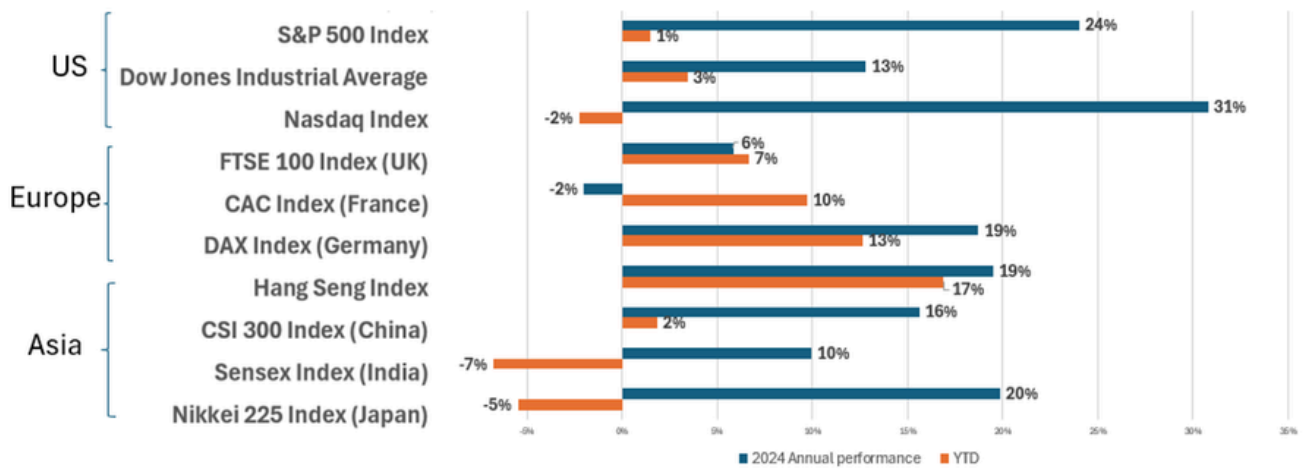


KEY FINANCIAL NEWS FOR FEBRUARY 2025



1. Global Index Performance from 2024 and Year-to-Date



** YTD (As of 28th Feb 2025)

2. Challenges and Opportunities Facing the United States ---

a. Stock Market Overview

The financial reports for 2024 showcased strong performance in the U.S. banking sector, the industry average revenue surpassing expectations. However, the market anticipates challenges ahead in 2025 due to a potential decline in net interest income. As of the end of February 2025, the year-to-date (YTD) return of the S&P 500 index was nearly 2%, compared to around 24% in 2024. The Dow Jones Industrial Average increased by more than 3% year-to-date, while the Nasdaq Composite Index experienced a decline of over 2%.more than 2%.

b. Challenges

i. Labor Supply Shortage: The core issue affecting economic growth is production capacity, and a labor shortage will limit economic expansion. A decrease in immigration is a major factor impacting labor supply, especially in labor-intensive industries such as construction, agriculture, and hospitality.

ii. Inflation and Federal Reserve Policy: Controlling inflation remains the core mission of the Federal Reserve, but inflation did not return to the 2% target in 2024, and the likelihood of achieving this target in 2025 is low. New tariff policies have also added complexity to inflation.

iii. Other Risks:

- International conflicts (such as uncertainties in the Middle East) and changes in the domestic labor market (such as policies for mass deportation of immigrants) could significantly impact economic performance.
- President Trump may restore deregulation policies, which could help reduce regulatory burdens and increase profitability and dividend payouts, but it may also increase risks in the financial system.

c. Opportunities

i. Technological Innovation: Further developments in technologies such as artificial intelligence are expected to improve productivity, providing new momentum for economic expansion in the face of limited labor growth.

ii. Infrastructure Investment and M&A Activity: The government may increase infrastructure investment to boost economic growth. Additionally, merger and acquisition activities in the banking sector are expected to rise, benefiting related banks.

iii. Flexible Monetary Policy: It is predicted that there may be 1-2 small interest rate cuts in 2025 to balance economic growth and inflation control goals, which would be favorable for both businesses and consumers.

3. Challenges and Opportunities Facing Europe ---

a. Performance of European Stock Markets

i. As of February 2025, stock indices in the UK, France, and Germany have increased year-to-date (YTD) by approximately 7%, 10%, and 13%, respectively, with the German market also reaching a historic high.

ii. Rising Demand for Defense Stocks: European leaders held a summit in Paris to discuss the situation in Ukraine and security issues, which stimulated demand for defense-related stocks. Analysts noted that the valuations of European defense stocks remain attractive.

b. Challenges

i. Insufficient Demand: Former European Central Bank President pointed out that eurozone governments have been slow to act in stimulating demand, and fiscal policies lack strength. The issues facing the European economy are not limited to the supply side; long-term insufficient demand is also a significant reason for sluggish economic growth.

ii. Rising Bond Yields: With expectations of increased military spending, the yield on Germany's 10-year bonds rose to 2.49%, while the yield on UK bonds of the same duration rose to 4.624%. Reports indicate that regardless of meeting outcomes, Europe clearly needs to increase its defense budget to support Ukraine, which puts upward pressure on European bond yields.

iii. Impact of Trade Barriers: Internal trade barriers within the EU refer to restrictive measures between EU member states that hinder the free flow of goods and services. This makes imported goods more attractive, weakening the market's expansion capacity.

iv. Increased Uncertainty from US-Russia Talks: The US government hopes to negotiate an end to the Ukraine conflict with Russia, which could marginalize the overall interests or economy of Europe.

*****Trade barrier measures include differences in regulations, standards, certifications, and administrative procedures among EU member states, as well as differences in market access restrictions.***

c. Opportunities

i. Internal Economic Reforms: Reducing trade barriers, unifying regulatory standards, and enhancing market freedom.

ii. Fiscal Policy Coordination: Increasing fiscal stimulus efforts and reducing disparities among member states in deficit management.

iii. Technological Innovation Breakthroughs: Increasing investment in key technology areas to enhance global competitiveness.

iv. Monetary Policy Adjustments: The European Central Bank needs to find a balance between inflation and economic growth, adopting a flexible monetary policy to stabilize market expectations.

v. Ceasefire in Ukraine: Stabilizing the energy market, reducing inflationary pressures, revitalizing trade, and increasing government support for economic recovery across EU countries.

4. Challenges and Opportunities Facing Japan

a. Stock Market Overview

Japan's Nikkei 225 index faces challenges, having fallen over 5% year-to-date (YTD) after achieving nearly 20% returns in 2024. This decline reflects broader market volatility and concerns about economic growth, especially in the context of rising interest rates. However, the fundamentals remain strong, with expectations for continued profit growth and a stable macroeconomic environment.

b. Challenges

- i. External risks such as a slowing global economy and trade restrictions may negatively impact Japan's export-dependent economy.
- ii. Japan faces challenges from an aging population and high public debt, which could limit economic growth.

c. Opportunities

In the Japanese stock market, improvements in corporate governance create opportunities for investors. Additionally, the booming tourism sector and strong real estate fundamentals, particularly in the office space, provide additional growth avenues.

5. Challenges and Opportunities Facing India

a. Overview of the Indian Stock Market

Sensex has fallen nearly 7% year-to-date, down over 10,000 points from the historic high of 85,978 points set in September 2024.

b. Challenges

- i. Global Economic Factors:** Weak global signals and geopolitical tensions have affected investor sentiment, leading to sell-offs in the Indian market.
- ii. Interest Rate Expectations:** An increase in short positions by foreign investors indicates cautious sentiment ahead of key economic decisions, such as those from the Reserve Bank of India (RBI) monetary policy committee meetings.

iii. DeepSeek Emergence: Bloomberg reported that during the Lunar New Year, breakthroughs by DeepSeek in the field of artificial intelligence attracted significant investor attention, leading to capital flowing from India to China.

iv. US-India Tariff Issues: Trump criticized India for imposing high tariffs, emphasizing that the principle of reciprocal tariffs raises market concerns about tariffs shifting towards India.

c. Opportunities

i. Cautious Strategies: Given the current market volatility and potential for further declines, analysts recommend that investors adopt cautious strategies, focusing on sectors with strong fundamentals and growth potential, such as healthcare and technology.

ii. Opportunities in Small-Cap Stocks: Despite the overall market decline, some small-cap stocks have shown significant growth, indicating potential opportunities for investors willing to take calculated risks.

iii. Key Policy Support from the Indian Government: The announcement of a tax cut of 1 trillion Indian rupees (approximately \$11.5 billion) for the middle class is expected to boost domestic consumption, benefiting sectors like fast-moving consumer goods, retail, automotive, apparel, tourism, and e-commerce. The Indian economy and stock market are anticipated to gradually recover.

iv. US-India Trade Negotiations: India has resumed purchasing billions of dollars in US defense products (including F-35s), increased imports of US natural gas, and made concessions to triple or quadruple the US-India trade volume to \$500 billion by 2030, significantly reducing the risk of additional tariffs on India.

Need more information or personalized advice?

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