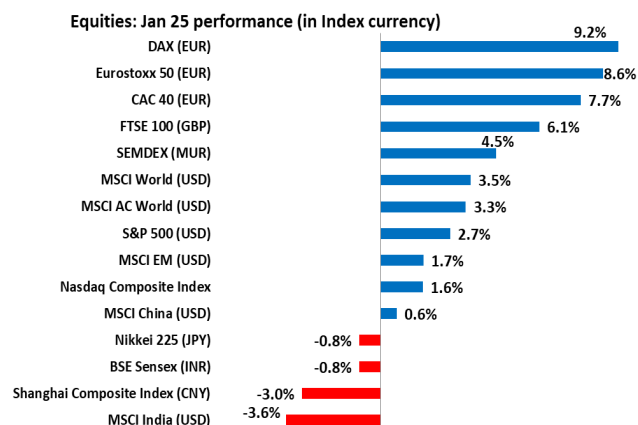


## MARKET SUMMARY



- The first month of the year 2025 was highly volatile.
- A Chinese company, DeepSeek, released an open sourced LLM which allegedly cost significantly cheaper. This raised questions about the future of America's AI dominance and the scale of investments that US firms are planning. The market got nervous regarding the growth prospect of semiconductor companies going forward, leading to a selloff in this sector. However, it was later found that the \$5.6m costs excluded many other components.

**Foreign**

- As per the World Bank, global growth is expected to hold steady at 2.7% in 2025-26.
- In the US, one of the first major moves of President Trump, after his inauguration, relates to tariffs of 25% on imports from Mexico and Canada. The implementation was subsequently delayed for 30 days to the beginning of March 2025. Tariffs and trade war fears led to sell-offs in markets over the last days of the month. On the economic side, the annual inflation rate rose for a third consecutive month to 2.9% in December, and the economy expanded at an annual rate of 2.3% in Q4, down from 3.1% in Q3. The US Fed kept the fed funds rate steady at the 4.25%-4.5% range during its January meeting.
- In Europe, the annual inflation rate accelerated for a third month to 2.4% in December, the highest rate since July. The Eurozone economy unexpectedly stalled in Q4 2024, marking its weakest performance of the year, following a 0.4% growth in Q3. The ECB lowered its key interest rates by 25 bps in January, as expected.

- In the UK, the annual inflation rate fell to 2.5% in December, from 2.6% in the prior month. The Unemployment rate rose to 4.4% from September to November. This marks the highest level since the three months ended May 2024. Q3 GDP growth was revised down from 0.1% increase to zero. Q1 and Q2 GDP growth rates were 0.7% and 0.4% respectively.
- In Japan, Manufacturing PMI rose over the month to the highest level since September. The Unemployment rate stood at 2.5% in November, at the same level for the second consecutive month. Japan's GDP expanded by 0.3% q-o-q in Q3 2024. The core consumer prices rose by 3.0% in December y-o-y to mark the fastest annual pace in 16 months. The BoJ raised its key interest rate to 0.5%, citing stronger wages and inflation.
- The Chinese economy expanded by 5.4% y-o-y in Q4 2024, accelerating from 4.6% in Q3 and surpassing market estimates of 5.0%. It was the strongest annual growth rate in 1.5 years, boosted by a series of stimulus measures introduced since September. The Jobless rate rose to 5.1%. The PBoC kept its key lending rates steady for the third straight month in January, matching market forecasts amid a further weakening of the yuan.
- Brent and WTI prices rose (+2.8% and +1.1% respectively over the month).
- Gold prices hit record highs mainly due to President Trump's tariff threats (+ 7.0% over the month).

**Local**

- Moody's changed its outlook for Mauritius from "Stable" to "Negative," following revised figures in the government's "State of the Economy" report. The agency will assess the fiscal consolidation plan of the government over the next 12-18 months.
- Y-o-y inflation was 1.9% in January 2025 (LY: 5.2%) whilst headline inflation for the 12 months ended January 2025 was 3.3% (LY: 6.5%).
- The headline inflation rate was 3.6% for the year 2024 compared to 7.0% for the year 2024.
- For the period 1-15 January 2025, the number of tourist arrivals by air rose by 1.0% to 62,096.
- Gross Tourism Earnings for the period January – December 24 stood at Rs 93.6Bn (LY: Rs 85.4Bn, +9.5%).
- The BoM intervened twice on the domestic foreign exchange market during the month and sold amounts of USD 10.0M at the rate of Rs 46.75/USD on 6 January and USD 15.0M at the rate of Rs 46.30/USD on 27 January respectively.

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Source: FED, ECB, BOE, BoM, Bloomberg, SEMDEX, Statistics Mauritius, MSCI.

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