

Jan 31, 2025

Market data as on Jan 31, 2025

Script	Close	% Chng
NASDAQ Composite Index	19,627.44	-1.64%
DOW JONES INDU AVERAGE NDX	44,544.66	0.27%
S&P 500 INDEX	6,040.53	-1.00%
Brent Oil	75.67	-2.83
WTI Oil	73.75	-0.78
US T 10Y	4.543%	-7.40 bps
US T 02Y	4.207%	-5.60 bps
10Y-02Y	0.336%	
Dollar Index	108.500	0.96%

- The week was marked by significant volatility, particularly in technology stocks, which were impacted by concerns over competition from a Chinese AI startup, DeepSeek.
- The announcement of new tariffs on Mexico, Canada, and China added to market uncertainty, influencing investor sentiment and contributing to fluctuations in stock prices.

US News

- The Federal Reserve has aligned its actions with market expectations, opting to pause its rate-cut cycle at 4.25-4.5%. With inflationary risks still looming large, fuelled by uncertainty over Trump's proposed policy shifts, the Fed has adopted a cautious "wait and watch" stance.
- GDP growth rate fell from 3.1% to 2.6% QoQ as against 2.6% expectation, mainly due to fixed investment contracted and Government expenditure rose at a slower pace. Job market is strong enough initial jobless claim came 207,000 better than expected number of 220,000.
- Tesla's Q4 2024 results were disappointing, capping off a year of stalled growth. While the company expects a return to growth in 2025 with new models and advancements in autonomy, concerns about competition, demand, and profitability remain. Tesla has been actively working to reduce production costs, with the cost of making a Tesla falling to around \$33,000 from nearly \$39,000 two years ago.
- Meta exceeded analysts' expectations for both earnings per share (EPS) and revenue in the fourth quarter of 2024. Meta projects revenue between \$39.5 billion and \$41.8 billion for the first quarter of 2025, representing 8% to 15% growth, a slowdown compared to the 21% growth in Q4 2024. The primary drivers are infrastructure costs (due to AI investments) and increased employee compensation (for hiring in AI, Reality Labs, and other areas).

- Apple received at least five downgrades this month from Jefferies, Moffett Nathanson, Loop Capital, DBS Bank, and Oppenheimer. Ongoing geopolitical tensions and weak consumer demand in China weigh heavily on expectations, Concerns about the slowing demand for iPhones.
- The emergence of DeepSeek, a Chinese AI startup with a cost-effective AI model, has shaken the US tech industry. Despite DeepSeek's success, CEOs of Microsoft and Meta defended their companies' massive investments in AI infrastructure.

Crude

- Price volatility was present throughout the week due to geopolitical factors, such as the cease-fire in Israel (reducing supply concerns) and the shutdown of two oilfields in Libya (which supported prices).
- The U.S. imposed new sanctions on Russian and Iranian oil, which impacted global supply flows. Additional sanctions on Iran's shipping network and Russia's crude exports added uncertainty.
- A cold snap in North America boosted short-term oil demand and tightened supplies, leading to a brief price surge earlier in January .
- U.S. crude inventories remained in focus. A reduction in stockpiles could have driven prices higher, while any large build-up would have put downward pressure on oil prices.
- Refinery crude runs reached a five-year high of 84.3 million barrels per day (mb/d) in December, driven by improved margins and the completion of seasonal maintenance .

Global News

- China's official manufacturing Purchasing Managers' Index (PMI) fell to 49.1 in January, indicating contraction for the first time since August 2024. China's economy grew around 5% in 2024, meeting the government's target. However, this growth was uneven, with exports and industrial output exceeding expectations, while domestic consumption remained weak.
- DeepSeek's development of a cost-effective and competitive AI model is boosting investor confidence in major Chinese internet companies like Tencent, Alibaba, and Baidu, leading to stock price increases. This also demonstrates China's resilience in AI development despite US export restrictions.
- The European Central Bank cut interest rates 2.9% from 3.15% on Thursday and policymakers guided for a further reduction in March as concerns over lacklustre economic growth supersede worries about persistent inflation. It was the fifth ECB rate cut since June and markets expect two or three more this year, driven by arguments that the biggest inflation surge in generations is nearly defeated, and the flagging economy needs relief.
- Bank of Japan raised Interest rate to 0.5% from 0.25% as Inflation is increased from 2.9% to 3.6% in Dec yoy.

India

Market data as on 31 Jan 2025

Script	Close	% Chng
 NIFTY 50	23,482.00	1.69%
 NIFTY BANK	49,506.00	2.36%
 BSE 500 INDEX	33,953.00	1.28%
BSE Midcap	42,884.00	0.39%
BSE Small Cap	50,099.00	-0.02%
Nifty Micro 250	22,790.00	0.29%
Gold	82,304.00	2.85%
 USD/INR	86.5000	37 paisa
IN Gsec 10Y	6.700%	-2.00 bps
IN Gsec 02Y	6.605%	-2.00 bps

- The full-year EPS growth estimate for FY25 has been revised down to **3.8%** from an earlier estimate of **5%** due to weaker-than-expected earnings performance across many sectors. Significant market sell off by FII in Jan over 87000 Cr. And DII bought over 86000 cr.
- The markets remained volatile with broad-based selling across sectors. Small & mid-cap stocks were particularly hard hit, with many reaching their 52-week.
- The RBI plans to inject ₹1.5 lakh crore into the banking system. These steps aim to provide durable liquidity and address the average daily liquidity deficit of ₹1.68 lakh crore. Without this action, the liquidity deficit could have reached ₹4 lakh crore by March.
- The Indian market is facing a wave of price increases due to rising input costs and a weaker rupee. FMCG companies, traditionally known for absorbing cost pressures, are now passing on these costs to consumers to protect their profit margins. This comes despite a slowdown in demand for daily essentials, particularly in urban areas. Electronics manufacturers are also set to raise prices to offset the impact of the weaker rupee on imported components.
- India is likely to add only around 8 GW of thermal power capacity in FY25 (financial year 2024-25), falling short of the government's target of 15 GW. Delays in land acquisition, balance of plant work, and material supply are hindering the progress of many thermal power projects. India's electricity demand has been growing significantly, with a 7.4% growth in FY24.
- The Indian food services market is projected to grow from \$80 billion in 2024 to \$144-152 billion by 2030, indicating a strong CAGR of 10-11%. Cloud kitchens help businesses reduce the time and investment required to scale, leading to higher margins and improved profitability.