

Market Weekly Insights

25th March 2025

Global Outlook

EU Cuts Steel Imports in Retaliation to US Tariffs

On Wednesday of this past week, the European Commission reinforced its short-term policy to protect the EU's steel industry, maintaining its long-term measures to preserve its competitive position on the global market. The EU aims to reduce steel imports by 15% in the midst of global oversupply. Especially given the tensions and uncertainties facing the conflict between Russia and Ukraine, European steelmakers have been hit by high energy prices and competition from cheaper imports, particularly from China. Wall Street Analysts have indicated that the tariffs put in place by the Trump administration could exponentially increase the exports to Europe. Currently, the global overcapacity of steel is estimated to be almost five times the current amount of the EU's yearly steel consumption. From a longer-term perspective, it will be interesting to see how the European Commission will react to major European steel companies, especially those based in Germany's heavy industrial-based economy, cutting over 11,000 jobs to boost competitiveness on the global market.

EU's €150B Rearmament Fund Excludes US, UK, and Turkey

The EU's defense industry has seen a surge in production over the last month, resulting primarily from decreased U.S. support towards Ukraine's war efforts in addition to President Donald Trump's stance that the EU does not contribute enough defense spending to NATO. To counter these ongoing tensions, defense companies from the US, UK, and Turkey have been excluded from a €150B defense funding push unless the three nations sign new defense and security pacts with the EU. The interesting aspect of this retaliatory measure is that advanced weapons systems coming from the three countries would only be open to EU defense manufacturers if those defense pacts were signed. Systems like the US Patriot air and missile defense platform, manufactured by RTX and other similar US weapons systems have been barred as per the agreement.

This exclusion presents a drastic change in the EU's foreign relations policy towards its western allies. While some argues that this comes as a victory for major EU powers including France, which has called for a "Buy European" model approach, signaling the EU's broader defense investment approach, a sensible approach given fears of long-term dependability over major western allies as strategic defense partners. Unlike the US, the UK has lobbied extensively to be involved in the pact to bolster their industry. British manufacturers like BAE Systems and Babcock International are deeply integrated in the EU defense industry. It'll be interesting to see how major US defense companies respond to the current European retaliation and whether actions like these could perhaps slow down the global market for defense from an American standpoint.

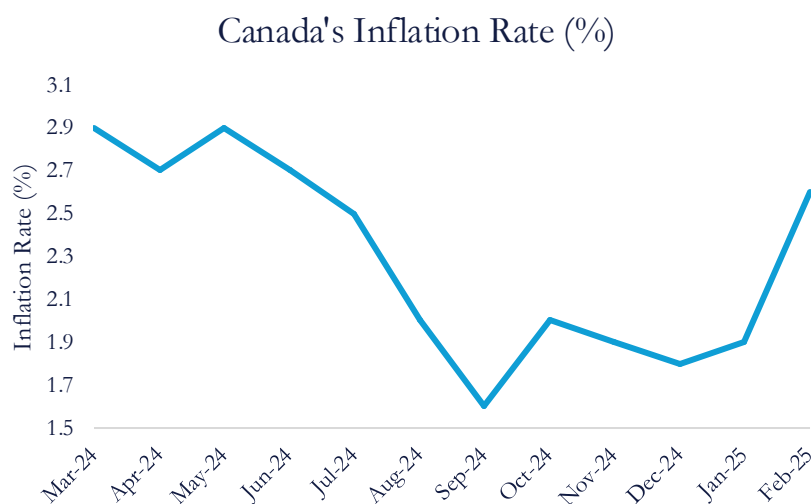
As of March 24th, 2025

S&P 500	\$5,767.57 +1.76%
DJIA	\$42,583.32 +0.64%
NASDAQ	\$18,188.59 +2.27%
Russell 2000	\$2,109.38 +2.55%
FTSE 100	\$8,638.01 -0.10%
Nikkei 225	\$37,608.49 -0.18%
WTI Crude	\$69.20 +0.13%
10-yr Treasury	4.30%

Canada Inflation Rises Due to Economic Uncertainty

In February, Canada's inflation rate increased to 2.6%, surpassing the Bank of Canada's 2% objective. Due to the expiration of a temporary government tax exemption on specific goods and services, the country has seen its biggest increase in inflation in the past eight months. The cost of petrol, travel packages and restaurant meals were all major factors in the 2.6% increase. Policymakers are nonetheless wary of additional economic pressures, even if it is anticipated that the Canadian government's plan to remove the carbon tax for consumers in April will help control inflation.

The Bank of Canada has been closely monitoring inflation trends, particularly as tariffs imposed due to the ongoing U.S. Canada trade dispute could add further upward pressure on prices. While the central bank has cut interest rates around seven times since June, officials are now considering the halting of rate reductions because of the latest inflation data. With businesses planning price hikes in response to tariffs and households adjusting their spending due to economic concerns, the central bank faces a challenge in maintaining financial stability while also supporting their country's economic growth.



America This Week

Uranium Promises Fading in the Backdrop of Global Tensions

Although US President Donald Trump promised to unleash domestic nuclear power with the pitch of boosting production and job growth, the prevailing sentiment over global tensions concerning Russia and tariffs on Canada has sparked concern over the market, even if long-term fundamentals look strong. Furthermore, spot price of triuranium octoxide has declined about 12% year to date. Additionally, Canada's main uranium miner, Cameco, has seen a share price drop of 17% so far this year. Canada today is the largest supplier of Uranium to the U.S., accounting for almost a quarter of total American utilities' purchases. Currently, Uranium from Canada is categorized under a 10% tariff rate for energy products but is set to see volatility in tariff fluctuations depending on the negotiating tactics of the Trump administration. Cameco has also stated that their clauses indicate they pass tariff costs on to the consumer.

Going forward, while spot prices for uranium may be reactive to daily tariffs and AI headlines, the long-term baseline for the Uranium industry is far less volatile. In fact, the current sell-off in the Uranium sector could be a potential entry points for bullish value investors that aren't perturbed by a bit of volatility.

Sources: Wall Street Journal, Financial Times

Mortgage Demand Falls After Nine-Week Streak

Following a nine-week streak, mortgage demand decreased due to increased mortgage rates and rising economic uncertainty. The Mortgage Bankers Association reported that mortgage applications fell 6.2% compared to the previous week. The average contract interest rate for a 30-year-fixed rate increased to 6.72% from 6.67%, marking the first increase in the past nine weeks. Compared to last year's week, rates are up 25 points.

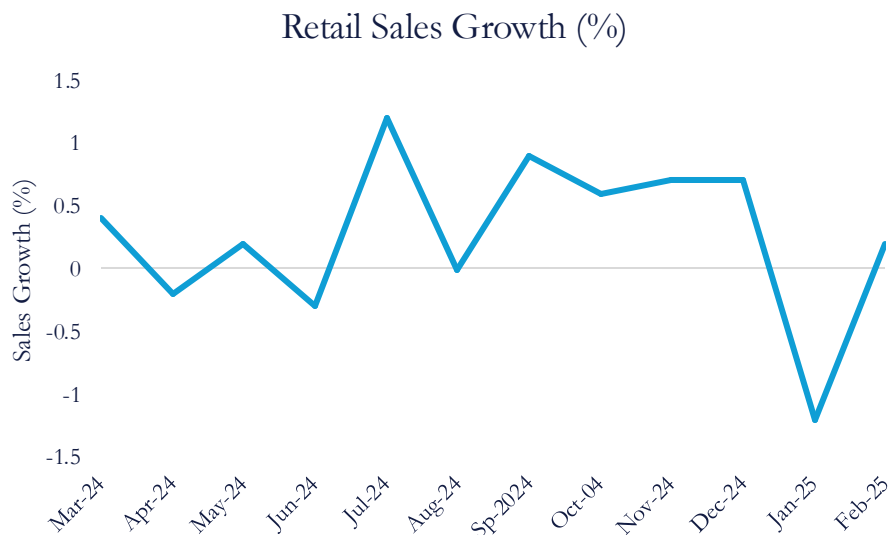
Consequently, applications to refinance home loans decreased 13% for the week. Before this, refinancing had seen substantial gains due to interest rates dropping earlier this month. Applications for mortgages to buy homes had been flat weekly, up by only 0.1%. Around this time last year, applications had been 6% higher. According to a survey from Mortgage News Daily, mortgage rates are set to move slightly in the future. However, this estimate is subject to change following changes to rates by the Fed.

Macro Highlights

Retail Sales Report Nudged up in February

February economic data serves as a crucial reflection point on the state of the US economy one month after new policies from the Trump Administration got implemented. Concerns on economic slowdown and prolonged inflation plague consumers' confidence and reflect on the US equity market. However, last month's retail sales report shows signs that the economy is still stimulating. Despite rising below expectations of 0.6%, retail sales increased 0.2% in February, better than the 1.2% downward revision from the previous month. On the other hand, the consumer prices report in the previous week shows that spending and inflation stayed on track as both saw a 0.2% rise. Core retail sales for last month posted a better-than-expected growth of 1%, feeding directly to GDP calculations for the quarter.

Although the sales report for last month failed expectations, economists remain confident that consumer income will keep trending up from January. Online spending accounts for the bulk of the sales figures for last month, with nonstore sales reporting a 2.4% increase. Health and personal care also saw a 1.7% gain, while food and beverages gained 0.4%. Overall, sales YoY increased 3.1%, higher than the 2.8% inflation rate.



Sources: Reuters, Financial Times

Federal Reserve Rvises Economic Outlook, Delays Cutting Interest Rates

Last Wednesday, the Federal Reserve announced they will remain consistent with their stance by keeping interest rates at its 4.25% to 4.5% range for the second consecutive time and revised their economic outlook emphasizing higher inflation and lower economic growth. Unlike the meeting in January, Chair Powell finally admits that new tariffs measures from the new administration have been taken to consideration and are a major factor in higher inflation expectation. With a month worth of data under the Trump administration, Fed remained unconcerned about the possibility of a recession as they continue to work towards their 2% benchmark.

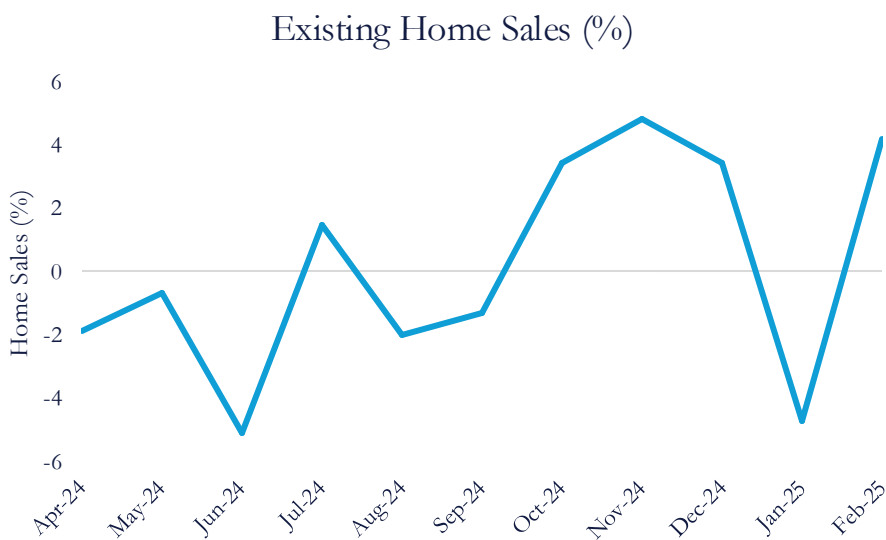
The announcement comes in the wake of moderate consumer spending at 0.2% in February, and surveys of households and businesses reflecting heightened uncertainty on the economic outlook. The Fed asserts that it remains to be seen how these developments might affect future spending and investment. In their summary of economic projections, GDP is forecast to rise 1.7% this year, lower than projections in December 2024, and rise above 2% in the next two years. In the labor market, payroll and job gains averaged 200,000 per month over the last three months, and the unemployment rate is at 4.1%, remaining low and under control.

Existing Home Sales Continues to Trend Upward

In February, total existing home sales jumped 4.2% from the previous month to a seasonally adjusted annual rate of 4.26 million units. However, sales are still down from 4.31 million in February 2024. This upward trend highlights that home buyers are slowly re-entering the market. Despite consistent mortgage rates, higher influx of units and varieties are driving up the housing market.

Total housing inventory for last month reported 1.24 million units, increased by 5.1% from January and 17% from a year earlier. Meanwhile, unsold inventory’s current sales pace is at 3.5-month supply, similar to January and higher than February 2024. The median existing home price for all housing types for the month was \$398,400, an increase of 3.8% from a year ago with all four US regions posted price hikes.

REALTORS Confidence Index reported that properties typically remained on the market for 42 days in February, increased from 41 days in January and 38 days in YoY. In the distribution, first-time home buyers accounted for 31% of sales last month, increased from 28% in January 2025 and 26% in February 2024.



Sources: Financial Times, Wall Street Journal

Industry News

Forever 21 Falls Again: Shein, Temu Blamed as U.S. Exit Begins

This past Sunday, Forever 21 filed for bankruptcy protection for the second time in the company's history and blamed e-tailers Shein and Temu for its downfall. The retailer is expected to stop all operations in the U.S. and has begun to liquidate sales in more than 350 locations. Forever 21 had sought a buyer for the last couple of months and made contracts with over 200 bidders; however, no deals could follow through.

This bankruptcy comes six years after the company's first bankruptcy filing, in which it shortly faced the COVID-19 pandemic and new competition from Chinese e-retailers Shein and Temu. In a statement, Stephen Coulombe, the operation co-chief restructuring officer, pointed to the de minimis exemption used by Shein and Temu as leading contributors to the company's filing. The exemption is a trade law loophole allowing goods under \$800 to be shipped without tariffs.

In response, Forever 21's parent company, Sparc Group, tried to counteract Shein's dominance by entering a partnership in 2023. However, this plan failed to have any real impact. The company's U.S. operations are heading to liquidation, but the brand will maintain its international stores and continue its e-commerce option.

Google Bets Big on Cloud Security with \$32B Wiz Buyout

This past Tuesday, Google signed a definitive agreement to make its largest acquisition, worth \$32 billion, for Wiz, a New York-based cloud security startup. The deal will close in 2026 and strengthen Google's security technology in light of the rapid growth of artificial intelligence and cybersecurity threats.

The acquisition is a second attempt, as in 2024, the \$23 billion deal failed as Wiz decided to pursue an IPO. However, the IPO market has still not opened significantly since deals slowed. With recent regulatory conditions expected to ease under the Trump administration, a revisit to the agreement was clear for Google.

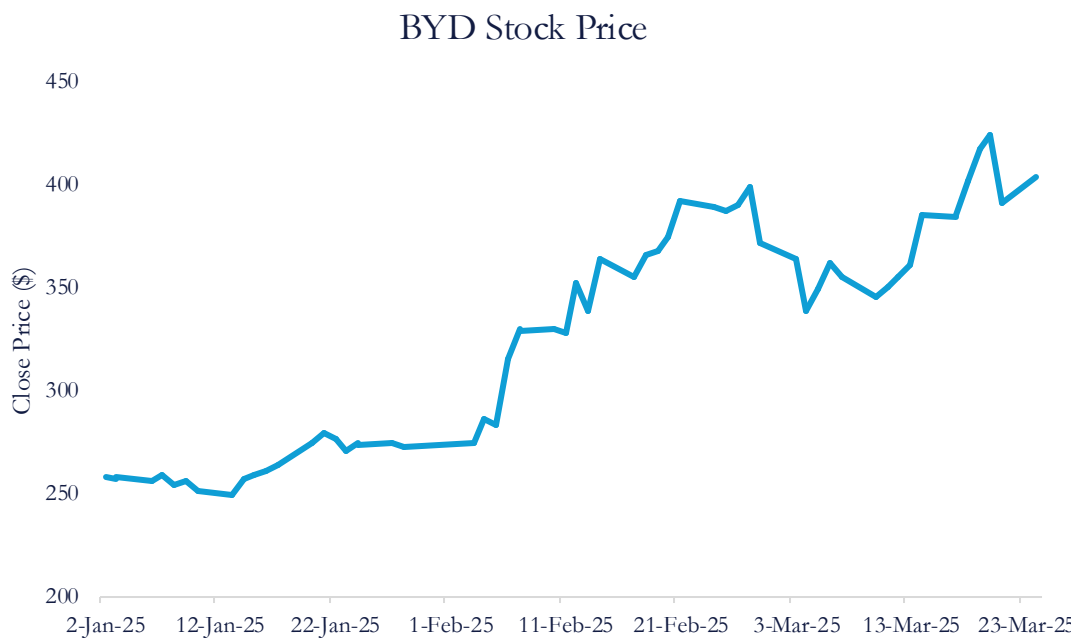
Wiz was founded in 2020 and rapidly expanded, gaining \$100 million in annual recurring revenue in 18 months. Before its recent discussions with Google, it had sites on an IPO and \$1 billion in annual recurring revenue. While part of Google Cloud, Wiz is still expected to continue its services on competitor platforms such as Amazon and Microsoft. Following the acquisition announcement, Alphabet shares fell 2% and are down 15% this year.

BYD Shares Surge on New Fast-Charging Technology

BYD's stock hit a record high after unveiling its latest fast-charging technology. Shares in Hong Kong rose as much as 6% to 408.80 Hong Kong dollars before settling at a 3.2% gain, while Shenzhen-listed shares climbed 0.5%. The new charging system can deliver 400 kilometers of range in just five minutes, significantly reducing charging times for EV users.

The technology will debut in BYD's Han L sedan and Tang L SUV, set for release next month. This follows the company's expansion into autonomous driving with its "God's Eye" driver-assistance system. BYD remains China's top EV seller, with February deliveries reaching 318,233 units. In contrast, Tesla's market share in China has declined, with February sales dropping 49% year-over-year to 30,688 units.

BYD also announced an employee share incentive plan, offering up to 10% of its total share capital, with individual ownership capped at 1%. Investors are now awaiting BYD's fourth-quarter earnings report next Monday, closely monitoring its financial performance amid rapid industry advancements.



PepsiCo Acquires Poppi for Nearly \$2 Billion Amid Rising Demand for Prebiotic Sodas

Waymo announced an expansion plan for its Robotaxi service, adding 27 square miles of coverage in the Silicon Valley area. Specifically, the service will be available in Mountain View, Los Altos, Palo Alto, and parts of Sunnyvale, California. Over time, the service will be expanded to the general public; however, initially, it will be limited to Waymo One app users in the area.

The expansion follows Waymo's increasing presence in the San Francisco Bay Area. The company is currently in talks to offer autonomous rides to and from the San Francisco International Airport. Additionally, it recently launched a commercial robotaxi service in Austin for the Southwest festival.

Despite the competition from Tesla and Amazon, Waymo remains the leading force in autonomous rides in the U.S. Prior to these expansion plans, the company was reported to have 200,000 paid rides per week across San Francisco, Los Angeles, and Phoenix. Waymo operates under Alphabet and earned \$400 million in revenue in Q4 2024.

Analyst Outlook

Varun Kolluri – German Economy Forecast

Germany, home to Europe’s largest economy and the world’s third largest, has faced an unprecedented cascade of economic and political events that has left the country in once again, a critically awkward position. From the coalition collapse following German Chancellor Olaf Scholz’s firing of Finance Minister Christian Lindner, to the victory of the CDU and the AfD’s rise, all politics has been colliding with a pending question: What is to be done with Germany’s economic model.

For years the country was the epitome of a modern, export-driven capitalist economy with strong fiscal governance. But of late, the numbers have started to tumble. Over the last five years, Germany’s real GDP has grown at a rate of just 0.1%, with GDP contracting 0.2% in 2024, making it a second consecutive year of negative economic growth. According to the International Monetary Fund, a global growth rate hovering around 5% was considered normal, but Germany’s is projected to remain around 3%. This has contributed most vitally to its slowing automotive industry, which has stood as the envy of the world for the last 30 years. Bottom line? For a country dependent on exports, with China slowing important and producing better competitor products, and the growing threat of U.S. tariffs, there doesn’t seem to be a second option to Germany's failing economic model.

They have been too concentrated in their automotive industry at a time where China has produced higher quality vehicles at a much cheaper price, all while halting German vehicles from being imported, where leading automotive companies like Mercedes-Benz has a leading presence in mainland China.

In terms of outlook, it's unrealistic for Germany to change its economic model, but there is opportunity for extensive economic regulation to fuel investments into digitalization and a strengthened labor market. For a country with the seventh best education system in the world (U.S. news) loosening debt limits to allow for investments into AI advancements and modern infrastructure would not only increase labor market participation, but also capitalizes on Germany’s core values: Highly educated citizens with immense drive to compete and produce the best, most in-demand products on the global stage.

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