

KN Market View

Main Topics

[Economics](#) - **Global Economic Insights:** Inflation Trends, Labor Market Updates, and Key Earnings Ahead.

[Bonds and Currencies](#) - **Rising yields and a falling pound: challenges for the UK economy**

[Commodities](#) - Heating Oil and Corn Surge on **Supply Constraints and Global Demand.**

[Equities](#) - Russia continues with its halted volatility, and **China started the year with a tough week.**

[Crypto](#) - **Altcoin Market Faces a Notable Decline.**

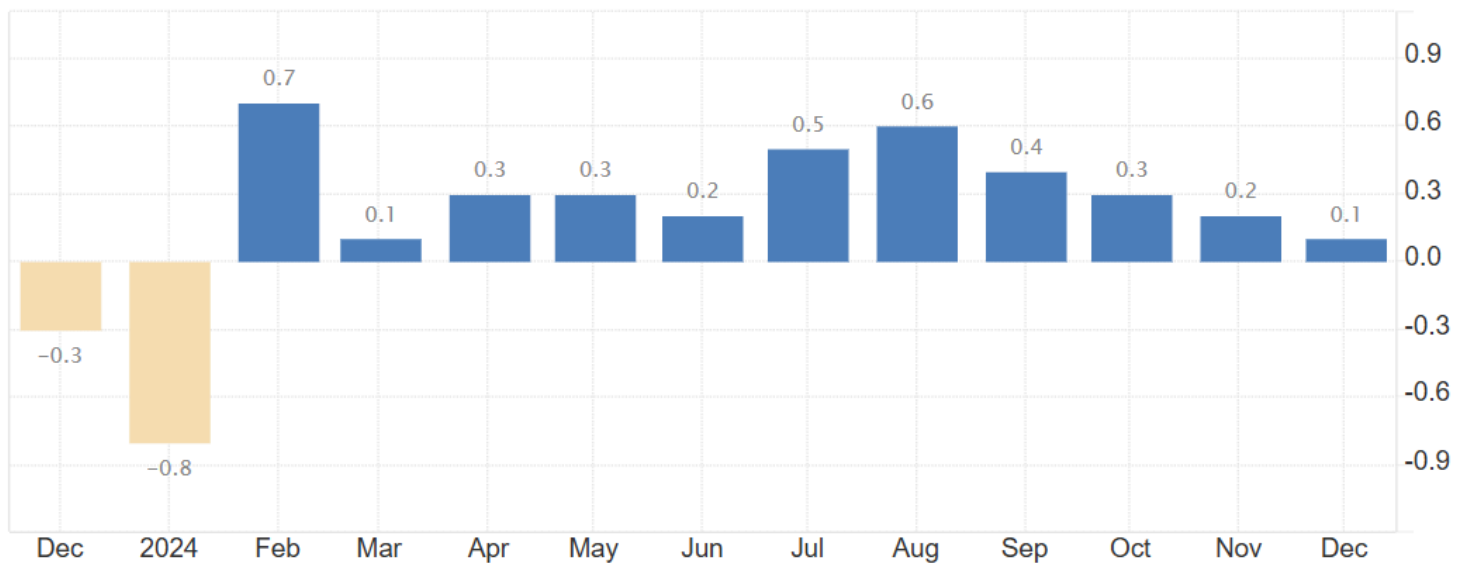
[Weekly Paper Picks](#) - **Entropy Pooling: A Unified Framework for Portfolio Optimization and Stress Testing in Non-Normal Markets**



Economics

China's inflation rate slowed to 0.1% year-on-year in December, down from 0.2% in November and matching expectations. This marks the **lowest level since March and highlights growing deflationary pressures**, despite efforts by the government and central bank to bolster the economy through stimulus and accommodative policies [link](#).

China inflation rate (%)



Source: Trading Economics | National Bureau of Statistics of China



Preliminary data shows **US consumer sentiment**, measured by the University of Michigan, **dropped to 73.2 in January** from December's eight-month high of 74, falling short of expectations (73.8). The decline highlights **reduced worries about current living costs but growing anxiety about future inflation trends** [link](#).

In December, **the US added 256K jobs, the highest in nine months**, surpassing forecasts of 160K. Although October and November saw a combined downward revision of 8K jobs, **the data reflects a robust and steady labor market** [link](#).

India's economy is expected to expand by 6.4% during the 2024/25 fiscal year, ending March 2025, according to initial estimates from the Ministry of Statistics. This would represent the **slowest growth since the pandemic-affected 2020/21** period, a decline from the **8.2% growth recorded last year** [link](#).

On Tuesday, **President-elect Donald Trump** stated that military action could be considered to **secure control over the Panama Canal and Greenland**, emphasizing that both were crucial for **safeguarding U.S. national security** interests [link](#).

Eurostat's preliminary data reveals that **eurozone inflation reached its highest point since July**, driven primarily by **rising service costs**. After hitting a low of 1.7% in September, **inflation climbed steadily over the**



past three months, reaching 2.4% in December, up from 2.2% in November, **surpassing the ECB's 2% target** [link](#).

Germany's annual inflation rate climbed to 2.6% in December, marking its highest level in 11 months and exceeding expectations of 2.4%. **Core inflation**, excluding food and energy, **inched up to 3.1%**. For 2024, the **average inflation rate** is projected at **2.2%**. The **EU-harmonised CPI** also rose more than anticipated, increasing **2.8% year-on-year** [link](#).

In the coming week, **the US earnings season gains momentum** as prominent banks like **JPMorgan Chase, Wells Fargo, Goldman Sachs, and Citigroup release their quarterly results**. Market participants will also focus on critical inflation metrics, such as the **Consumer Price Index (CPI)** to assess potential **shifts in Federal Reserve policy**. Also, **China** will unveil a range of economic data, including **fourth-quarter GDP growth, trade figures, industrial output, and retail activity**.

Over in the **UK**, reports on **inflation, monthly GDP, and retail sales** will provide insights into the nation's economic trajectory. In **Europe**, the **European Central Bank** will share the minutes from its **latest policy meeting**, accompanied by the bloc's final **inflation readings**.



Bonds and Currencies

Rising yields and a falling pound: challenges for the UK economy

United Kingdom 10Y Bond Yield



Source: Trading Economics

The start of the year has been challenging for the UK's financial markets, with significant movements in both bond yields and the pound these shifts reflect an uncertain economic environment.

Yields on UK government bonds, or gilts, have risen sharply. **The 10-year yield has climbed to 4.84%, while the 30-year yield now exceeds**



5.38%, levels not seen since 2008. This trend appears to be driven by an **increase in government debt issuance and weaker demand at recent auctions.** Some analysts suggest these moves could indicate concerns about the government's ability to manage the growing public debt burden [link](#).

Despite high bond yields, which would typically support the currency, the pound has slipped to \$1.2239, its lowest level since November 2023. This behavior might signal that other factors, such as worries **about economic growth or fiscal stability, are influencing investor sentiment.** Although sterling remains far above the record low seen in 2022, this decline has raised eyebrows.

Some of the pressure on UK markets can also be attributed to global factors, such as shifting interest rate expectations in the US and Europe. **However, the combination of rising bond yields and a weakening currency raises questions about how investors are assessing risks in the UK.**

The current landscape makes it clear that bonds and the pound are under close scrutiny. Although there are no definitive conclusions, **these movements highlight a challenging environment for the**



government and the Bank of England, which will need to take clear steps to bolster market confidence in the months ahead.

Foreign investors retreat from Indian bonds amid global selloff

Foreign investors have begun 2025 with a significant pullback from Indian debt markets, marking their largest single-day sale since the pandemic. **On January 8, they sold a net \$705.5 million in fixed-income securities, data from the Central Depository Services shows. This is the biggest outflow seen since May 2020.**

The move comes amid a broader global selloff in bond markets, driven by persistent inflation concerns and shifting expectations around central bank policies. Yields on long-term US Treasuries have climbed to levels not seen in over a year, and instability in the UK bond market has added to concerns that major central banks may delay anticipated rate cuts.

Global portfolio managers, including Rajeev De Mello of Gama Asset Management SA, point to a “bearish sentiment toward bonds globally,” compounded by the strength of the US dollar. Emerging markets, like India, are seeing capital outflows as investors shift focus toward safer, higher-yielding assets [link](#).



Indian government bonds had been a strong performer in 2024, particularly after their inclusion in JPMorgan's flagship emerging markets index. However, a narrowing interest rate differential with US Treasuries and a weakening rupee against the dollar are diminishing their appeal to overseas investors.

This rapid reversal highlights the challenges for India as global economic conditions tighten, adding pressure on policymakers to address both domestic and external vulnerabilities.

Commodities

Heating Oil Surges on Sanction Risks and Winter Demand

Heating oil



Source: Trading Economics

U.S. heating oil futures climbed to \$2.46 per gallon in January, their highest in five months, **driven by tightening supplies and rising crude prices**. Prospects of new U.S. sanctions on Russian oil threatened global supply chains, while U.S. crude inventories fell for the seventh week, and Russian exports hit a five-month low. **Colder weather also pushed heating demand**, with the EIA reporting a 632,000-barrel stockpile decline for the week ending January 3 [link](#).



Corn Prices Climb on Strong Demand and Tight Global Supplies

Corn



Source: Trading Economics

Corn futures rose above \$4.50 per bushel in December, a six-month high, **driven by strong U.S. export sales surpassing 2 million metric tons weekly**, well above seasonal averages. Tight global supplies, with Brazil struggling to meet demand, and rising exports from Myanmar to India, Vietnam, and the Philippines have further tightened the market. **Key buyers like Mexico continue securing large U.S. imports, while demand for non-GMO corn, particularly from China, adds upward**



pressure. However, the favorable corn-to-soybean price ratio is prompting U.S. farmers to plan increased corn planting in 2025, tempering long-term bullish sentiment [link](#).

Equities

This week, European stocks had good returns, specifically Italy, posing a 2.82% return over the week. While Chinese markets had its second week in red, with a -3.52% loss WoW and -5.41% monthly return.

Main Equity Markets Movers WoW

Major	Price	Day	%	Weekly	Monthly	YTD
IT40	35090	▼ 225	-0.64%	2.82%	1.03%	2.64%
EU50	4977	▼ 41	-0.82%	2.16%	0.35%	1.65%
FR40	7431	▼ 59	-0.79%	2.04%	0.10%	0.68%
DE40	20215	▼ 102	-0.50%	1.55%	-0.90%	1.54%
CH20	11792	▼ 135	-1.13%	1.44%	0.94%	1.65%
IPC	49639	▼ 211	-0.42%	1.32%	-3.19%	0.18%
SHANGHAI	3169	▼ 43	-1.33%	-1.34%	-7.69%	-5.47%
SAALL	83467	▼ 232	-0.28%	-1.47%	-4.19%	-0.75%
US30	41956	▼ 679	-1.59%	-1.82%	-4.97%	-1.38%
US500	5830.01	▼ 88.24	-1.49%	-1.89%	-4.18%	-0.88%
US100	20848	▼ 333	-1.57%	-2.24%	-4.21%	-0.78%
SENSEX	77379	▼ 241	-0.31%	-2.33%	-5.09%	-0.97%
HK50	19064	▼ 177	-0.92%	-3.52%	-5.41%	-4.96%

Source: Trading Economics



For US stocks, the week ended with the results of jobs reported, capping a surprisingly strong year. This gives investors bad signals on the number of rate cuts to be seen for this year.

The S&P 500 momentarily dipped below its 100-day moving average, while the Nasdaq 100 declined by 1.6%. The Dow Jones Industrial Average also slid 1.6%, and the “Magnificent Seven” megacap stocks index dropped 1.2% [link](#).

Taking a closer look into the SPDR sectors, almost all sectors ended the week on a loss, with Real Estate being the worst performer, with a -4.06% WoW return. The only sector to come with a return higher than 100bps was Energy, with a 1.05% gain.

US Sector Performance

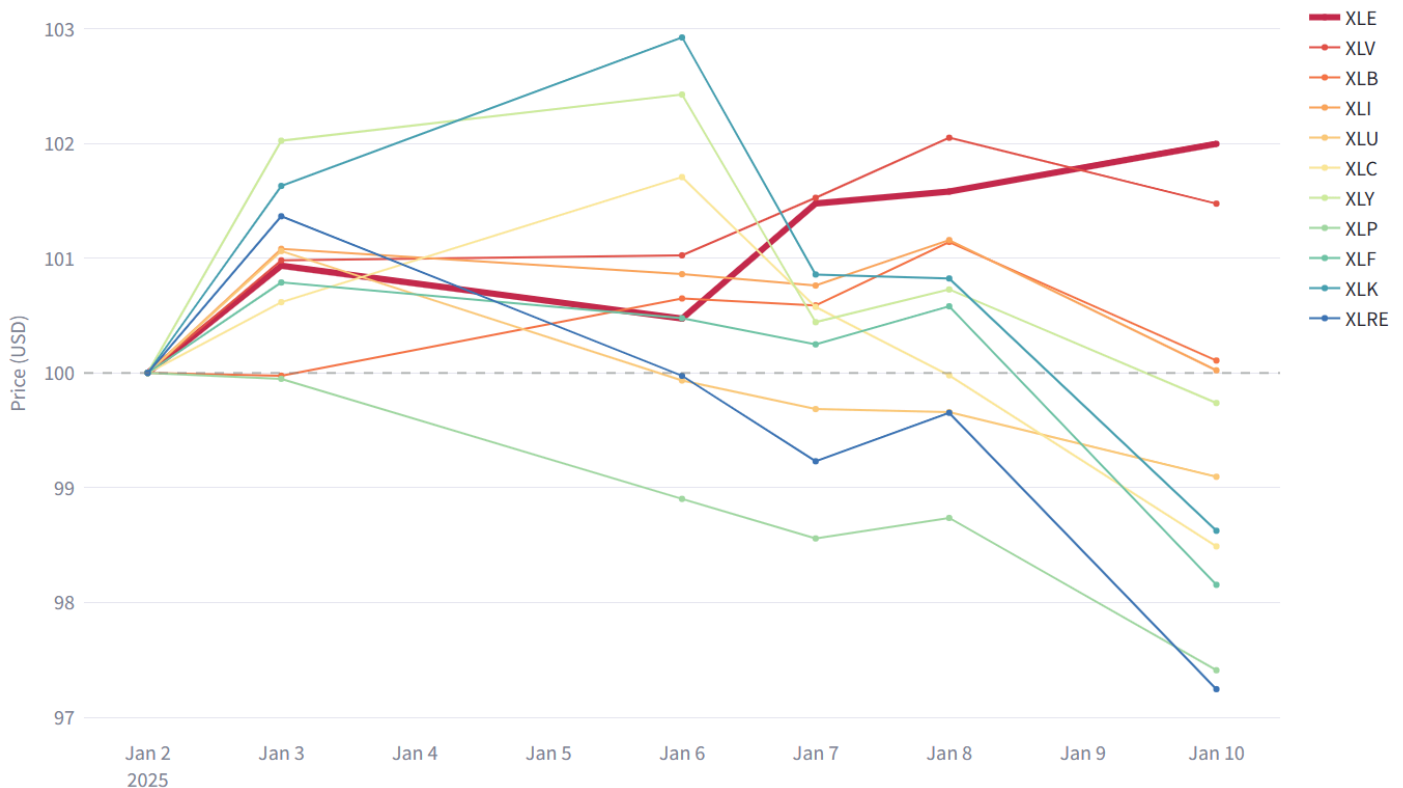
	WoW	YTD
Real Estate (XLRE)	-4.06%	-3.66%
Technology (XLK)	-2.96%	-1.61%
Financials (XLF)	-2.61%	-2.09%
Consumer Staples (XLP)	-2.54%	-2.89%
Consumer Discretionary (XLY)	-2.24%	-1.57%
Communication Services (XLC)	-2.11%	-1.03%
Utilities (XLU)	-1.95%	-0.15%



Industrials (XLI)	-1.05%	-0.33%
Materials (XLB)	0.13%	-1.00%
Health Care (XLV)	0.49%	1.50%
Energy (XLE)	1.05%	3.19%

Source: FMP

US Sector Performance



Source: FMP

Next week's earnings

	Company	Release Date	Exp. EPS	Time	MktCap (USD)	Country
JPM-PL	JPMorgan Chase & Co.	Wed, Jan 15	-	BMO	\$571,002	US
WFC-PA	Wells Fargo & Company	Wed, Jan 15	-	BMO	\$202,063	US
GS	The Goldman Sachs Group, Inc.	Wed, Jan 15	\$8.03	BMO	\$143,261	US



SCHW	The Charles Schwab Corporation	Wed, Jan 15	\$0.89	BMO	\$130,541	US
C	Citigroup Inc.	Wed, Jan 15	\$1.21	BMO	\$112,806	US
BLK	BlackRock, Inc.	Wed, Jan 15	\$11.49	BMO	\$112,584	US
BK	The Bank of New York Mellon Corporation	Wed, Jan 15	\$1.53	BMO	\$43,942	US
KMI	Kinder Morgan, Inc.	Wed, Jan 15	\$0.33	BMO	\$43,922	US
TSM	Taiwan Semiconductor Manufacturing Company Limited	Thu, Jan 16	\$2.17	BMO	\$703,018	TW
UNH	UnitedHealth Group Incorporated	Thu, Jan 16	\$6.73	BMO	\$456,713	US
BAC-PP	Bank of America Corporation	Thu, Jan 16	-	BMO	\$310,234	US
SNX	TD SYNEX Corporation	Fri, Jan 10	\$3.07	BMO	\$11,286	US

Source: FMP

Crypto

Altcoin Market Faces a Notable Declines

This week altcoins experienced mixed performance this week, with notable declines across the board. Chainlink dropped **-14.47%**, while Cardano and Polkadot saw similar weekly losses of **-14.31%** and **-14.30%**, respectively. Solana fell **-14.21%**, and Avalanche posted the smallest weekly decline at **-12.76%**.

Crypto WoW



Crypto	Price	Day	%	Weekly	Monthly	YTD	YoY
Chainlink	19.9641	▲ 0.3493	1.78%	-14.47%	-17.03%	0.34%	32.85%
Cardano	0.94101	▲ 0.03685	4.08%	-14.31%	-14.03%	11.28%	61.16%
Polkadot	6.64	▲ 0.1	1.59%	-14.30%	-26.66%	0.25%	-18.71%
Solana	186.8600	▲ 2.24	1.21%	-14.21%	-17.94%	-1.21%	86.74%
Avalanche	36.42	▲ 0.19	0.53%	-12.76%	-24.57%	2.56%	-7.40%

Source: Trading Economics

Currently, the market capitalization of altcoins stands at \$943 billion, 14.5% below its recent peak of \$1.1 trillion reached in November 2024. In contrast, Bitcoin has doubled its market capitalization since 2021, while altcoins remain stagnant, reflecting the lack of significant new capital inflows [link](#).

The Altseason Index points to a Bitcoin-dominated phase, with institutional capital flows concentrated in Bitcoin and Ether ETFs, limiting funds available for smaller altcoins. Additionally, the altcoin market's increasing reliance on stablecoin trading pairs underscores the lack of organic growth, as liquidity depends more heavily on these pairs to sustain operations [link](#). Analysts like Felix Hartmann warn of a potential "slow bleed" in the altcoin market until January 2025, especially in the absence of fresh capital inflows.

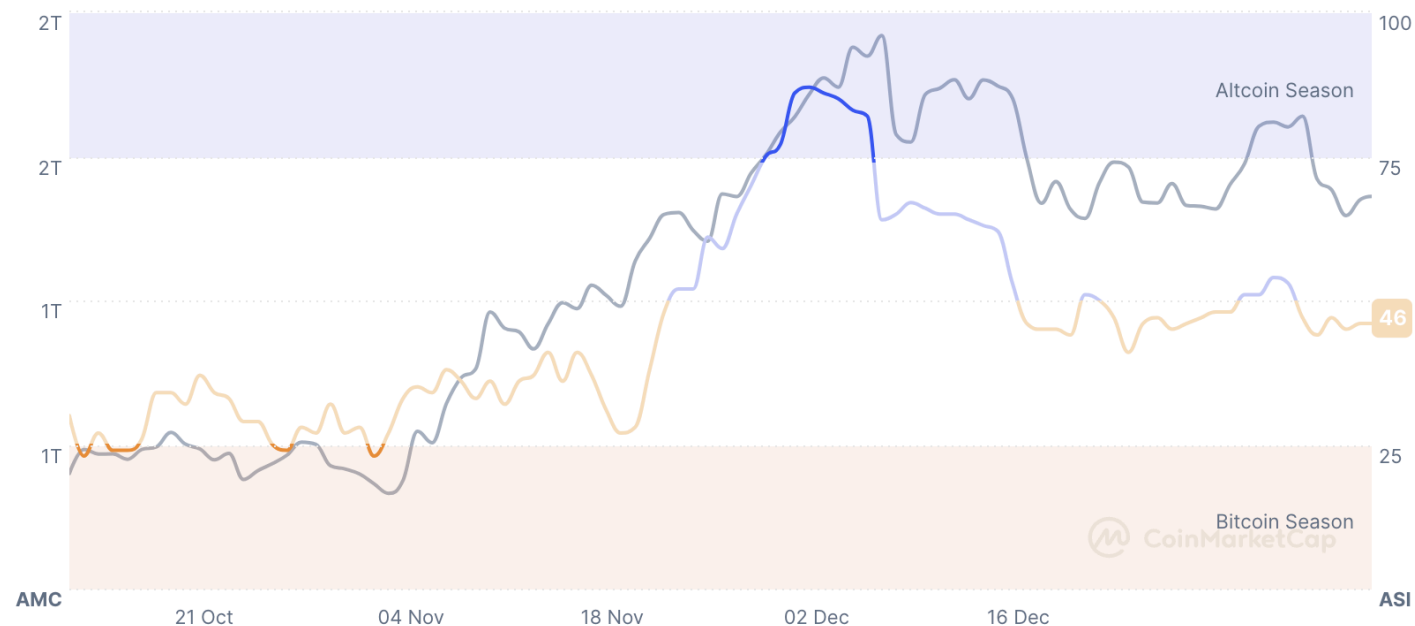
Altcoin Season Index Chart



Altcoin Season Index Chart

7d 30d 90d

● Altcoin Season Index ● Altcoin Market Cap



Source: Coin Market Cap

Solana in 2025: A Year of Records or New Challenges?

Solana (SOL) stands at the forefront of the crypto ecosystem in 2025, poised between significant opportunities and pressing challenges. The potential approval of U.S. ETFs and growing interest from retail investors highlight its growth prospects. With a \$92 billion market cap, Solana offers room for expansion compared to Ethereum (\$397 billion) and Bitcoin (\$1.8 trillion). Analysts like Nicolai Søndergaard project a price target of \$400, driven by its accessible price and strong technical performance [link](#).



However, uncertainties loom. The U.S. government's potential liquidation of \$6.5 billion in seized Bitcoin could trigger market-wide sell-offs, adding pressure to SOL, which has already dropped 15% this year, stabilizing near \$183–\$185. Additionally, South Korean investigations into DeFi platforms linked to Solana raise concerns about transparency, while intense competition and past outages question its scalability [link](#).

Balancing strong fundamentals and adoption against regulatory challenges and market volatility, Solana's trajectory in 2025 depends on its ability to navigate these hurdles and capitalize on key catalysts.

Bitcoin Faces Critical Support as Macro Events

Loom

Bitcoin (BTC), the world's largest cryptocurrency, peaked at **\$102,000** following news of the resignation of Michael S. Barr, Vice Chair of the Federal Reserve, a development seen as a potential shift toward a more favorable regulatory environment. However, the price fell below the **\$94,000** mark in early Friday trading, weighed down by rising bond yields and expectations for a strong US jobs report.

Technically, Bitcoin faces a critical test at the **38.2% Fibonacci retracement level of \$92,493**. A breakdown below this level could



extend the decline to the psychological support at **\$90,000**, while a recovery above **\$100,000** could pave the way for a retest of the all-time high at **\$108,353**. With the RSI at **46** and a bearish MACD crossover, momentum remains negative. Upcoming macroeconomic events, including the **U.S. CPI report on January 15** and the **presidential inauguration on January 20**, could significantly influence price direction in the coming weeks [link](#).



Weekly Paper Picks

Entropy Pooling: A Unified Framework for Portfolio Optimization and Stress Testing in Non-Normal Markets

Link: <https://arxiv.org/pdf/1012.2848>

Meucci's paper introduces the "entropy pooling" approach as a unified methodology to incorporate **non-linear views from multiple users in general non-normal markets**. This framework enables stress testing, scenario analysis, and portfolio optimization without requiring the repricing of complex securities. **By minimizing relative entropy, it adjusts prior distributions with new probabilities that reflect the introduced views**. The method is particularly effective in markets with fat-tailed distributions, external factors influencing portfolios statistically, and non-traditional views such as **correlations, medians, and volatilities**. Its practical implementation relies on highly efficient algorithms that operate on existing simulation data, making it suitable for complex derivatives and multifactorial scenarios.

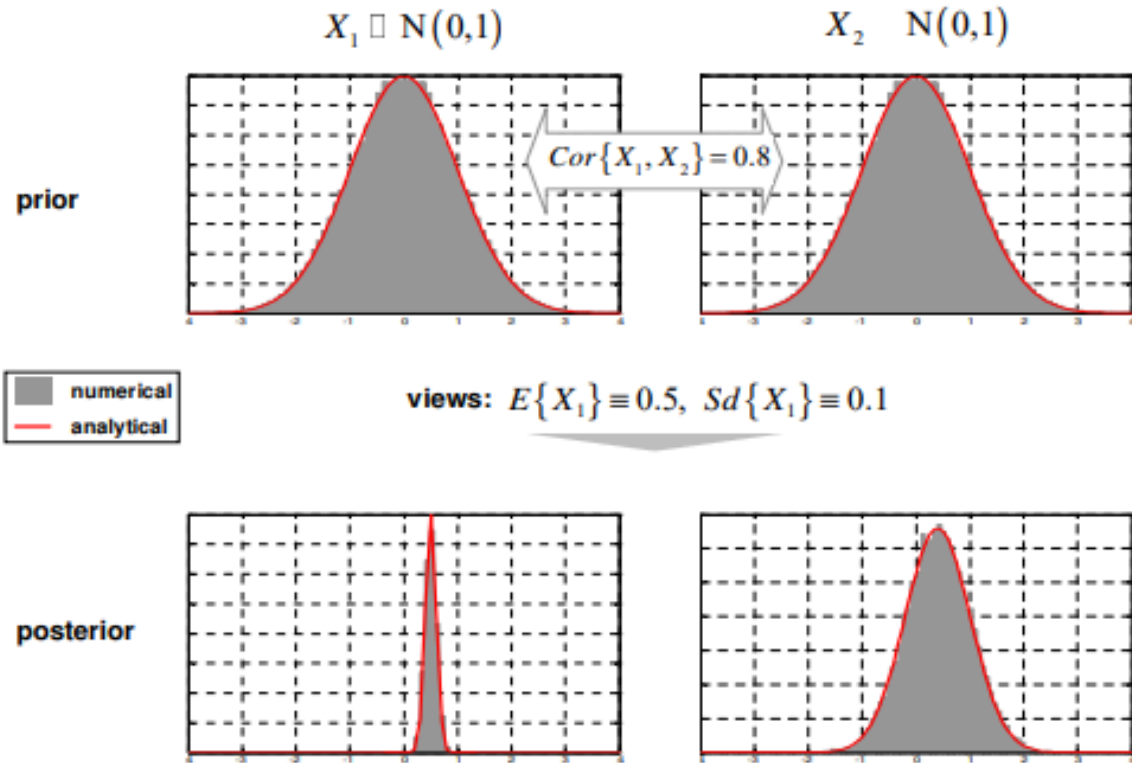


Figure 1: Entropy pooling: numerical approach matches analytical solution

Therefore, the full-confidence posterior distribution (14) is defined as

$$\tilde{\mathbf{p}} \equiv \underset{\underline{\mathbf{a}} \leq \mathbf{A}\mathbf{f} \leq \bar{\mathbf{a}}}{\operatorname{argmin}} \{ \mathcal{E}(\mathbf{f}, \mathbf{p}) \}. \quad (27)$$



Contact

research@kaxanuk.mx

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