

KN Market View

Main Topics

[Economics](#) - The Caixin **China General Manufacturing PMI slipped to 50.5** in December.

[Bonds and Currencies](#) - **Emerging market currencies** face a challenging outlook.

[Commodities](#) - Rubber and Cocoa start the year with big moves.

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

[Crypto](#) - **Bitcoin in 2025:** Navigating High Hopes Amid Global Challenges.

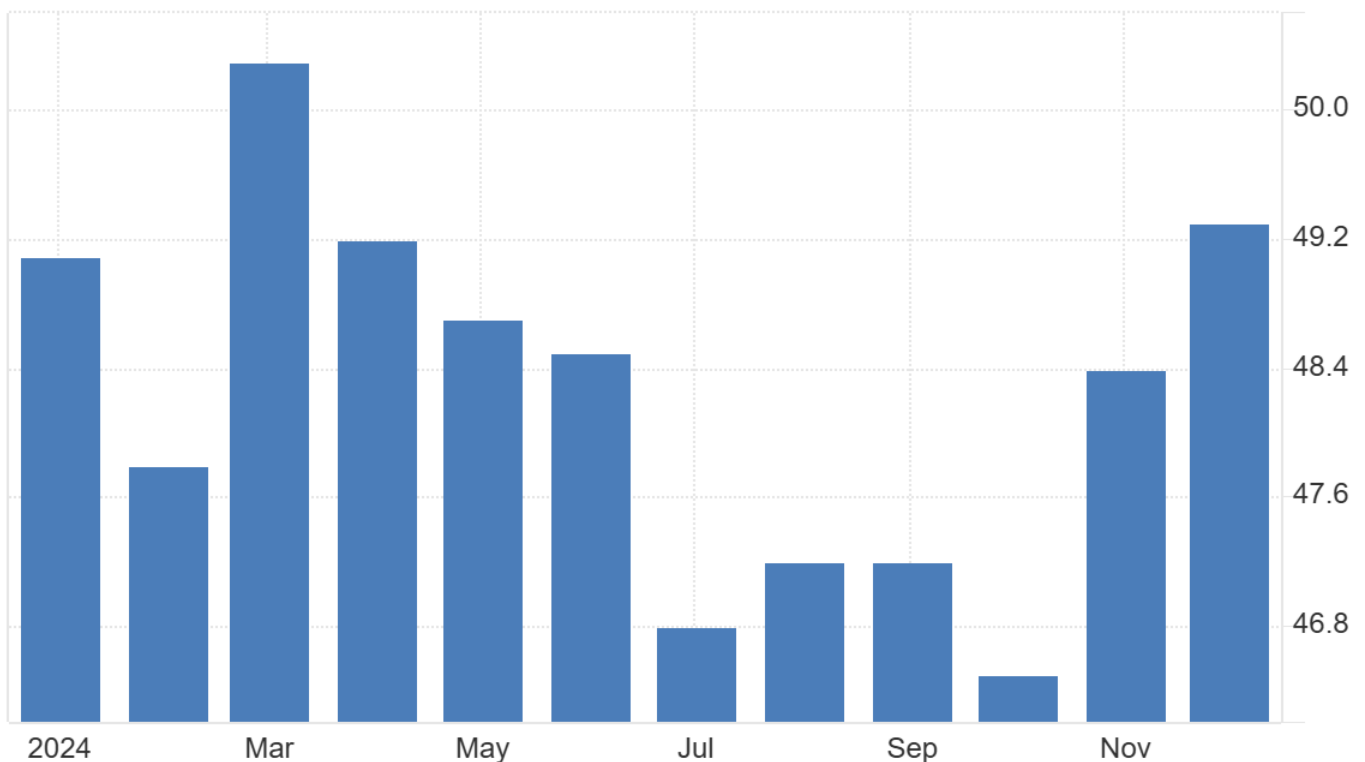
[Weekly Paper Picks](#) - **The US dollar and capital flows to EMEs**



Economics

In December, the **ISM Manufacturing PMI increased by 0.9 points** compared to the prior month, reaching **49.3**. This figure **surpassed market forecasts of 48.4** and indicated the **slowest decline in the U.S. manufacturing sector since March**, when the index hit 50.3—the only time the sector experienced growth since September 2022 [link](#).

US Business Confidence (points)



Source: Trading Economics | Institute for Supply Management



The Caixin China General Manufacturing PMI slipped to 50.5 in December, down from November's five-month peak of 51.5 and falling short of market expectations of 51.7. **Despite marking the third consecutive month of factory activity expansion, confidence declined to a three-month low**, driven by worries over economic growth, trade prospects, and potential US tariffs [link](#).

Friedrich Merz, Germany's conservative leader and leading contender to become the next chancellor, has called for the **European Union to pursue a renewed effort to establish a comprehensive free trade agreement with the United States** [link](#).

The People's Bank of China is set to reduce interest rates this year, marking a significant move toward a **more conventional monetary policy approach**. China aims to align more closely with the **strategies of the US Federal Reserve and the European Central Bank** [link](#).

The shift in global trade away from China **to other Asian ports** is prompting **shipowners to transition from commissioning ever-larger vessels to opting for smaller ships**. According to shipbroker Braemar, only **six container ships** with a capacity exceeding 17,000 TEUs (20-foot equivalent units) are scheduled **for delivery in 2025**, a sharp decline from the **17 delivered in 2020** [link](#).



Germany's seasonally adjusted unemployment rate held steady at 6.1% in December 2024, slightly better than the market forecast of 6.2%, but still close to **its highest point since February 2021**. The number of unemployed individuals rose **by 10,000 to 2.869 million**, **falling short of the expected 15,000 increase** [link](#).

In 2024, job losses at European car parts suppliers more than doubled, as the slowdown in the continent's automotive sector significantly **impacted the manufacturing supply chain**. According to the European Association of Automotive Suppliers (Clepa), **over 30,000 jobs were eliminated across the industry in 2024, compared to just over 15,000 in 2023** [link](#).

Türkiye's annual inflation rate eased to 44.38% in December, down from 47.09% in the previous month and below the market expectation of 45.2%. **This marked the seventh consecutive month of gradual disinflation**, with the lowest rate since June 2023, as price increases moderated across most sub-indices [link](#).

In the week ahead, significant economic updates will include **consumer confidence data** from **Mexico, Japan**, and the **Euro Area**, offering insights into regional sentiment. **Inflation** figures are expected from **Germany, France, the Euro Area, Italy, Mexico, Brazil**, and **China**, shedding light on price trends across key economies. The **US** and



Canada will release **S&P Global Composite PMI data**, providing a gauge of overall business activity.

Trade balance reports will come from **Brazil, Türkiye, Canada, France, Australia, Germany,** and **China**, highlighting shifts in global trade dynamics. **Unemployment data** is anticipated from **Italy, the Euro Area, Türkiye, Canada,** and the **United States**.

Bonds and Currencies

Euro and pound fall on economic worries

This week, the **euro fell 1.12% against the dollar, while the pound lost 1.18%, closing at \$1.03 per euro and \$1.24 per pound respectively.** These declines reflect **growing concerns over the economic performance of Europe and the United Kingdom, in contrast with the optimistic outlook for the U.S. economy.**

Euro US Dollar



Source: Trading Economics

The euro has seen a sharp decline since late September, accumulating a loss of nearly 8%. **Factors contributing to this weakness include fears that the eurozone's export-oriented economies will suffer from U.S. trade tariffs, as well as expectations that the European Central Bank will adopt more aggressive interest rate cuts than the Federal Reserve.** Additionally, political instability in some of the region's largest economies adds to the uncertainty. **Strategists warn that the euro could reach parity with the dollar this year, a level not seen since 2022,** when the energy crisis stemming from the war in Ukraine severely impacted the region [link](#).

The pound, meanwhile, **faces pressures stemming from weak economic growth in the UK.** Recent data shows that British GDP



remained flat in the third quarter of 2024, with projections for the fourth quarter showing no signs of improvement. **The drop in the manufacturing PMI index and fears related to natural gas prices intensify concerns about a potential recession.** The expectation of further rate cuts by the Bank of England, which has already forecast a reduction of 115 basis points for this year, reinforces this negative outlook.

In this context, comparisons with the U.S. economy are inevitable. While the dollar benefits from relative economic resilience and expectations of less aggressive rate cuts, European and British markets grapple with structural challenges that heighten their vulnerability to the U.S. currency.

Emerging market currencies face a challenging outlook

Emerging market currencies faced a challenging week, weighed down by global pessimism and the low trading volumes typical of the holiday season. **The Mexican peso led the losses, falling 1.5% amid thin liquidity and speculation about more aggressive interest rate cuts from the Bank of Mexico next year.**



US Dollar Mexican Peso



Source: Trading Economics

The outlook for emerging market currencies closed the year on a challenging note. The **return of Donald Trump to the U.S. presidency** has fueled expectations of a stronger dollar and rising inflation, which could halt monetary easing in the US [link](#).

In Latin America, **the Brazilian real was another standout, with a 21% decline against the dollar in 2024, marking the worst performance among major emerging market currencies.** Despite interventions by Brazil's central bank, which sold over \$20 billion in reserves over two



weeks, the real continued to depreciate, reflecting growing skepticism about the government's fiscal commitment.

In Turkey, the lira remained under pressure following comments from President Recep Tayyip Erdogan, who reaffirmed plans to continue cutting interest rates in 2025. These remarks heightened fears of a return to unconventional economic policies. Meanwhile, the South Korean won stayed weak against the dollar, amid political instability and tensions arising from recent events.

Appetite for emerging market currencies continues to diminish, driven by country-specific uncertainties and a globally unfavorable environment. **With a strong dollar and the prospect of divergent monetary policies, the outlook for these currencies remains challenging heading into 2025.**



Commodities

Cocoa Prices Ease but Remain 2024's Best Performing Commodity

Cocoa



Source: Trading Economics

Cocoa futures traded near \$11,100 per tonne, their lowest in a week, pressured by a stronger dollar and long-term liquidation. Concerns persist over dry weather and Harmattan winds in Ivory Coast, with reports of yellowing leaves and withering cocoa pods, raising fears of



reduced production. Cocoa prices nearly tripled in 2024, making it the year's best-performing commodity, driven by poor weather and crop diseases in West Africa, especially in Ivory Coast and Ghana [link](#).

Rubber Prices Rise Amid China Stimulus Hopes and Supply Concerns



Source: Trading Economics

Rubber futures hovered near 194 cents per kg, a one-week high, supported by hopes for Chinese economic stimulus and improved








manufacturing prospects. On the supply side, adverse weather in Southeast Asia, including a 30% drop in Thailand's December output due to floods, fueled concerns. In 2024, global rubber production was severely disrupted by climate change, with dry spells, flooding, and fungal diseases impacting yields, trends expected to influence the market into 2025 [link](#).








Equities

Russia continues with its halted volatility, adding another week of good performance, with a 2.58% weekly and a 13.79% monthly gain. While Chinese markets had a tough week, Brazil closes another week on read, trading below April 2024 levels.

Main Equity Markets Movers WoW

Major	Price	Day	%	Weekly	Monthly	YTD
 MOEX	2829	▼ 55	-1.89%	2.58%	13.79%	-1.89%
 JP225	39895	▼ 387	-0.96%	1.87%	3.59%	19.22%
 TSX	25074	▲ 176	0.70%	1.12%	-2.21%	1.40%
 ES35	11652	▼ 25	-0.22%	1.04%	-2.35%	0.49%
 GB100	8224	▼ 36	-0.44%	0.91%	-1.34%	0.62%



 US100	21326	▲ 351	1.67%	-0.68%	-0.77%	1.49%
 IPC	48994	▼ 812	-1.63%	-0.69%	-4.55%	-1.12%
 FR40	7282	▼ 112	-1.51%	-0.99%	-0.29%	-1.33%
 NZX 50	13068	▲ 18	0.14%	-1.04%	1.33%	-0.33%
 IBOVESPA	118533	▼ 1,593	-1.33%	-1.44%	-5.99%	-1.46%
 HK50	19760	▲ 137	0.70%	-1.64%	0.09%	-1.49%
 SHANGHAI	3211	▼ 51	-1.57%	-5.55%	-4.55%	-4.19%

Source: Trading Economics

US stocks surged on Friday, closing the first week of 2025 on a **positive note thanks to renewed signs of stability in manufacturing, ending a streak of losses over the last days of 2024**. The S&P 500 climbed 1.3%, marking its largest single-day gain since November 6, Friday's rally also broke a five-day losing streak, the longest since April.

The Nasdaq Composite, dominated by technology stocks, rose 1.8%, boosted by an over **8% jump in Tesla's shares**. This followed a dip the day before after Tesla reported its first annual decline in vehicle deliveries in more than 10 years. Nvidia also saw its stock rise by over 4%. [link](#).

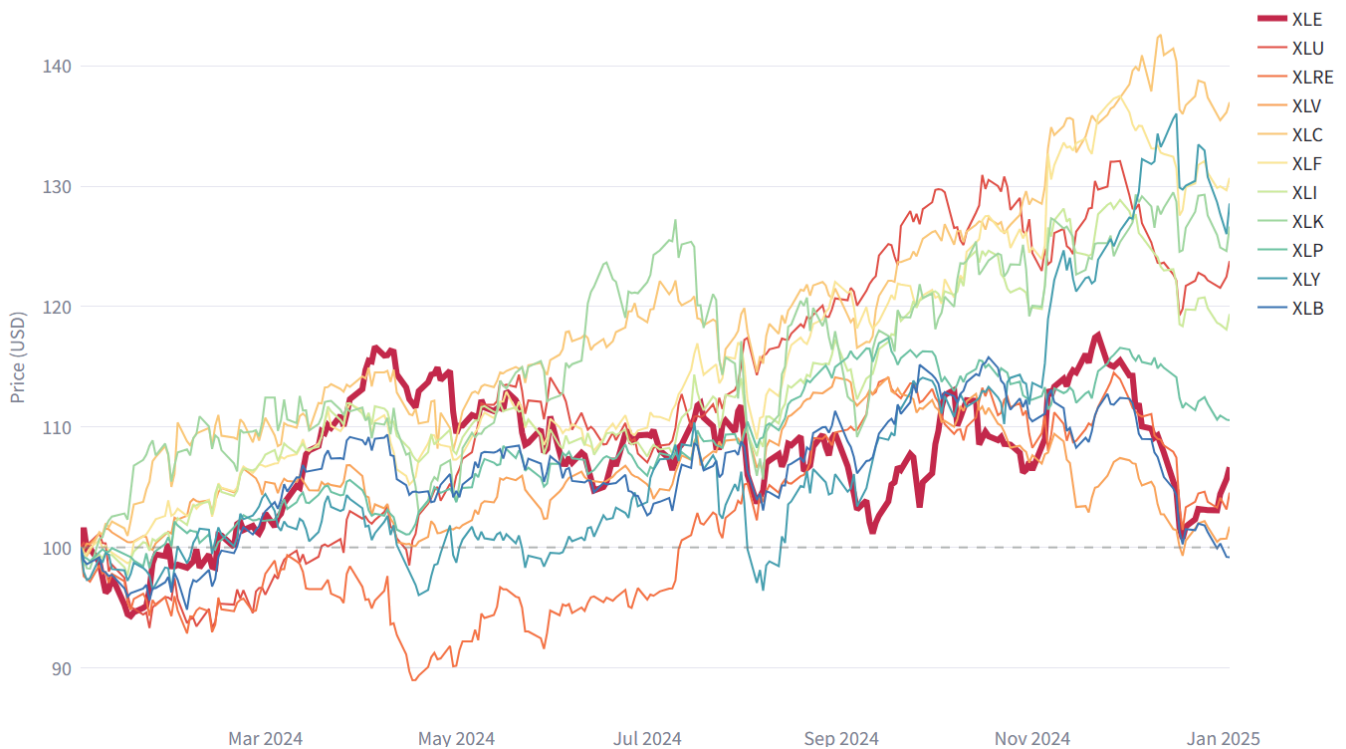


US Sector Performance

	WoW	YTD
Materials (XLB)	-2.06%	-0.81%
Consumer Discretionary (XLY)	-1.68%	28.57%
Consumer Staples (XLP)	-1.22%	10.56%
Technology (XLK)	-0.73%	26.64%
Industrials (XLI)	-0.41%	19.37%
Financials (XLF)	-0.33%	30.69%
Communication Services (XLC)	-0.29%	36.97%
Health Care (XLV)	0.01%	1.72%
Real Estate (XLRE)	0.74%	4.56%
Utilities (XLU)	1.31%	23.78%
Energy (XLE)	3.44%	6.64%

Source: FMP

US Sector Performance



Source: FMP



Next week's earnings

	Company	Release Date	Exp. EPS	Time	MktCap (USD)	Country
CMC	Commercial Metals Company	Mon, Jan 6	\$0.83	BMO	\$5,955	US
RPM	RPM International Inc.	Tue, Jan 7	\$1.35	BMO	\$14,200	US
PGPHF	Partners Group Holding AG	Wed, Jan 8	-	BMO	\$35,463	CH
ACI	Albertsons Companies, Inc.	Wed, Jan 8	\$0.66	BMO	\$11,727	US
JEF	Jefferies Financial Group Inc.	Wed, Jan 8	\$0.85	AMC	\$9,169	US
ANGPY	Anglo American Platinum Limited	Wed, Jan 8	-	BMO	\$7,975	ZA
AYI	Acuity Brands, Inc.	Wed, Jan 8	\$3.87	BMO	\$7,723	US
MSM	MSC Industrial Direct Co., Inc.	Wed, Jan 8	\$0.73	BMO	\$4,690	US
AMKYF	ABC-Mart, Inc.	Wed, Jan 8	-	BMO	\$4,682	JP
FRCOY	Fast Retailing Co., Ltd.	Thu, Jan 9	-	BMO	\$80,757	JP
INFY	Infosys Limited	Thu, Jan 9	\$0.20	BMO	\$73,862	IN
SVNDY	Seven & i Holdings Co., Ltd.	Thu, Jan 9	-	--	\$33,654	JP
VACNY	VAT Group AG	Thu, Jan 9	-	BMO	\$16,684	CH
KBH	KB Home	Thu, Jan 9	\$2.47	AMC	\$5,127	US
BAC	Bank of America Corporation	Fri, Jan 10	\$0.78	BMO	\$303,900	US
WFC	Wells Fargo & Company	Fri, Jan 10	\$1.32	BMO	\$199,173	US
STZ	Constellation Brands, Inc.	Fri, Jan 10	\$3.34	BMO	\$45,776	US
DAL	Delta Air Lines, Inc.	Fri, Jan 10	\$1.74	BMO	\$31,807	US
WIT	Wipro Limited	Fri, Jan 10	\$0.07	BMO	\$29,143	IN
AONNF	Aeon Co., Ltd.	Fri, Jan 10	-	BMO	\$19,686	JP
WBA	Walgreens Boots Alliance, Inc.	Fri, Jan 10	\$0.37	BMO	\$13,743	US
SNX	TD SYNNEX Corporation	Fri, Jan 10	\$3.07	BMO	\$11,286	US

Source: FMP



Crypto

Altcoin Market Sees Positive Weekly Gains Amid Renewed Optimism

This week, in the **altcoin market**; **Stellar** led the pack with a weekly increase of **25.91%**, **Algorand**, gaining **24.60%**, while **Cardano** saw a **19.59%** rise, indicating a recovery and positive momentum in the market. **Avalanche** also posted a solid **17.18%** gain, highlighting sustained interest despite recent challenges. Meanwhile, **Solana** experienced an **11.42%** increase, further reinforcing its role as a key player in the altcoin space.

Main Crypto Movers WoW

Crypto	Price	Day	%	Weekly	Monthly	YTD	YoY
Stellar	0.44708	▼ 0.0019	-0.42%	25.91%	-4.73%	34.90%	275.84%
Algorand	0.41	▼ 0.01	-1.72%	24.60%	-19.41%	19.17%	116.82%
Cardano	1.05914	▼ 0.03450	-3.16%	19.59%	-8.61%	25.77%	96.49%
Avalanche	41.89	▼ 0.79	-1.85%	17.18%	-20.45%	18.04%	22.06%
Solana	216.8430	▼ 0.787	-0.36%	11.42%	-8.31%	14.72%	116.94%

Source: Trading Economics

Trends suggest that the market is benefiting from growing investor confidence. However, macroeconomic risks such as geopolitical tensions and rising deficit spending could introduce additional volatility.



Bitcoin in 2025: Navigating High Hopes Amid Global Challenges

Bitcoin enters 2025 with high expectations but also global uncertainties. In the **United States**, the **crypto community remains optimistic**. Speculation about the potential creation of a strategic Bitcoin reserve reinforces optimism. However, these aspirations face challenges due to the unpredictable regulatory and political landscape.

Meanwhile, the European Union is moving in the opposite direction with new rules requiring large stablecoins to hold 60% of their reserves in traditional banking systems. This measure increases systemic risks but seeks to ensure greater institutional oversight, creating a challenging environment for crypto innovation.

On the other hand, Asia, led by China, has adopted a strategic approach to blockchain technology, leveraging it to reduce reliance on the US dollar and develop alternatives to the SWIFT payment system. Initiatives like mBridge aim to decentralize global financial infrastructure, **potentially displacing Bitcoin as the primary vehicle for decentralized finance** [link](#).



Weekly Paper Picks

The US dollar and capital flows to EMEs

Link: https://www.bis.org/publ/qtrpdf/r_qt2409d.htm

Over the past two decades, emerging market economies (EMEs) have shifted their external financing sources away from foreign currency bank lending to local currency bonds and equities. What does this imply for the drivers of capital flows? **We document that the strength of the US dollar against advanced economy currencies is a key driver of local currency bond and equity flows as it affects global investors' risk appetite.** Moreover, its importance has risen over the past decade, in part driven by a growing role of mutual funds among foreign investors. These findings may help EMEs achieve more stable external financing.

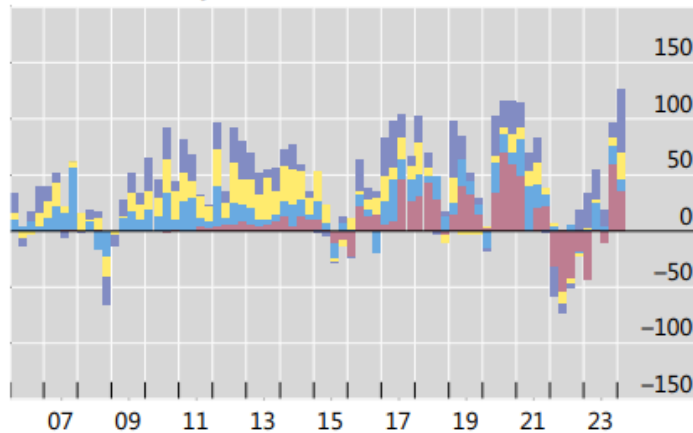


Portfolio capital and banking inflows to EMEs

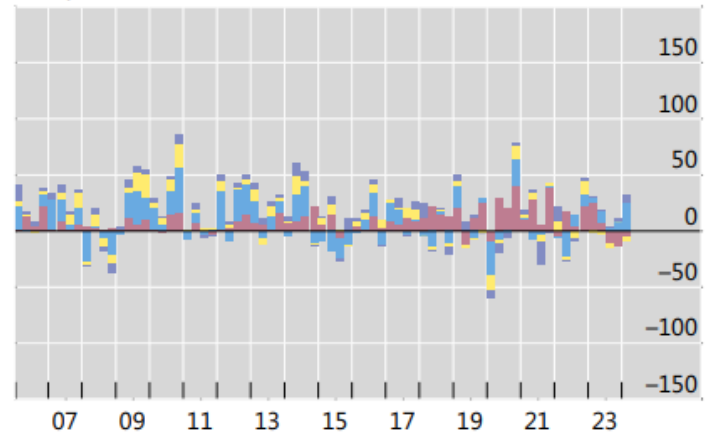
In billions of US dollars

Graph 1

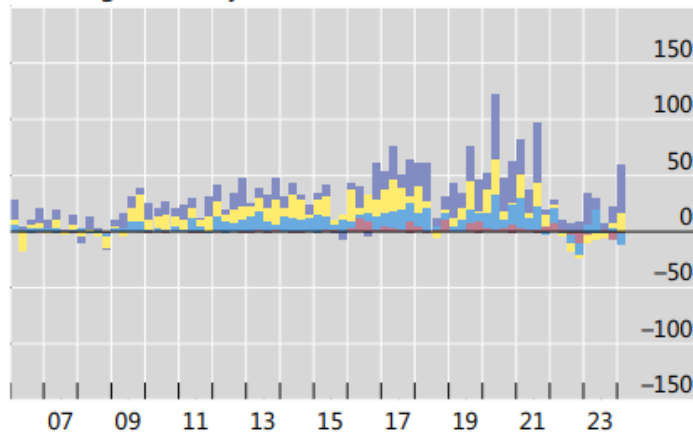
A. Local currency-denominated bonds



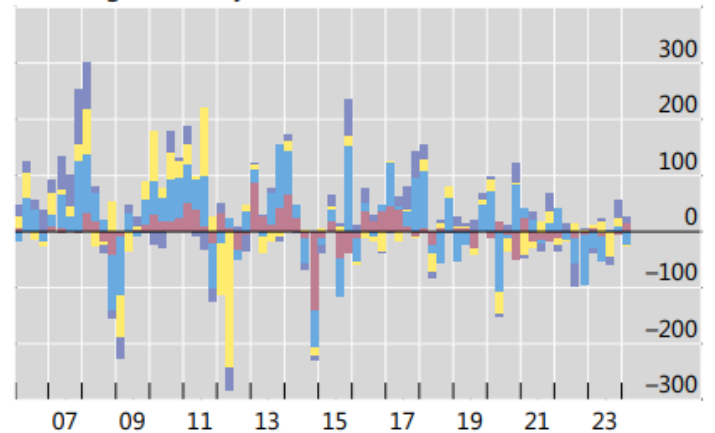
B. Equities



C. Foreign currency-denominated bonds¹



D. Foreign currency-denominated loans



China EM Asia excl China Latin America EMEA

¹ Quarterly changes in foreign currency (US dollar, yen and euro) credit, converted into the dollar across major economies in each region. China is included from Q1 2010.

Sources: IMF; BIS global liquidity indicators; BIS locational banking statistics, authors' calculations.



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