



# PKB's Market Espresso

Short. Rich. Strong.

# Tariffs, tariffs and more tariffs

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Trump has announced a fresh round of **tariffs** targeting **all** US imports of **steel** and **aluminum**, including **finished products**

- The **25% tariff** will take effect on **March 12<sup>th</sup>** and could lead to potential retaliation from trading partners
- The White House believes such measures would **lift domestic production** and **bring more jobs** to the **US** – Trump has already signaled that the **rate** on **metal tariffs** could go **higher**
- Analysts say that the **duty** will be **largely passed** on to **US consumers** if no major countries are exempted – for now **only Australia** may receive a **break** given its large imports of US-made aircrafts

## Powell - No rush to lower rates

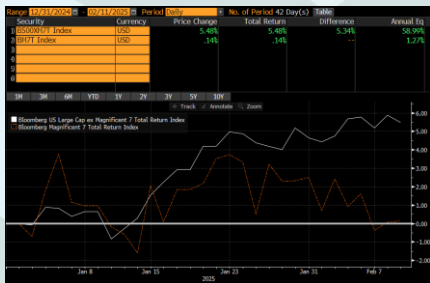
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While speaking in front of Congress, Chair **Powell signaled** once again that the **central bank** is in **no hurry to** begin **cutting** back on rates

- Powell affirms that **labor market** remains in **balance** and is not a source of inflationary pressure - **cutting too soon** could severely **hinder progress** on **inflation**
- Recent **Non-farm payroll** data showed an **increase** of **143k jobs** in January (**below expectations**) with **unemployment** rate down to **4%**
- The Federal Reserve remains on a **"wait and see" mode** and is looking for more **details** on the potential **impact** of President **Trump's economic policy plans** on the economy

# Change of leadership?

- There has been **significant rotation** happening beneath the surface of the US markets
- The technology sector is the **only one** with a negative performance since the beginning of the year, while all other sectors (where valuations are lower) **have risen**, some even by more than **6%**. This could **signal** the beginning of a market rebalancing



Source: PKB elaboration on Bloomberg Data

Sector	Perf YTD
Communication Services	7.1%
Materials	6.1%
Health Care	5.9%
Energy	5.8%
Financials	5.7%
Industrials	4.6%
Consumer Staples	4.4%
Utilities	3.5%
Main Index	3.1%
Real Estate	3.0%
Consumer Discretionary	0.6%
Information Technology	-0.4%

# Chinese technology is gaining strength

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In recent times, **China's tech sector** has experienced **positive developments**, driven by several key factors:

- **Advancements in AI Technology:** Chinese startups, such as DeepSeek, have rapidly advanced in artificial intelligence, developing models that rival leading Western counterparts
- **Increased Investment in Domestic Manufacturing:** Under President Xi Jinping, China has invested in domestic industries to reduce reliance on foreign technology
- **Growth in Electric Vehicle (EV) Market:** Companies like BYD have significantly expanded their presence in the EV sector. BYD's introduction of affordable autonomous-driving technology has widened its lead over competitors, including Tesla, in the domestic market

# Guess what's shining and climbing? Gold!

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**February** has traditionally been a **strong month for precious metals**, and 2025 appears to be no exception. Several factors are supporting gold prices—and to some extent, silver as well:

- **Geopolitical uncertainties** continue to push investors toward diversification, with safe-haven assets playing a key role
- **Central banks**, facing a loss of confidence in their currencies due to mounting debt burdens, are **increasing their purchases of real assets** to offset these risks
- Meanwhile, **China** has recently launched a **pilot program allowing** its 10 **largest insurance companies to invest up to 1% of their assets in gold**, potentially injecting over \$25 billion into the market.

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