



February Monthly Economic Market Wrap

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Founding Partner

It's been an interesting start to the year with new headlines almost daily.

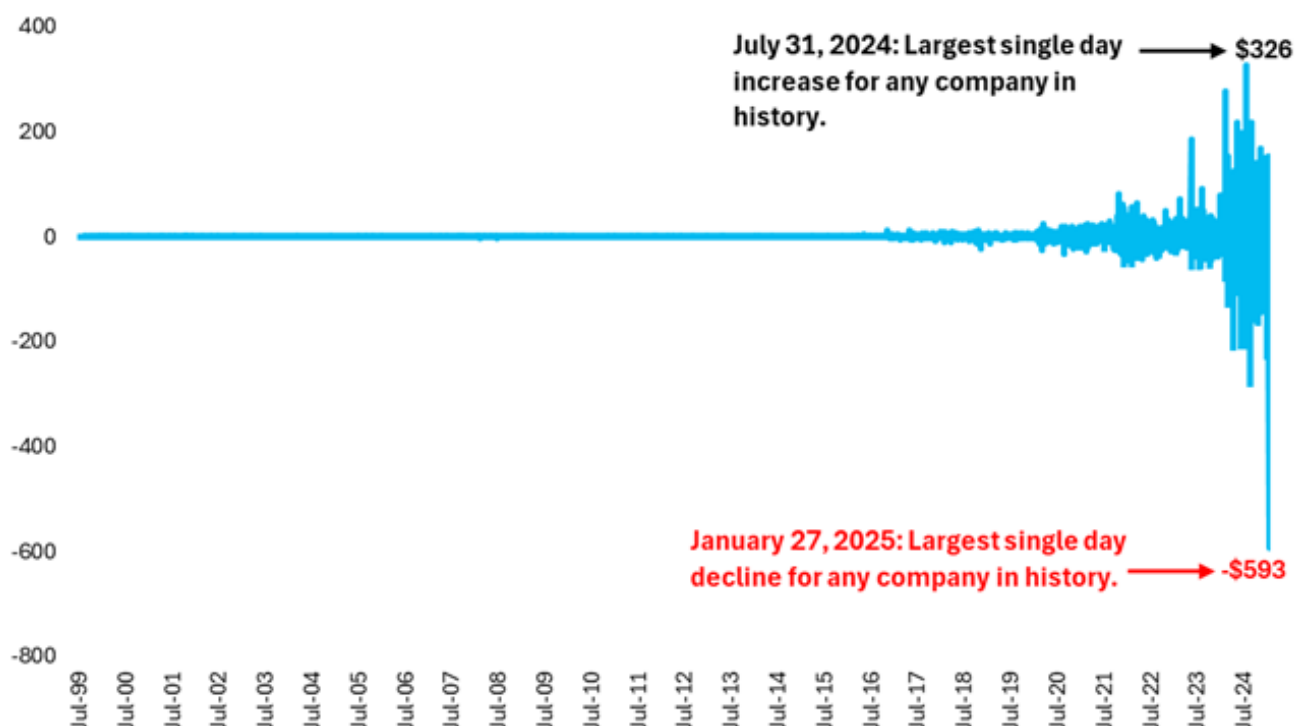
A Chinese AI start-up called DeepSeek released a Large Language Model – similar to ChatGPT. Markets reacted swiftly to the news.

Nvidia's share price dropped 17%, going from the largest company in the world with a market cap of \$3.5 trillion to the 3rd largest with a market cap of \$2.9 trillion.



Nvidia's \$593 billion market cap decline was the largest single-day decline for any company in history. The loss in value was bigger than the market cap of 487 companies in the S&P 500.

Nvidia Daily Market Cap Change (\$Billions)

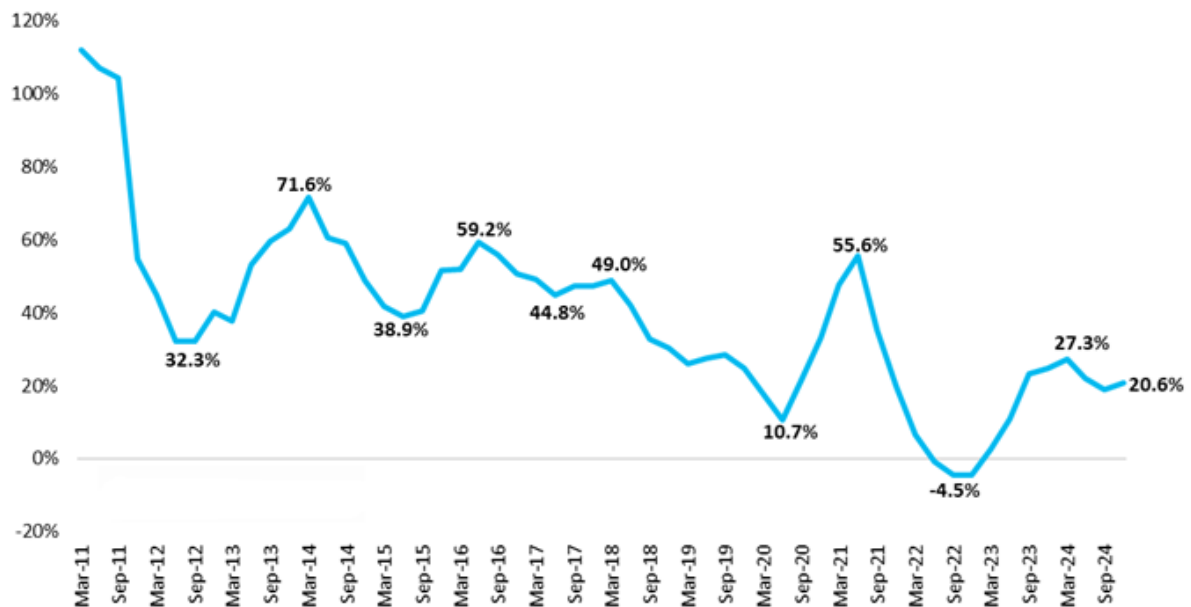


Top 10 US Market Cap Gains and Losses in One Trading Day (as of 1/28/25)					
Top Market Cap Gains			Top Market Cap Losses		
Date	Stock	Market Cap Gain (\$Billions)	Date	Stock	Market Cap Loss (\$Billions)
7/31/2024	Nvidia	\$327	1/27/2025	Nvidia	(\$593)
2/22/2024	Nvidia	\$277	9/3/2024	Nvidia	(\$279)
1/28/2025	Nvidia	\$259	2/3/2022	Meta	(\$232)
5/23/2024	Nvidia	\$218	1/7/2025	Nvidia	(\$228)
9/11/2024	Nvidia	\$216	4/19/2024	Nvidia	(\$212)
6/11/2024	Apple	\$215	6/24/2024	Nvidia	(\$208)
2/2/2024	Meta	\$204	4/29/2022	Amazon	(\$207)
4/26/2024	Google	\$197	7/17/2024	Nvidia	(\$206)
2/4/2022	Amazon	\$191	7/24/2024	Nvidia	(\$205)
11/10/2022	Apple	\$191	8/29/2024	Nvidia	(\$197)

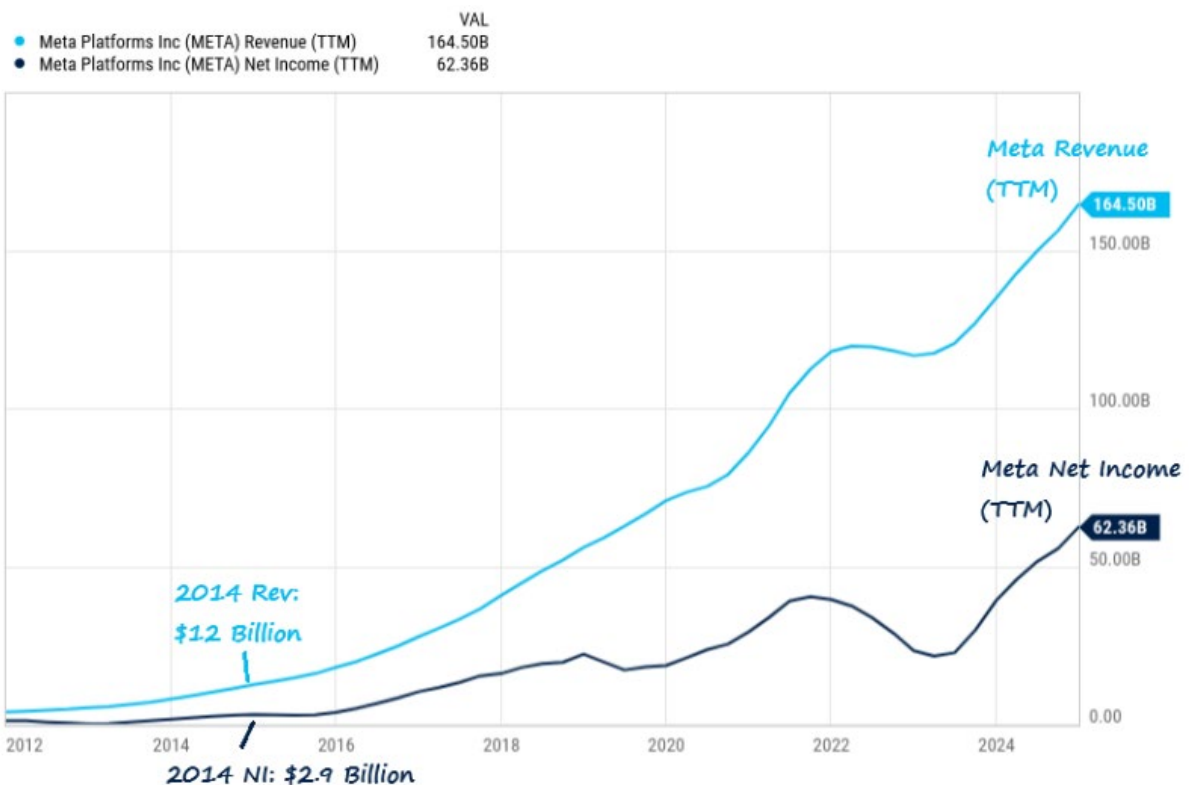
Meta (Facebook) reported Quarter 4 revenues increasing 21% over the past year to a record high \$48.4 billion.

Meta (Facebook): Revenue Growth, YoY (%)

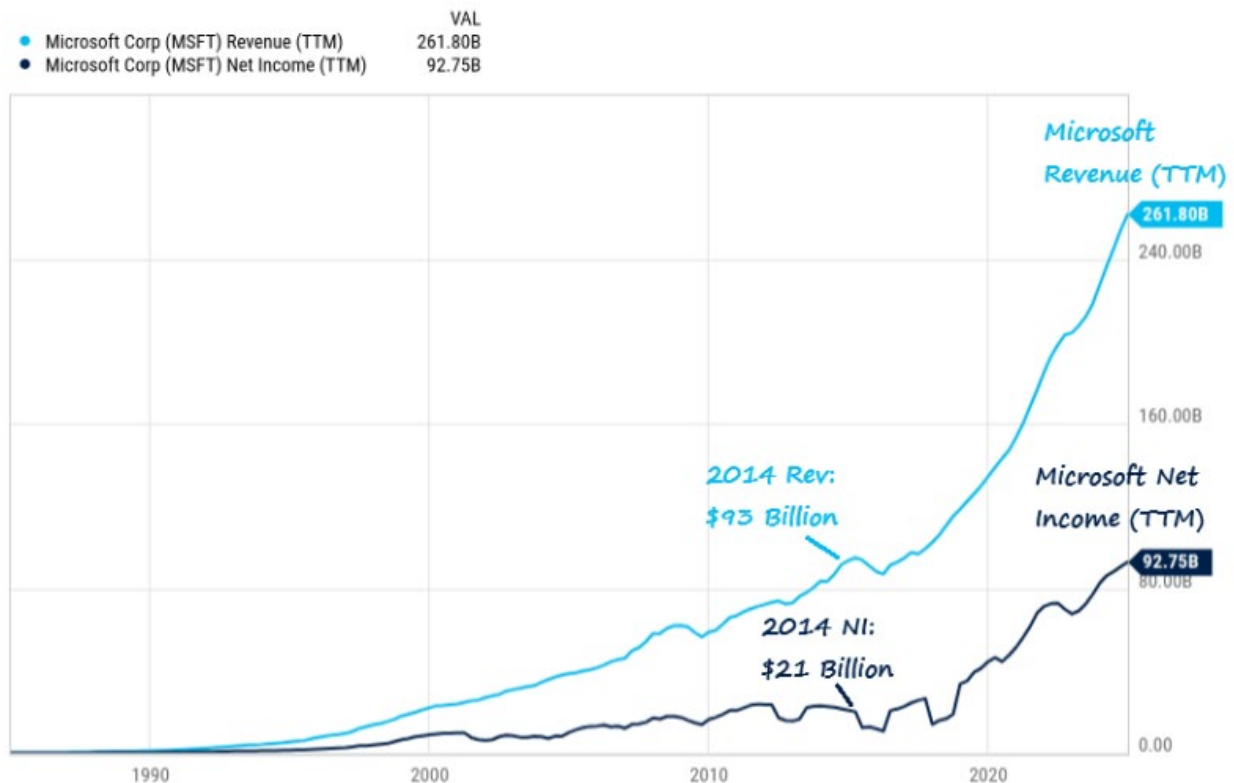
Data via YCharts



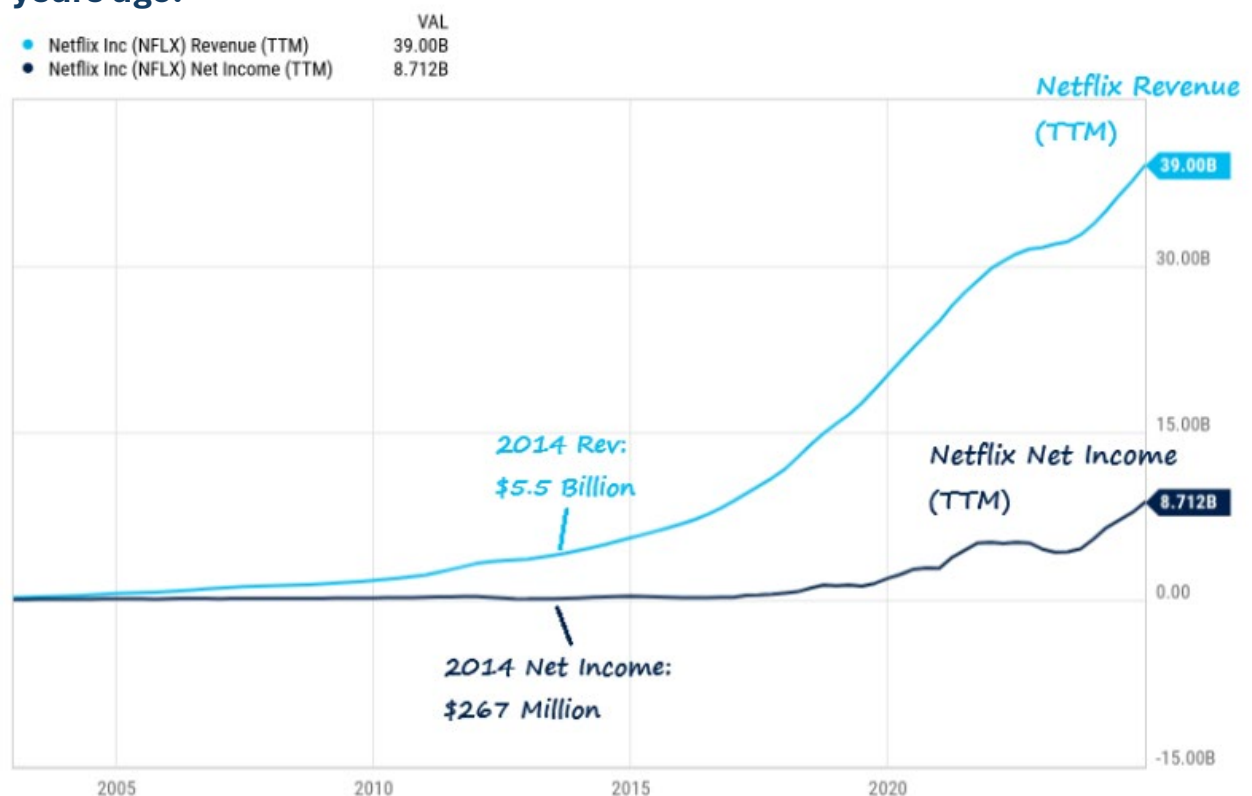
Meta generated \$164 billion in revenue in 2024, a 1,220% increase over the last ten year. Profits were 21 times higher than a decade ago, at \$62 billion.



Microsoft continues to grow, recording \$262 billion in revenue and \$93 billion in net income for 2024, both records.

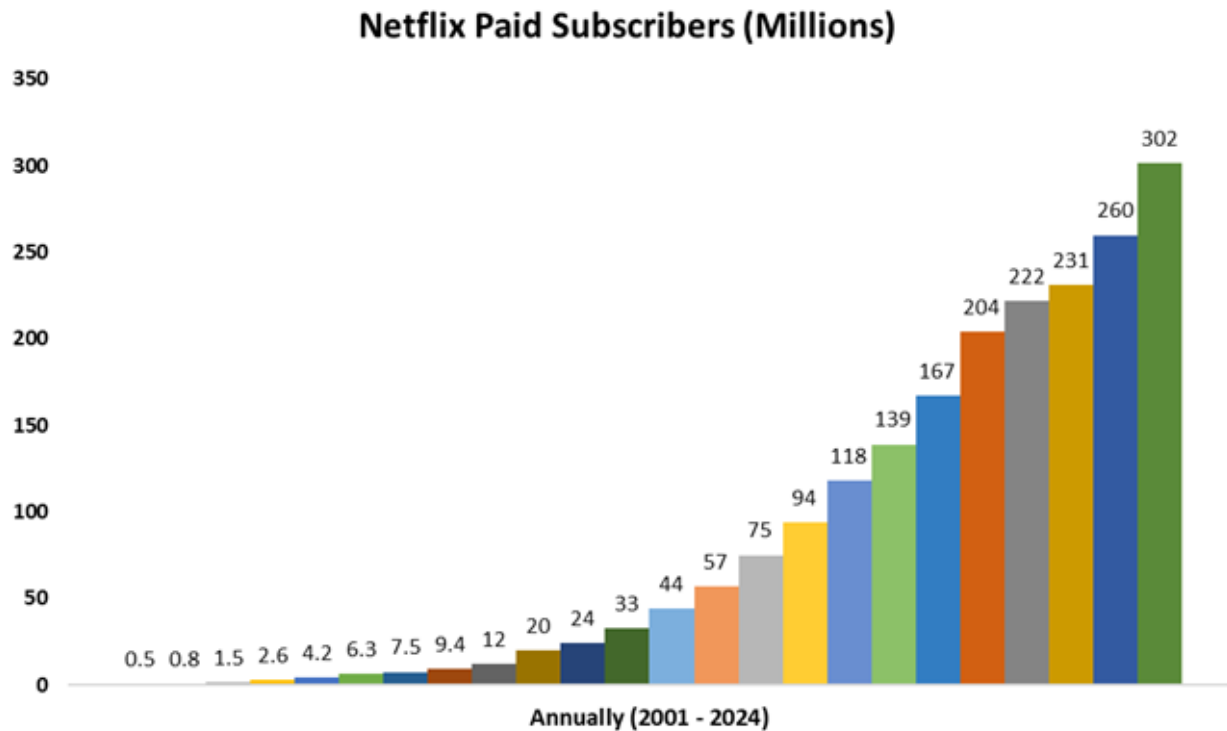


Netflix generated revenues of \$39 billion in 2024, 609% higher than ten years ago.



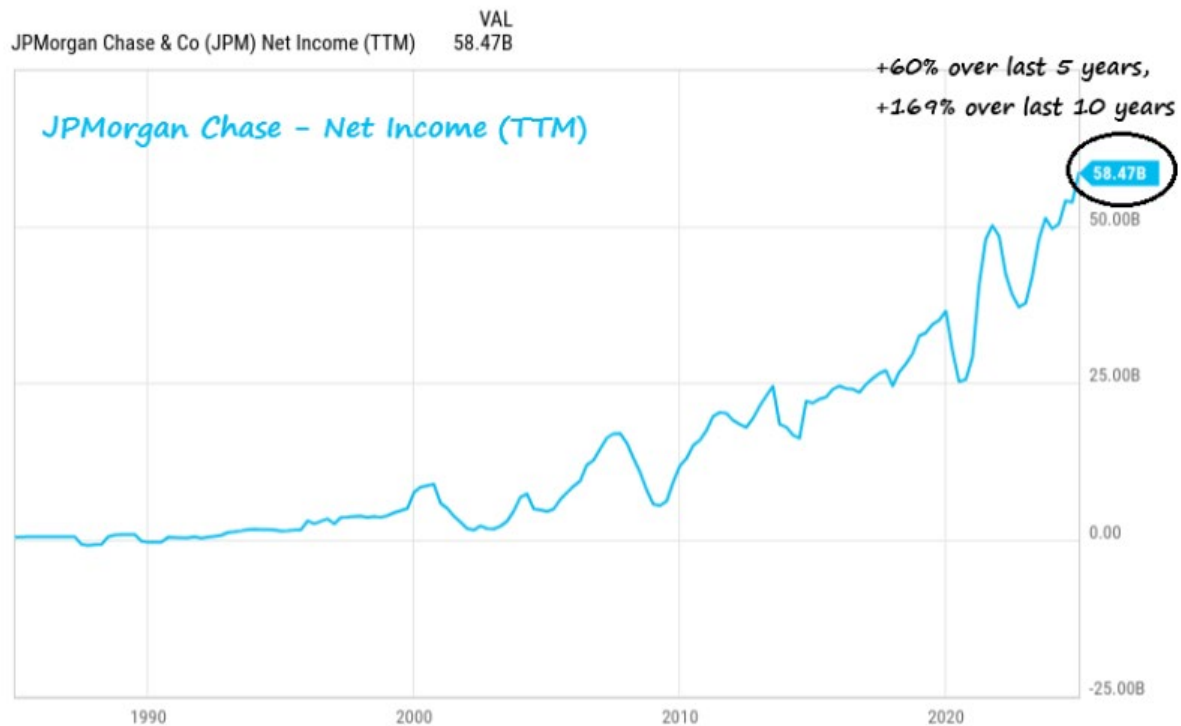
What's driving this growth for Netflix? Simple economics – more subscribers are paying higher prices.

Netflix now has 302 million paid subscribers.

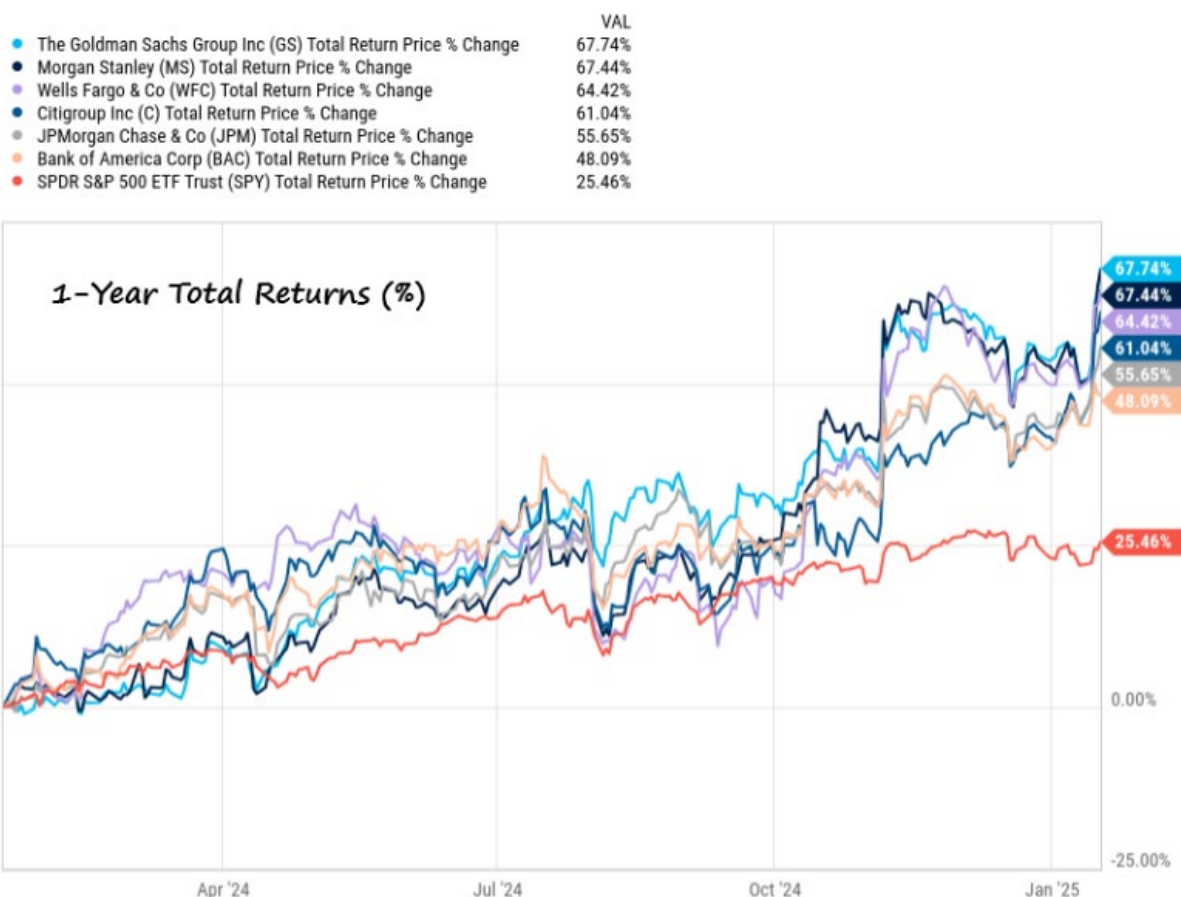


All major US banks traded higher after reporting better-than-expected profits in the 4th quarter.

JP Morgan – the world's largest bank, generated \$58 billion in net income for 2024 – a record.

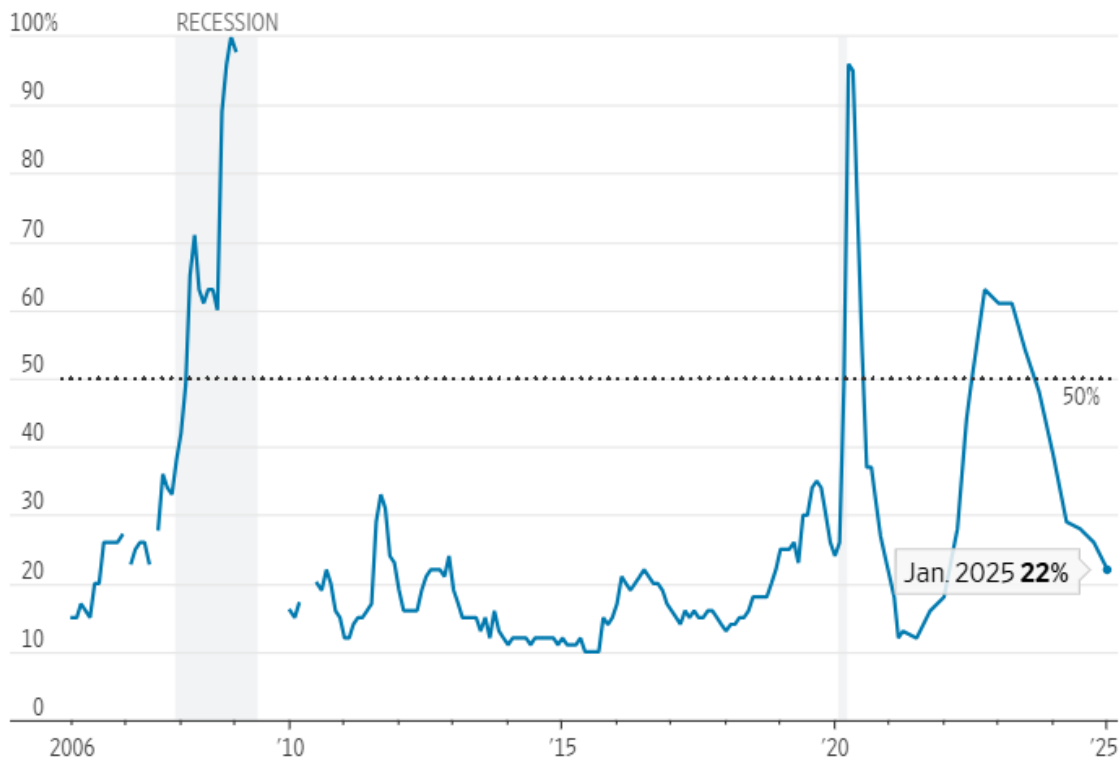


Total returns for the 6 major US banks outpaced the S&P 500 for 2024.



The current likelihood of a recession in the US, as seen by Economists is at 22%. This is the lowest probability since January 2022.

Probability the U.S. is in a recession in next 12 months including today

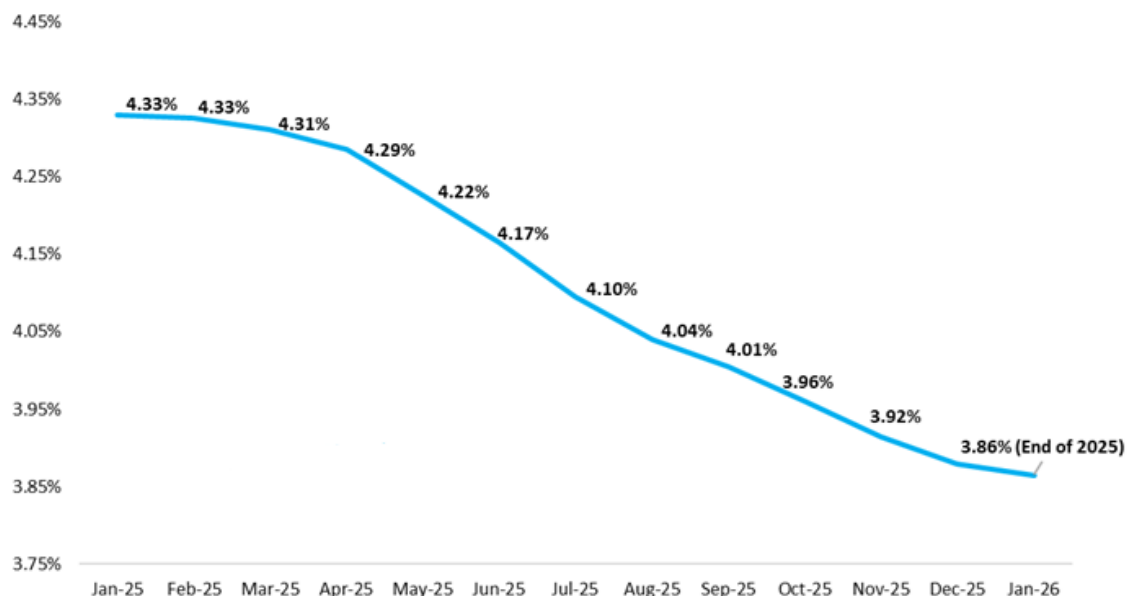


Note: Average of economists' answers. Gaps indicate question not asked or data unavailable.
Source: Wall Street Journal surveys of economists

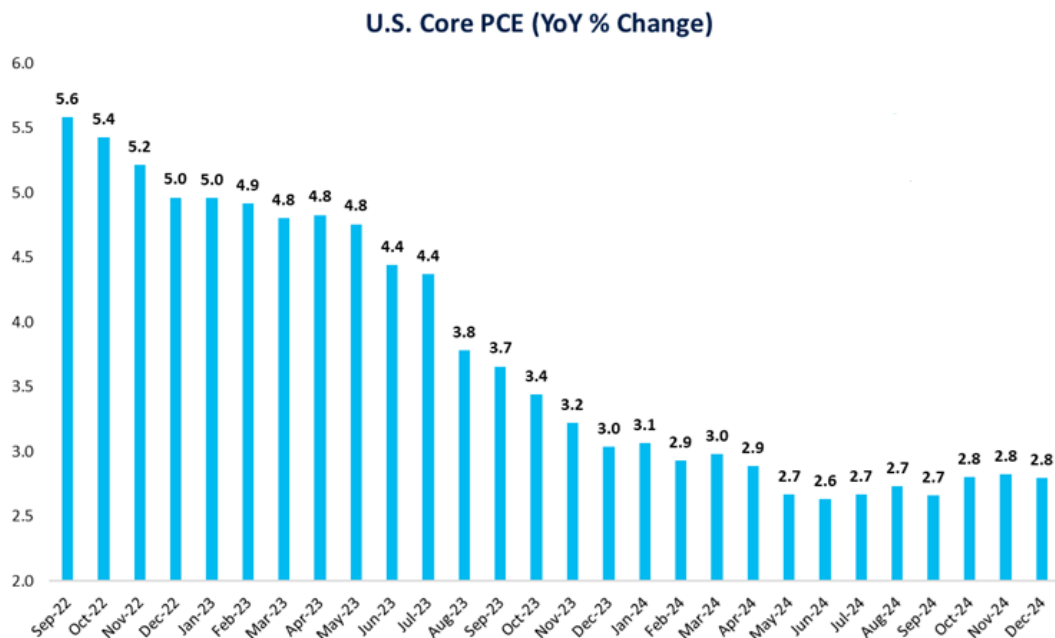
What is the Fed doing? They held interest rates at their January meeting, putting things on hold at 4.25-4.50%.

The market expects rates to stay there for now, citing elevated inflation and a solid labour market.

Market Expectations for Fed Funds Rate
(Data via Fed Funds Futures, January 2025 - January 2026)



The actual path will be dictated by data. The Fed will want to see a reversal in the upward trend of inflation. Core PCE – the Fed’s preferred measure of inflation, remained at 2.8% in December, well above the target of 2%.



The Dow Jones continued to climb for the month.

Dow Jones Industrial Average

44,873.28 ↑ 5.07% +2,166.72 1M

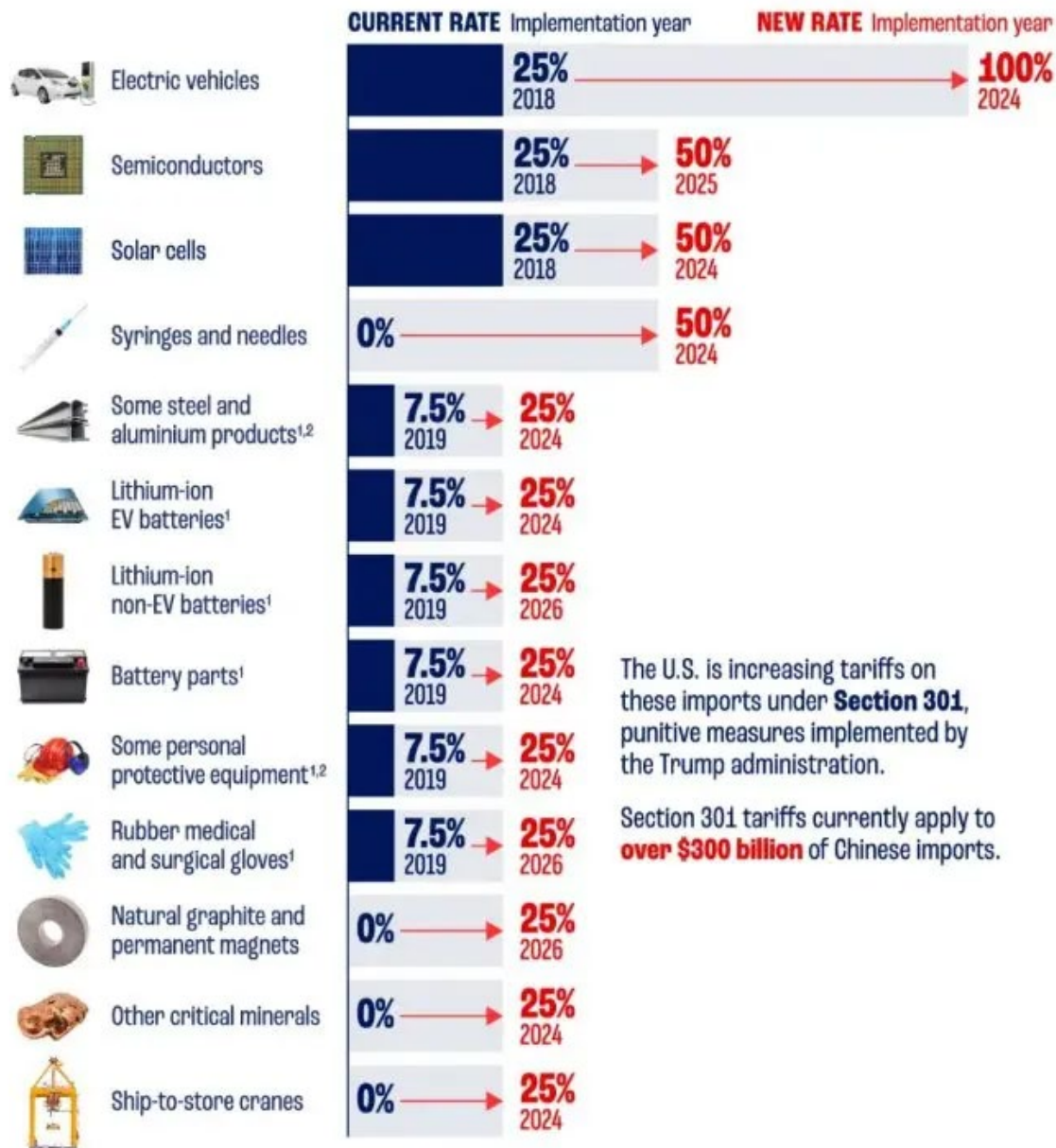
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1D 5D 1M 6M YTD 1Y 5Y MAX



President Trump announced sweeping tariffs against some of the US's biggest trade partners.

AMERICA'S TARIFF INCREASES on China



The U.S. is increasing tariffs on these imports under **Section 301**, punitive measures implemented by the Trump administration.

Section 301 tariffs currently apply to **over \$300 billion** of Chinese imports.



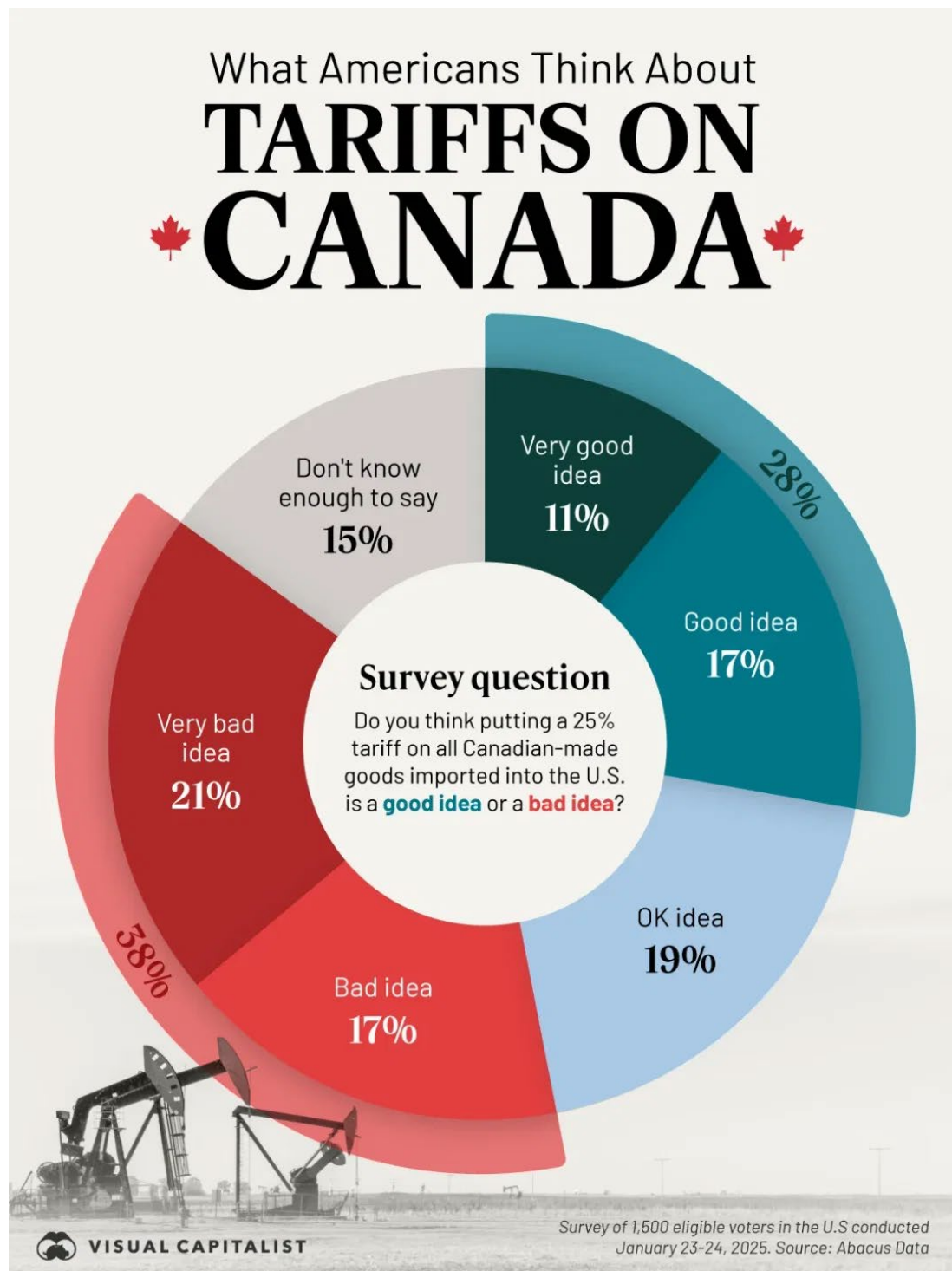
¹ Tariffs implemented in 2019 started at 15% and were reduced to 7.5% in January 2020.

² Current rate for steel and aluminium products and personal protective equipment ranges from 0 to 7.5%.

Source: The White House

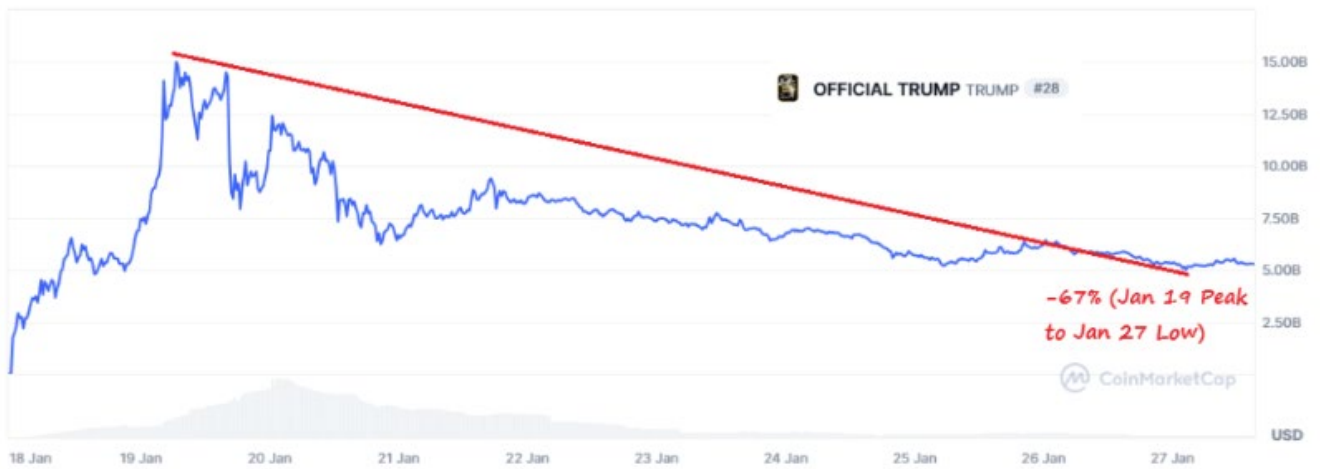
He has put some of the proposed tariffs on ice. Time will tell if they are a negotiating tactic or not.

What do American's think of tariffs on Canada.



It is a mixed response with a slight lean towards a bad idea.

Interestingly, Trump launched his very own cryptocurrency a few days before taking office. It has not fared well since its launch.



How has the Australian market responded to Trump's tariff announcements?

We saw some volatility but are still trending upwards.

All Ordinaries

8,771.40 ↑ 2.99% +254.90 1M

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1D 5D 1M 6M YTD 1Y 5Y MAX



S&P/ASX 200

8,507.80 ↑ 3.03% +250.40 1M

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1D 5D 1M 6M YTD 1Y 5Y MAX



It is difficult to predict what headline is going to be next. Even more difficult to predict how the market will react.

Market performance as at 31 January 2025

Schroders

Note all returns are in AUD not local ccy

Name		MTD	QTD	YTD	1 Year	3 Years p.a.	5 Years p.a.	10 Years p.a.
S&P / ASX 200 Accumulation Index	<i>Australian Equities</i>	4.6%	4.6%	4.6%	15.2%	11.4%	8.0%	8.6%
S&P / ASX 200 Small Ordinaries	<i>Australian Small Caps</i>	4.6%	4.6%	4.6%	12.3%	3.1%	4.3%	7.7%
MSCI World Index	<i>Global Equities</i>	2.8%	2.8%	2.8%	29.2%	14.6%	14.2%	13.6%
MSCI Emerging Markets	<i>Emerging Markets</i>	1.1%	1.1%	1.1%	22.2%	3.9%	4.9%	6.5%
ASX200 A-REIT AC	<i>Listed Property</i>	4.7%	4.7%	4.7%	22.4%	8.6%	5.6%	8.1%
Bloomberg Barclays Global Aggregate (I)	<i>Global Bonds</i>	0.4%	0.4%	0.4%	2.9%	-1.2%	-0.7%	1.7%
Bloomberg AusBond Composite (0+Y) (I)	<i>Australian Bonds</i>	0.2%	0.2%	0.2%	2.9%	-0.4%	-0.6%	1.8%
Australia - 90 Day Bank Bills	<i>Cash</i>	4.4%	4.4%	4.4%	4.3%	0.1%	0.9%	2.6%
Australian Dollar vs US Dollar	<i>AUD vs USD</i>	0.4%	0.4%	0.4%	-5.4%	-4.2%	-1.5%	-2.2%
Australian Equities								
Large (ASX50)		4.3%	4.3%	4.3%	14.6%	12.5%	8.0%	8.4%
Mid (ASX51 - 100)		5.6%	5.6%	5.6%	21.3%	9.5%	10.2%	11.5%
ASX 200		4.6%	4.6%	4.6%	15.2%	11.4%	8.0%	8.6%
ASX Small Ords		4.6%	4.6%	4.6%	12.3%	3.1%	4.3%	7.7%
Australian Sectors								
Consumer Discretionary		7.1%	7.1%	7.1%	29.5%	12.3%	11.3%	11.9%
Energy		3.0%	3.0%	3.0%	-15.7%	8.4%	-0.2%	2.2%
Health Care		3.2%	3.2%	3.2%	6.4%	6.7%	1.7%	11.7%
Information Technology		4.2%	4.2%	4.2%	54.3%	18.6%	13.6%	15.6%
Materials		4.0%	4.0%	4.0%	-5.7%	5.3%	9.3%	11.7%
Industrials		3.4%	3.4%	3.4%	19.0%	12.4%	5.2%	9.6%
Consumer Staples		0.7%	0.7%	0.7%	-0.4%	2.1%	0.8%	5.7%
Communication Services		2.4%	2.4%	2.4%	6.9%	7.2%	7.8%	1.2%
Utilities		-2.4%	-2.4%	-2.4%	16.4%	14.5%	6.9%	8.9%
Financials		6.1%	6.1%	6.1%	35.2%	19.7%	12.4%	8.5%
A-REIT		4.7%	4.7%	4.7%	22.4%	8.6%	5.6%	8.1%
Global Equity								
Global (MSCI World Index)		2.8%	2.8%	2.8%	29.2%	14.6%	14.2%	13.6%
GEM (MSCI EM)		1.1%	1.1%	1.1%	22.2%	3.9%	4.9%	6.5%
MSCI World Index Growth		2.2%	2.2%	2.2%	34.6%	16.4%	16.8%	16.1%
MSCI World index Value		4.4%	4.4%	4.4%	24.5%	12.7%	11.0%	10.7%
MSCI World Large Cap		3.0%	3.0%	3.0%	29.8%	15.7%	15.0%	14.1%
MSCI World Small Mid		3.5%	3.5%	3.5%	23.2%	10.0%	10.1%	10.9%
S&P 500		2.3%	2.3%	2.3%	31.8%	15.0%	15.1%	14.2%
FTSE 100		4.7%	4.7%	4.7%	17.4%	6.8%	3.8%	2.8%
TOPIX		1.3%	1.3%	1.3%	11.9%	10.2%	7.0%	8.9%
MSCI AC Asia		0.7%	0.7%	0.7%	20.7%	6.5%	6.2%	7.8%
MSCI Europe		6.4%	6.4%	6.4%	16.2%	10.3%	9.1%	8.7%
NASDAQ Composite Index		1.3%	1.3%	1.3%	37.8%	17.1%	19.2%	19.3%

Welcome to the Australian Bureau of Statistics

Population
27,204,809
30 June 2024

Consumer price index
2.4%
Annual change December 2024 quarter

Gross domestic product
0.3%
Quarterly change Sep 2024

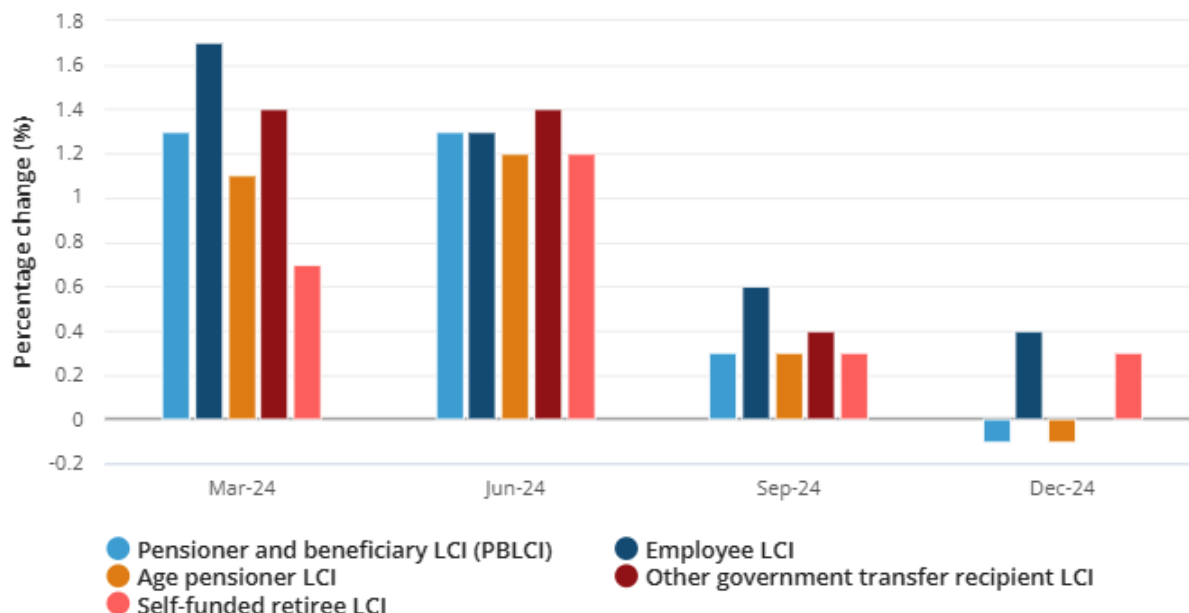
Average weekly earnings
\$1,923.40
May 2024

Unemployment rate
4.0%
December 2024

With a Federal Election on the cards this year, there will be a lot of talk around cost of living.

Cost of living pressures started to ease towards the end of last year. Or rather, didn't increase as much as the start of the year.

Selected Living Cost Indexes (LCIs) by household type, All groups, quarterly movement (%)

[Graph](#)
[Table](#)
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Alcohol and tobacco, Recreation and culture and Insurance and financial services rose across all household types.

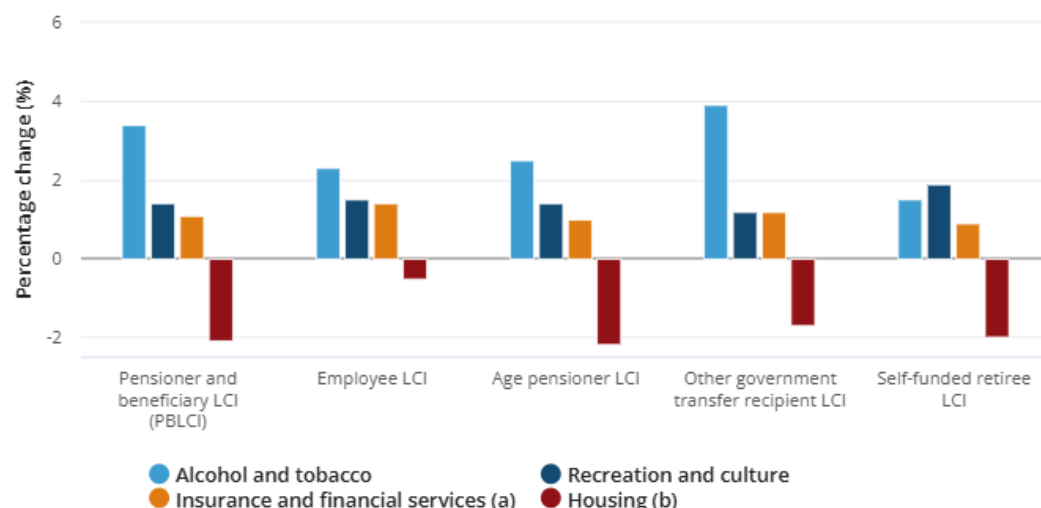
Here are the main contributors to last quarters changes.

Selected Living Cost Indexes (LCIs) by household type, main contributors to the quarterly movement (%) (a) (b)

Graph

Table

Download



a. Mortgage interest charges is included in Insurance and financial services.

b. Housing includes Rents, Utilities, and Other housing (Property rates and Maintenance and repair of the dwelling).

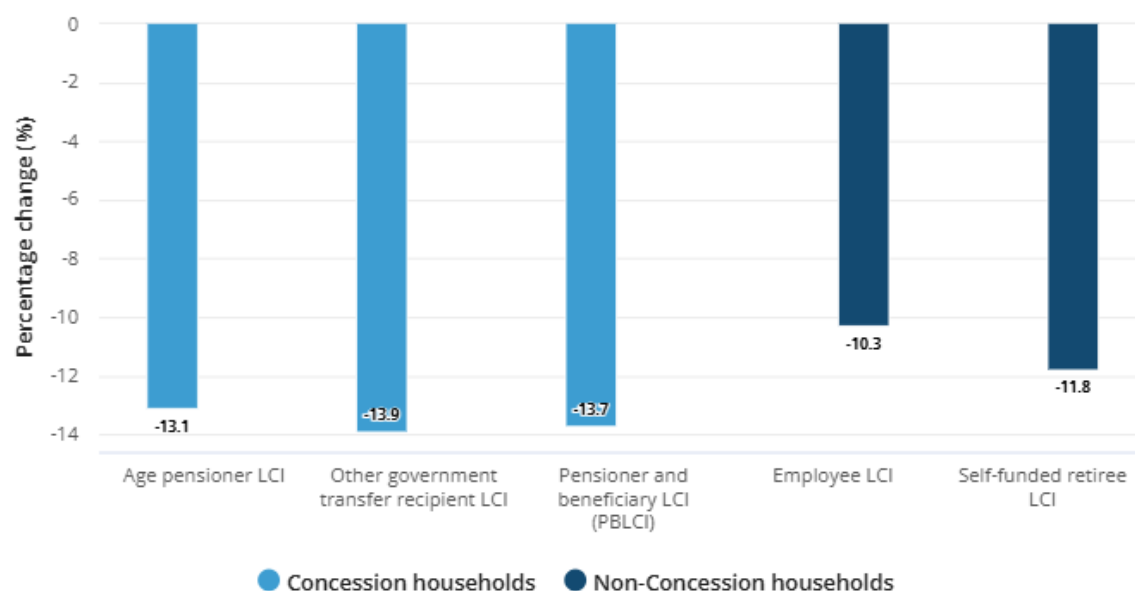
Housing pressures eased, largely due to energy subsidies.

Selected Living Cost Indexes (LCIs) by household type, Electricity, quarterly movement (%)

Graph

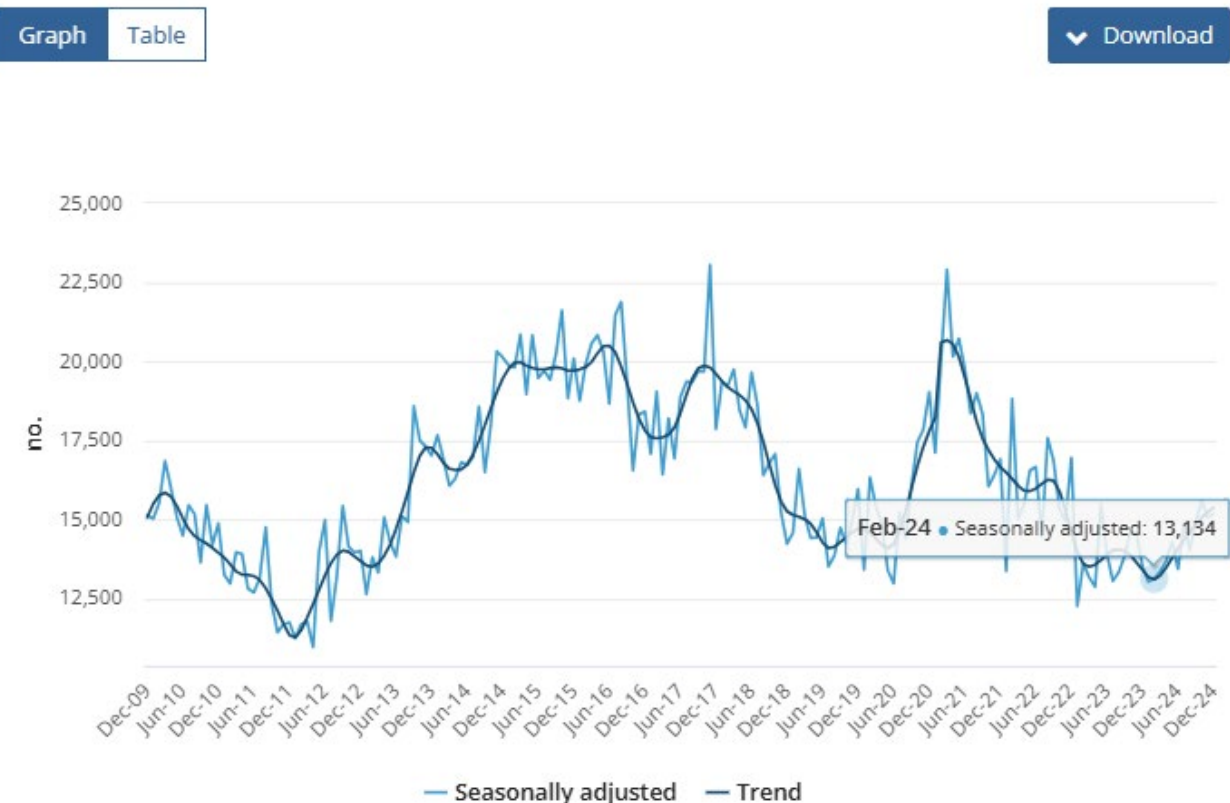
Table

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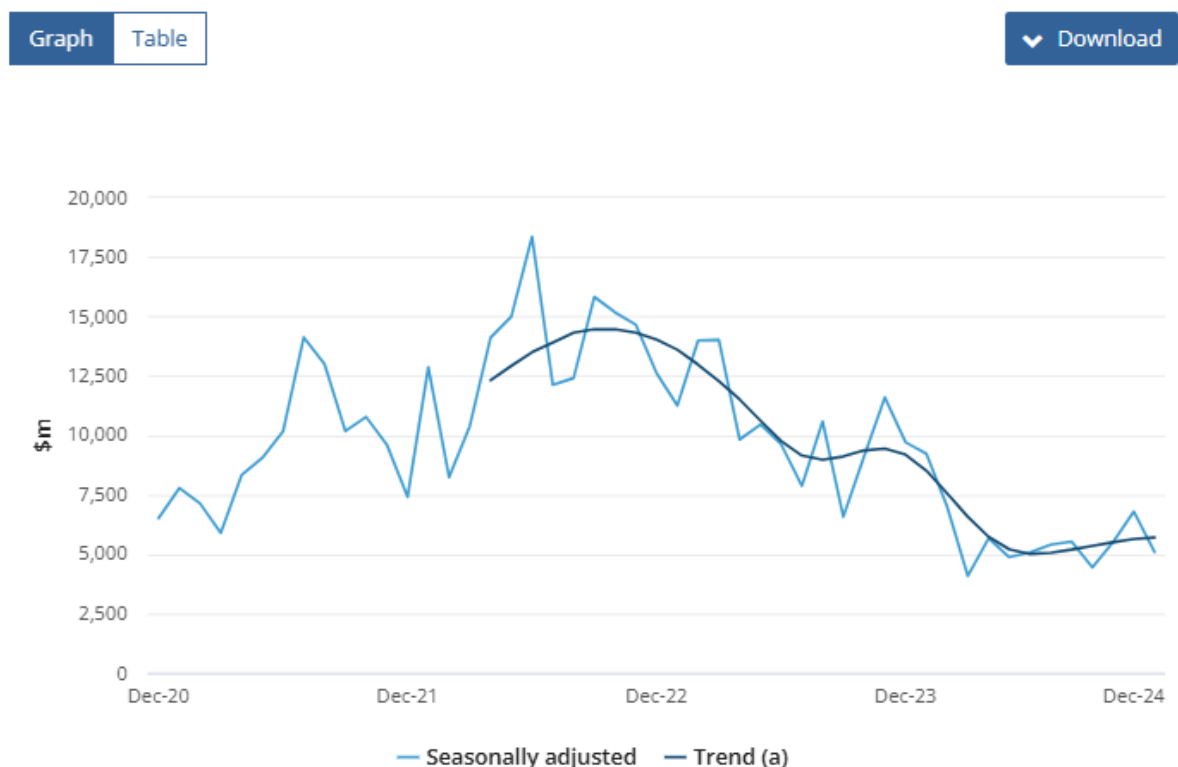
Number of dwellings approved rose 0.7% in December after falling 3.4% in November.

Dwelling units approved (a)

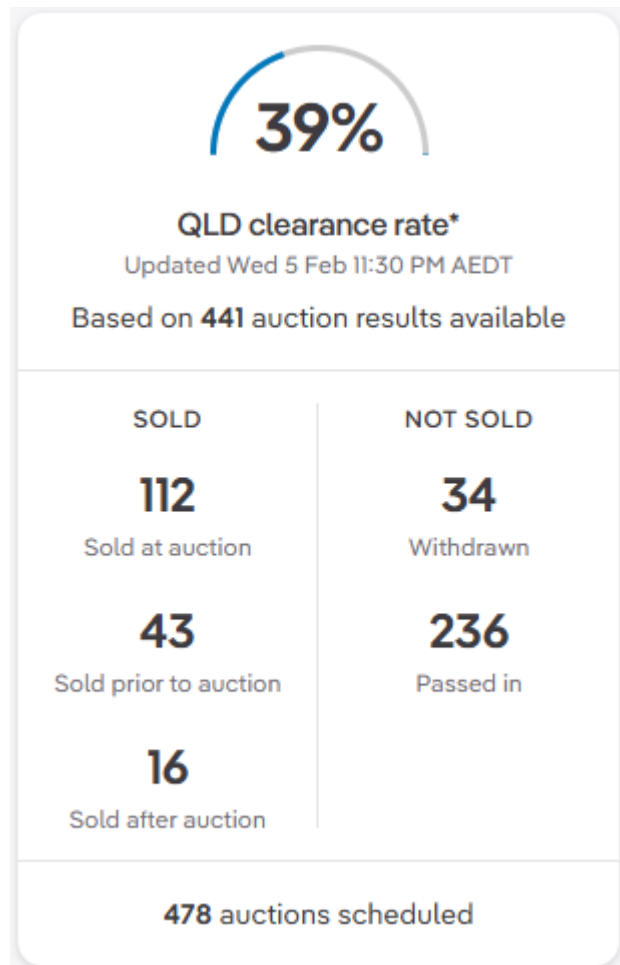


We saw a dip on balance of goods for December. What happens from here could be dependent on trade policies around the globe. We might have a better idea once the dust settles.

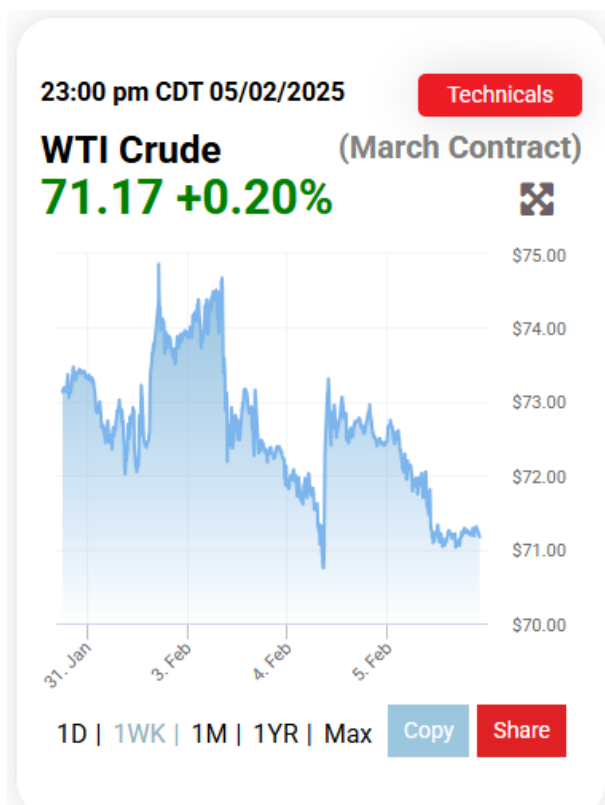
Balance on goods



Auction clearance rates have bounced back since the start of the year. Volume has increased as well.

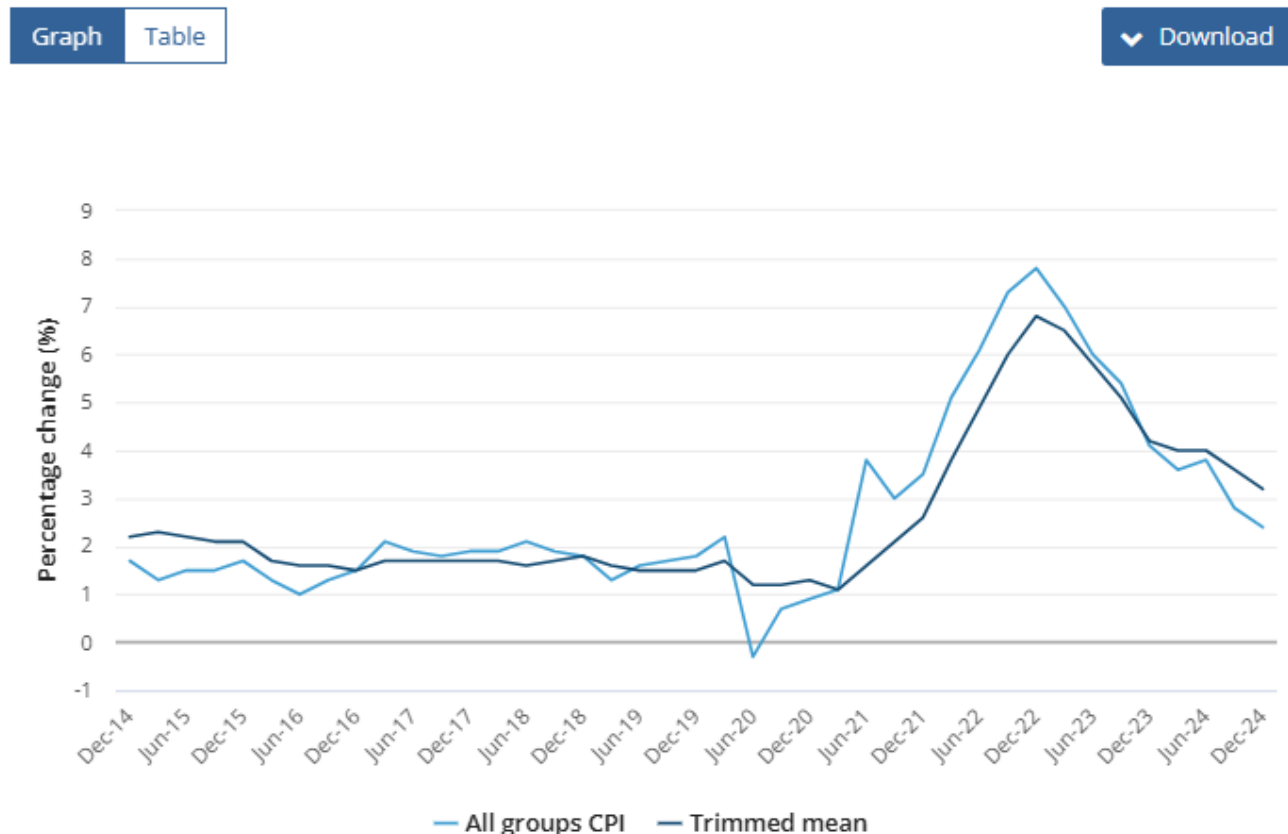


And we've seen a sharp decline in petrol prices.



The RBA will meet again later this month. While many of these factors lend themselves to the argument that they should reduce rates, their discussions have been around keeping inflation sustainably in the target range of 2-3%.

All groups CPI and Trimmed mean, Australia, annual movement (%)



Headline inflation was 2.4% for December, but the trimmed mean (which excludes things like energy rebates) was at 3.2%.

General advice warning:

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