



Dear clients, Dear readers,

The party on the financial markets seemed to continue in January!

But as always, we need to put things in perspective.

January was an excellent month for European stock markets, boosted by the momentum of Trump's election, hopes of deals with the US administration to avoid the much-maligned trade war, the firm belief that the European Central Bank (ECB) will continue its gradual interest rate cuts, and relatively attractive valuations in the main European markets.

In the United States, the message from the markets was less clear.

Federal Reserve Chairman Jerome Powell said that there was no need to rush to adjust US interest rates.

Donald Trump has been very aggressive towards Mexico, Canada and China.

He has promised 25 percent tariffs on the first two and a 10 percent hike on tariffs on China.

A real threat or a bluff?

At the time of writing, Trump had frozen the application of these gung-ho policies on Mexico and Canada for one month because of their promises to act on immigration and tighten controls on the illegal importation of Fentanyl (an opioid painkiller used as a drug) into the United States.

Donald Trump's hawkish tone has repercussions on the stock markets.

With each of his statements, we notice more volatility and spikes in tension in trading sessions.

Beijing responded to Trump by imposing additional tariffs on several products, including automobiles, coal and liquefied natural gas.

Chinese growth in the last quarter of 2024 was fairly low (5% year-on-year), making these tensions particularly unwelcome.

A trade war would, at least initially, be harmful to all stakeholders, including the United States.

How will the champion of the fight against inflation and the defender of households' purchasing power explain to his voters that this war will inevitably push up the prices of products sold in the United States, probably leading to a rise in interest rates that could endanger US growth?

As Europeans, we might think that Trump wants to use strong threats to achieve his goals, but that ultimately, he will take a more reasonable and pragmatic approach.

But Trump is not European, and his unpredictability is, by definition, an unknown.

On the bond market, the uncertainties surrounding US interest rate trends are currently limiting the performance of this asset class.

The trade tensions are also influencing the major exchange rates.

The dollar-euro exchange rate fluctuated in line with the US administration's statements, rising by only 0.50% last month.

We remain overall confident for 2025 without ruling out market turmoil and increased volatility.



Performance of the main markets in 2025

	January 2025
EURO STOXX 50	7.98%
STOXX Europe 600	6.29%
BEL 20	1.44%
S&P 500	2.70%
S&P 500 Equal Weight	3.40%
NASDAQ 100	2.22%
NIKKEI 225	-0.81%
HANG SENG	0.82%
MSCI EMERGING	1.66%
MSCI WORLD	3.47%

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