Market Recap 23/03/2025

USA

Major U.S. indices managed to close in positive territory on Friday, recovering from earlier losses after President Trump suggested some flexibility on tariffs, while several megacap stocks had a comeback. The S&P 500 edged higher by 0.1%, the Dow Jones added 32 points, and the Nasdaq gained 0.5%. Trading was particularly volatile due to a "quadruple witching" event, where stock options, index futures, index options, and single-stock futures all expired simultaneously.

Despite Trump's mention of flexibility in his tariff decisions, he emphasized that tariffs would be reciprocal, with countries imposing charges on the U.S. facing similar measures in return. Market pressure remained high due to disappointing earnings forecasts from major companies. FedEx plunged 6.4% after cutting its earnings outlook amid industrial weakness, while Nike dropped 5.5% on lower sales projections.

For the week, the S&P 500 closed slightly higher, barely breaking a four-week losing streak, while the Dow added 1.2% and the Nasdaq ended mostly flat.

	Friday's Close	Week's % Change	Year to date % Change
Dow Jones Industrial Average	41985.35	1.20%	-1.31%
S&P 500	5667.56	0.51%	-3.64%
NASDAQ Composite	17784.05	0.17%	-7.91%
Russell 2000	2056.98	0.63%	-7.77%
Russell 3000 Value	2405.58	2.78%	0.75%
Russell 3000 Growth	2913.06	2.88%	-7.86%

Source: Yahoo Finance, Bocconi Students Investment Club

In the rates market, the yield on the 10-year US Treasury note fell to 4.2% on Friday, approaching its lowest level in over two weeks as markets continued to assess risks of an economic slowdown and the Federal Reserve's potential response. The Fed held rates unchanged this week, but its dot-plot indicated that policymakers still foresee two 25bps rate cuts this year amid expectations of lower growth and higher unemployment.

Following the Fed's decision, traders began pricing in three rate cuts by the end of the year, up from prior expectations of just two cuts. This shift occurred despite projections for higher inflation, although Chairman Powell emphasized that policymakers view the inflationary impact of tariffs as temporary.

Bond prices were also supported by the Fed's announcement that it would slow its balance sheet runoff to address signs of lower underlying liquidity. The central bank's Treasury holdings will now be reduced by $5 billion per month instead of $20 billion, while the $35 billion runoff for mortgage-backed securities remains unchanged.

Treasury Bonds	Friday's Yield	Weekly Ch. In Yield (bps)
2Y	3.97%	-6.3
5Y	4.00%	-9.2
10Y	4.26%	-5.9
30Y	4.59%	-2.9

Source: Yahoo Finance, Bocconi Students Investment Club

Europe and UK

In the Eurozone, we saw a downward trend across major stock indexes, with most markets closing lower on Friday. The STOXX 600 fell 0.6% to close at 550, while the STOXX 50 lost 0.4% to end at 5420. Despite Friday's losses, both indices managed to close in positive territory.

The industrial sector led the losses, with Siemens and Schneider dropping more than 2% each. DHL sank 2.4% following a fire in London Heathrow Airport's electrical grid that forced the hub to shut down for the day, disrupting flights and affecting airlines across the index.

Market sentiment remained cautious after ECB Governing Council heads Lagarde and De Guindos warned of risks to the bloc's output. Investors also reduced exposure to risk assets amid potential escalation in EU and US tariffs expected in the coming week.

The DAX closed slightly lower on Friday, marking its third straight session of losses and a second consecutive week of declines. Siemens was among the worst performers, dropping nearly 2% after announcing changes to its voting rights structure. On a more positive note, German lawmakers approved public borrowing reforms to boost defense spending. Following this development, Deutsche Bank economists revised their long-term forecasts, predicting Germany's GDP growth to reach 1.5% in 2026 and 2.0% in 2027

The UK's FTSE 100 fell over 0.5% on Friday, dragged down by travel disruptions and disappointing earnings reports. JD Sports dropped more than 4% after Nike's gloomy outlook, while miners Antofagasta and Glencore lost over 4% and 3%, respectively, as metal prices declined. Travel stocks also suffered, with IAG down 2.1% and EasyJet falling 0.7% following the Heathrow Airport shutdown. Despite these setbacks, the FTSE 100 managed a small weekly gain as the Bank of England maintained interest rates at 4.5. UK public borrowing figures for February painted a concerning picture, with the deficit surging to £10.7 billion, far exceeding the £7 billion forecast and marking the fourth-largest February deficit since 1993.

Italy's FTSE MIB dropped 0.4% to close at 39035 on Friday, extending its correction from a 17-year high. Key decliners included Leonardo and Nexi, down -3% and -5% respectively. Nevertheless, the index recorded a slight weekly gain.

	Friday's Close	Week's % Change	Year to date % Change
STOXX Europe 600	549.67	0.56%	8.28%
DAX (Germany)	22981.68	-0.41%	14.98%
CAC 40 (France)	8042.95	-0.38%	8.97%
FTSE MIB (Italy)	39035.71	0.98%	14,19%
FTSE 100 (UK)	8646.79	0.17%	5.80%

Source: Yahoo Finance, Bocconi Students Investment Club

In the EU rates market, bond yields eased across major countries as investors reacted to comments from ECB officials and the Federal Reserve. Italy's 10-year yield fell toward 3.8%, from an eight-month high of 3.997% reached on March 14th. Germany's 10-year Bund yield dipped toward 2.75%, moving further from its 13-year high of 2.94%, while France's 10-year OAT yield declined toward 3.45%, extending its correction from a 14-year peak of 3.615%.

ECB President Lagarde's warned European lawmakers that a 25% US tariff on European imports could reduce euro area growth by 0.3% in the first year. However, she reassured on inflation risks, signaling the ECB would not respond with rate hikes.

The UK's 10-year gilt yield remained around 4.7% following the Bank of England's decision to keep interest rates steady. UK unemployment held at 4.4%, while wage growth slowed slightly to 5.8% including bonuses, both aligning with market expectations.

Looking ahead, European markets face major risks, as the implementation of US tariffs approaches on April 2nd, with the EU having delayed its countermeasures until later in the month. Investors are now pricing in just two rate cuts, likely in April and June, reflecting concerns about inflation from trade tensions.

10Y Gov. Bonds	Friday's Yield	Week's change (bps)
Germany	2.77%	-11.05
France	3.47%	-9.94
Italy	3.88%	-11.91
Spain	3.40%	-10.65
UK	4.72%	4.72

Source: Yahoo Finance, Bocconi Students Investment Club

Rest of the World

Japan's stock market showed mixed signals on Friday as markets reopened after a mid-week holiday, with the Nikkei 225 Index slipping 0.2% to close at 37677.

Japan's core inflation slowed to 3% in February from 3.2% in January but still exceeded forecasts of 2.9%. This marked the second consecutive month that inflation came in above expectations, increasing the probability for further rate hikes. Japan's core inflation has now remained above the BOJ's 2% target for nearly three years.

Chinese markets extended their losing streak, with the Shanghai Composite falling 1.29% to close at 3365. This marked a third consecutive session of losses as investors engaged in profit-taking following recent gains. Sentiment was further dampened by the approaching April 2 deadline for US President Donald Trump's reciprocal tariffs. Technology stocks were particularly negative, with high losses from BYD Company -7%, Talkweb Information -9% and Merit Interactive -6%.

	Friday's Close	Week's % Change	Year to date % Change
Nikkei 225	37677.06	2.41%	-5.56%
CSI 300	3914.7	-2.29%	-0.51%
Shanghai Composite	3364.83	-1.79%	0.39%
Hang Seng	23689.72	-1.13%	18.09%

Source: Yahoo Finance, Bocconi Students Investment Club

The Ibovespa gained 0.2% to close at 132190 points on Friday, securing a 2.5% weekly rise as investors reacted positively to Brazil's 2025 budget approval and central bank monetary policy. Brazil's central bank raised interest rates by 100 bps for the third consecutive meeting, but announced a potential slowdown in future hikes amid signs of economic slowdown.

Turkey's stock market faced its most severe weekly decline since the 2008 financial crisis, with the BIST-100 index losing 15% this week due to political instability. Trading was halted twice on Friday, with the index down 7.82% and the banking index falling 9.37% by late trading. The market crash followed the detention of Istanbul mayor Ekrem Imamoglu, widely considered President Erdogan's main political rival, spreading protests across the nation.

	Friday's Close	Week's % Change	Year to date % Change
BIST-100 (Turkey)	9044.64	-16.73%	-8.00%
IPC Index (Mexico)	52672.42	0.36%	6.38%
Bovespa (Brazil)	132344.88	2.63%	10.03%
Kospi (South Korea)	2643.13	2.99%	10.15%
S&P/ASX 200 (Australia)	7931.2	1.82%	-2.79%

Source: Yahoo Finance, Bocconi Students Investment Club

FX and Commodities

The euro fell below $1.085, as the ECB declared that would not respond with higher rates even if inflation temporarily increases due to US tariffs. Market participants have adjusted their expectations accordingly, now pricing in two rate cuts this year.

The Japanese yen slipped to around $149 on Friday, as investors reacted to the latest inflation report that exceeded expectations. Despite core inflation slowing to 3% in February from 3.2% in January, it remained above the forecast of 2.9%, highlighting persistent price pressures.

The Bank of Japan maintained a cautious approach at its recent meeting, keeping its policy rate steady at 0.5% . The yen faced additional pressure from a strengthening dollar due to trade tensions, as investors are seeking safe heaven assets.

Currency Pair	Last Price	Week's % Change	Year to date % Change
EUR/USD	1.0822	-0.52%	4.50%
USD/JPY	149.31	0.46%	-5.02%
GBP/USD	1.2917	-0.14%	3.22%
USD/CHF	0.883	-0.21%	-2.69%

Source: Yahoo Finance, Bocconi Students Investment Club

WTI crude futures increased by over 1.8% over the week, driven by new U.S. sanctions on Iran and OPEC+ plan to cut output. The U.S. Treasury imposed new sanctions targeting Chinese refineries involved in importing Iranian crude, reinforcing Washington's pressure campaign to drive Iran's oil exports to zero.

Gold prices declined over 1% to $3015 an ounce on Friday, yet remained on track for a third consecutive weekly gain. Despite the pullback, Gold has risen more than 1.1% this week, supported by geopolitical tensions and expectations of U.S. Federal Reserve rate cuts.

US natural gas futures dropped toward $4/MMBtu, the lowest in three weeks after the EIA reported a larger-than-expected inventory build. Currently, gas stocks are 26.8% lower than a year ago and 10% below the five-year average.

Copper futures in the US rose toward the $5.1 per pound mark on Friday, testing record-high levels, and trading near record-high premiums to LME futures of over $0.5 per pound, due to increasing risks of tariffs on copper by President Trump. Such a move would increase dependency on domestic capacity, which is limited to only two major smelters, as the US imports nearly half of its copper. In addition, demand from China remained high due to an increase in manufacturing activity and signs of wider deficit spending by the government.

	Last Price	Week's % Change	Year to date % Change
Brent Crude Oil Last Day	72.11	2.07%	-3.63%
WTI Crude Oil Front Month	68.37	1.83%	-4.94%
Natural Gas Front Month	3.964	-3.06%	27.05%
Gold Front Month	3028.2	1.16%	14.73%
Silver Front Month	33.53	-2.42%	14.48%
Copper Front Month	5.104	4.54%	26.85%

Source: Yahoo Finance, Bocconi Students Investment Club

Next Week Main Events

	Events
Monday	GB S&P Global Manufacturing/Services PMI Flash
Tuesday	DE Ifo Business Climate
Wednesday	GB Inflation Rate YoY, US Durable Goods Orders MoM
Thursday	US GDP Growth Rate QoQ Final
Friday	US Core PCE Price Index MoM, US Personal Income MoM, US Personal Spending MoM

Source: Trading Economics, Bocconi Students Investment Club

Brain Teaser #31

You have 9 identical-looking coins, but you know one of them is a counterfeit coin that weighs 1 gram less than the others (for instance, the real coins each weigh 10 grams, and the counterfeit weighs 9 grams). You also have a digital scale that can tell you the exact total weight you put on it, but you are only allowed to use it once. After that single weighing, you must identify which coin is fake. How can you design that one weighing so that the exact total reading tells you which coin is the counterfeit?

Solution

To identify the counterfeit coin with a single weighing, label the coins from 1 to 9. Then, place each coin on the scale a number of times equal to its label — for example, place coin 1 on the scale once, coin 2 twice, coin 3 three times, and so on up to coin 9 nine times. The total expected weight, if all coins were real, would be 10*(1+2+3+…+9) = 10*45=450 grams. If one of the coins is counterfeit and weighs 9 grams instead of 10, the total weight will be lower by the label of the counterfeit coin in grams. For example, if coin 4 is counterfeit, the total weight will be 450 – 4 = 446 grams. Thus, the difference between the expected weight (450 grams) and the actual reading directly identifies the label of the counterfeit coin.

Brain Teaser #32

A sultan has captured 50 wise men. He has a glass currently standing bottom down. Every minute he calls one of the wise men who can choose either to tum it over (set it upside down or bottom down) or to do nothing. The wise men will be called randomly, possibly for an infinite number of times. When someone called to the sultan correctly states that all wise men have already been called to the sultan at least once, everyone goes free. But if his statement is wrong, the sultan puts everyone to death. The wise men are allowed to communicate only once before they get imprisoned into separate rooms (one per room). Design a strategy that lets the wise men go free.

