

*Market Monitor – United States*

## The Trump administration implements a wide range of changes



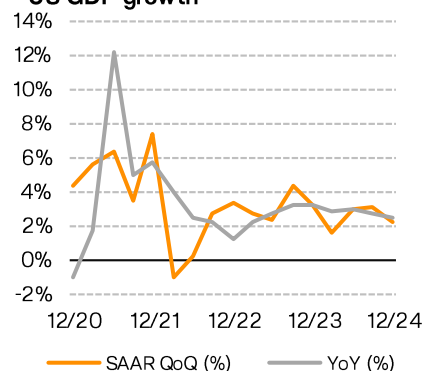
- The US economy grew by 2.8% in 2024, driven by robust consumer spending.
- Trump instituted sweeping changes immediately after taking office, from government restructuring to international cooperation, immigration and trade.
- The US Federal Reserve held rates steady in January, while signalling more disinflation progress is needed to consider further policy easing.

### The US economy experienced strong growth in 2024

**US economic growth in Q4 eased slightly but remained robust.** Advanced estimates indicated that US real GDP grew by a seasonally adjusted annual rate (SAAR) of 2.3% in Q4, down from 3.1% in Q3. On a year-on-year (YoY) basis, US real GDP in Q4 grew by 2.5% after growing by 3.1% in Q3. Among the major components, growth in Q4 was driven by consumer spending, particularly on durable goods. Personal consumption expenditures (PCE) accelerated to a growth of 4.2% SAAR in Q4 from 3.7% in Q3. Investment became a headwind to growth in Q4, declining by 5.6% SAAR compared to a 0.8% growth in Q3. Government expenditures slowed to a growth of 2.5% SAAR in Q4 from 5.1% in Q3. Net exports remained roughly balanced in Q4, with exports and imports both decreasing by 0.8% SAAR in Q4.

**For 2024 as a whole, US real GDP grew strongly by 2.8%, following a strong growth of 2.9% in 2023.** Growth in 2024 was driven by strong consumer spending, which grew by 2.8%, and accelerating investment, which grew by 4.0%. Government spending remained solid, although it softened from 3.9% growth in 2023 to 3.4% in 2024, while net exports were a drag on growth in 2024. Looking ahead to 2025, the US economy is expected to continue to grow, albeit at a relatively uncertain pace, given the still elevated interest rates and the uncertain effects of Trump's policies.

**US GDP growth**



Source: Bloomberg

**Trump has rapidly kicked off his policy agenda.** Since his inauguration on 21<sup>st</sup> January 2025, US President Trump has implemented sweeping changes. According to the Federal Register, Trump had signed 45 executive orders (EOs) as of 5<sup>th</sup> February 2025, the most in the first 100 days of a presidency since Harry Truman's presidency, even though he has been in office for less than 3 weeks. Key policy actions included withdrawing the US from the Paris climate accord and the World Health Organisation; initiating plans to terminate USAID; ending federal diversity, equity, and inclusion programmes; establishing the Department of Government Efficiency; replacing many of Biden's climate-related EOs with new policies to encourage oil and gas production; and declaring a national border emergency, among others. These changes would have significant implications for government spending, the regulatory environment as well as various international cooperation programmes.

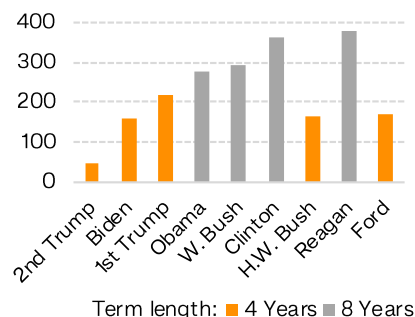
**Trump also began to use tariff measures to address the flow of illicit drugs.** First, President Trump announced 25% tariffs on imports from Canada and Mexico, which were later postponed by 30 days after having negotiations with both countries. Soon after, 10% additional tariffs were imposed on all Chinese imports. In response, China levied 10-15% tariffs on certain energy products and farm equipment from the US; initiated an anti-monopoly investigation into Google; tightened export control of essential metals and added several US companies to a list for potential sanctions. The tariffs have been justified on the grounds of combating the influx of fentanyl, other drugs, and illegal immigrants. Earlier on, US President Trump ordered an investigation into the causes of the US's large and persistent annual trade deficits in goods, as well as the economic and national security implications and risks resulting from such deficits, and recommended appropriate measures. It remains to be seen if further tariff measures will be introduced after the conclusion of such investigations.

## Inflation edged up slightly

**PCE inflation picked up in December.** Headline PCE inflation picked up from 2.4% YoY and 0.1% month-on-month (MoM) in November to 2.6% and 0.3% in December, respectively. Core PCE inflation remained at 2.8% YoY in December, holding steady for the third consecutive month, while edging up by 0.2% MoM in December, a slight bump from November's 0.1% increase. These readings indicated slow disinflation progress in recent months, with rising worries over persistent inflationary pressure.

**The Fed decided to hold rates unchanged.** At its January meeting, the Federal Open Market Committee (FOMC) voted unanimously to hold the federal funds rate at a target range of 4.25-4.50%. In the post-meeting press conference, Fed Chairman Jerome Powell signalled that the Fed is not in a hurry to cut rates further, and they need to see more disinflation progress before doing so. Overall, the meeting highlighted that the Fed is currently taking a wait-and-see approach. We expect that the Fed is likely to cut rates again in mid-2025.

### Executive Orders by President



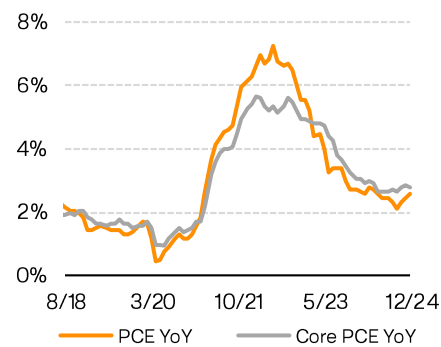
Source: US Federal Register, data as of 05/02/2025

### US Top Trading Partners January-November 2024

	Total US Imports (US Bn)	Share of US Imports
Mexico	466.6	15.6%
China	401.4	13.5%
Canada	377.2	12.6%

Source: US Census Bureau

### US PCE Inflation



Source: Bloomberg, data as of 31/01/2025

## Economic Research

### US manufacturing activity picked up while services activity softened in January.

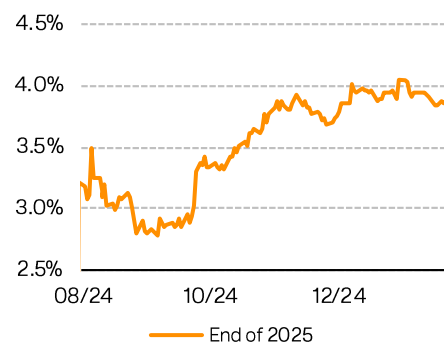
Both the Institute of Supply Management (ISM) and S&P Global manufacturing PMIs increased to 50.9 and 51.2, respectively, up from expansionary levels in December. Notably, the ISM's manufacturing PMI reached expansionary territory for the first time in 26 months, a welcome sign for the Trump administration's goal to revitalise domestic manufacturing. Services activity, while experiencing a slowdown, continued to expand, with the ISM and S&P Global services PMIs at 52.8 and 52.9, respectively.

### Major US equity indices rose in January

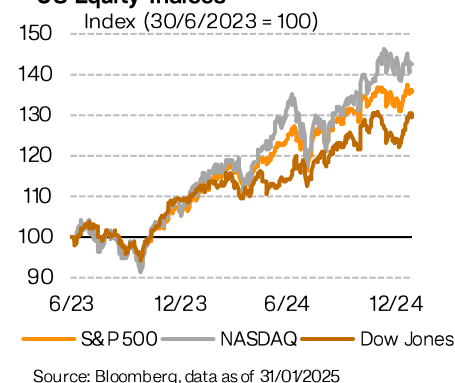
**Major US equity indices rose in January.** After declining in December, the S&P 500 and Dow Jones Industrial Average rose by 2.7% and 4.7% in January 2025, respectively. The Nasdaq rose 1.6% in January after only rising by 0.5% in December. However, the release of DeepSeek's AI model led to a rapid sell-off in AI-related stocks in the US. Notably, Nvidia dropped sharply by 17% in a single day on 27<sup>th</sup> January, erasing around USD 600 billion in market capitalisation. Meanwhile, 10-year treasury yields fell to 4.541% in January, and the US dollar index remained roughly steady, declining by a marginal 0.1% to 108.370 in January.

## February 2025

### US Rate Expectations



### US Equity Indices



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