KN Market View

Main Topics

Economics - **Saudi Arabia** revised the estimated value of its untapped mineral reserves last year, raising it from **$1.3 trillion to $2.5 trillion**

Bonds and Currencies - The Bank of Japan's next step: A potential rate hike

Commodities - Heating Oil and Corn Surge on **Supply Constraints and Global Demand.**

Equities - Russia continues with its halted volatility, and **China started the year with a tough week**.

Crypto - **XRP Surges Amid** Rumors of U.S. **Digital Asset Reserve** Under Trump's Presidency

Weekly Paper Picks - **Entropy Pooling: A Unified Framework for Portfolio Optimization and Stress Testing in Non-Normal Markets.**

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Economics

Inflation in the US climbed for the third month in a row, reaching an annual rate of 2.9% in December, up from 2.7% in November and matching market forecasts. This year-end increase was influenced in part by a low base effect from the previous year, **especially in energy prices. Month-on-month, consumer prices rose by 0.4%**, the **fastest pace since March** and exceeding expectations of a 0.3% **rise** link.

US inflation rate (%)
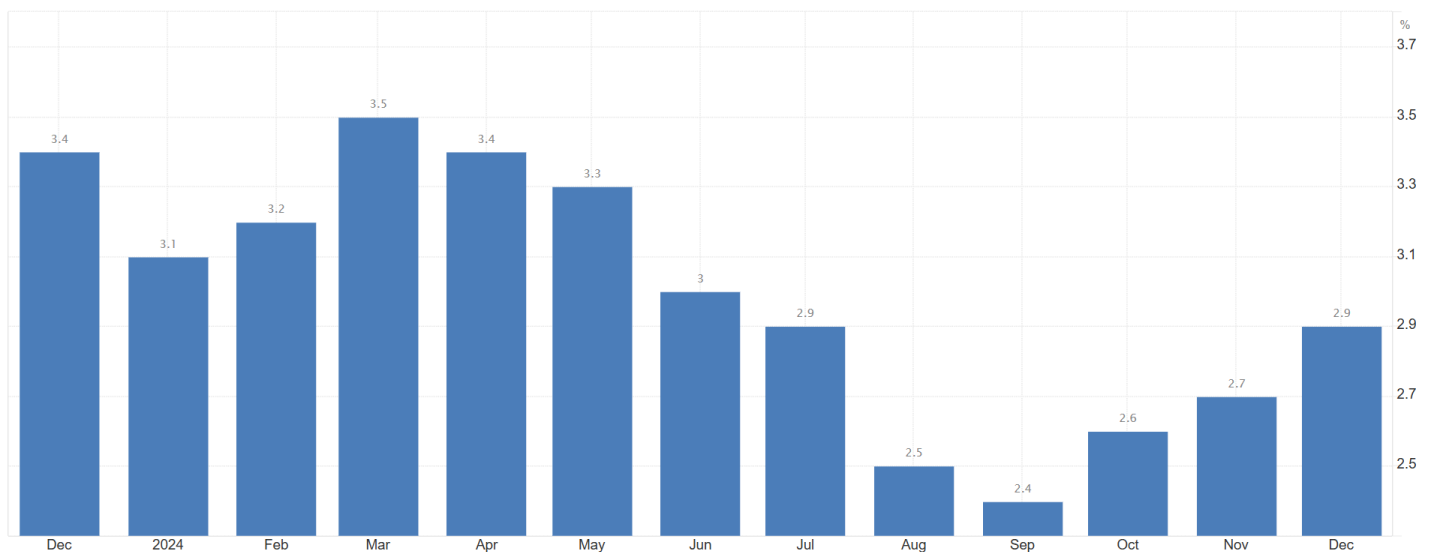
Source: Trading Economics | U.S. Bureau of Labor Statistics

The **IMF** predicts that the **global economy will grow by 3.3% in 2025**, marking a modest rise from its October estimate of 3.2%. This adjustment reflects **improved expectations for the US**, which balanced weaker projections for other leading economies. The outlook for **2026 remains steady**, with growth also anticipated at **3.3%** [link](#).

On **inflation**, the **IMF** forecasts a drop in global headline inflation to **4.2% in 2025**, slightly below the earlier 4.3% estimate, and a f**urther decrease to 3.5% in 2026** [link](#).

China's economy grew by 5.4% year-on-year in the final quarter of 2024, picking up pace from the 4.6% growth seen in the previous quarter and **exceeding market predictions of 5.0%**. This marked the **fastest annual expansion in 18 months**, driven by a range of stimulus initiatives introduced since September to support recovery efforts and restore confidence [link](#).

In November, **the UK economy edged up by 0.1% month-on-month,** bouncing back from declines of 0.1% in both October and September. However, t**he growth fell short of the anticipated 0.2%.** Over the three months leading up to November, **GDP remained flat, showing no change from the prior three-month period** [link](#).

Saudi Arabia revised the estimated value of its untapped mineral reserves last year, raising it from **$1.3 trillion to $2.5 trillion** following

the discovery of **rare earth elements and metals**. On Wednesday, the kingdom unveiled a **$100 billion mineral investment initiative**, with **$20 billion** already progressing through advanced engineering stages or actively under construction [link](#).

The European Union and Mexico have finalized a long-awaited trade agreement, aiming to diversify their economic ties and lessen dependence on the US just days before Donald Trump's anticipated return to the presidency. After nearly a decade of discussions, **both parties announced on Friday plans to update their existing trade pact** [link](#).

In the US next week, focus will shift to **Trump's inauguration**, the release of **major earnings reports** from companies like Netflix, Charles Schwab, Johnson & Johnson, Abbott, General Electric, Texas Instruments, American Express, and Verizon, and **updates on S&P Global PMIs**. On the other hand, the **Bank of Japan** is anticipated to **increase interest rates by 25 basis points**.

Preliminary PMIs will shed light on private-sector trends in regions such as the **Eurozone, Germany, the UK, India, and Japan**. Additional highlights include **Germany's ZEW economic sentiment**, **labor market** and **wage data** in the **UK**, **GDP results** from **South Korea** and **Taiwan**, and **interest rate** decisions in **Norway, Türkiye, and Malaysia**.

Bonds and Currencies

The Bank of Japan's next step: A potential rate hike

US Dollar Japanese Yen

Source: Trading Economics

The Bank of Japan (BOJ) is **approaching a critical decision as Governor Kazuo Ueda and his board consider a possible interest rate hike this week.** While many central banks worldwide focus on rate cuts, the BOJ seems ready to shift Japan toward a more conventional monetary policy after decades of ultra-low rates.

Japan has long struggled with stagnant inflation and weak growth, but recent data shows signs of a turning point. **Inflation has stabilized, and wage growth is gaining traction, aligning with Ueda's prerequisites for a policy shift**. A **weaker yen, which recently approached a six-month low against the dollar, has added urgency to the decision,** as higher rates could help stabilize the currency and curb import costs link.

Survey data and market sentiment further underscore the likelihood of a shift. Nearly three-quarters of economists now expect a hike in January, a notable increase from prior projections. The BOJ's focus on sustained wage momentum and inflation stability aligns with these expectations, suggesting the bank sees conditions as ripe for its first step toward normalization.

A rate hike would signal a departure from Japan's era of extraordinary easing, reflecting progress toward sustainable growth and price stability. **This decision could mark a pivotal moment for Japan, reinforcing confidence in its economic trajectory while moving closer to global monetary policy norms**.

Pound slides as weak growth fuels rate cut expectations

British Pound US Dollar
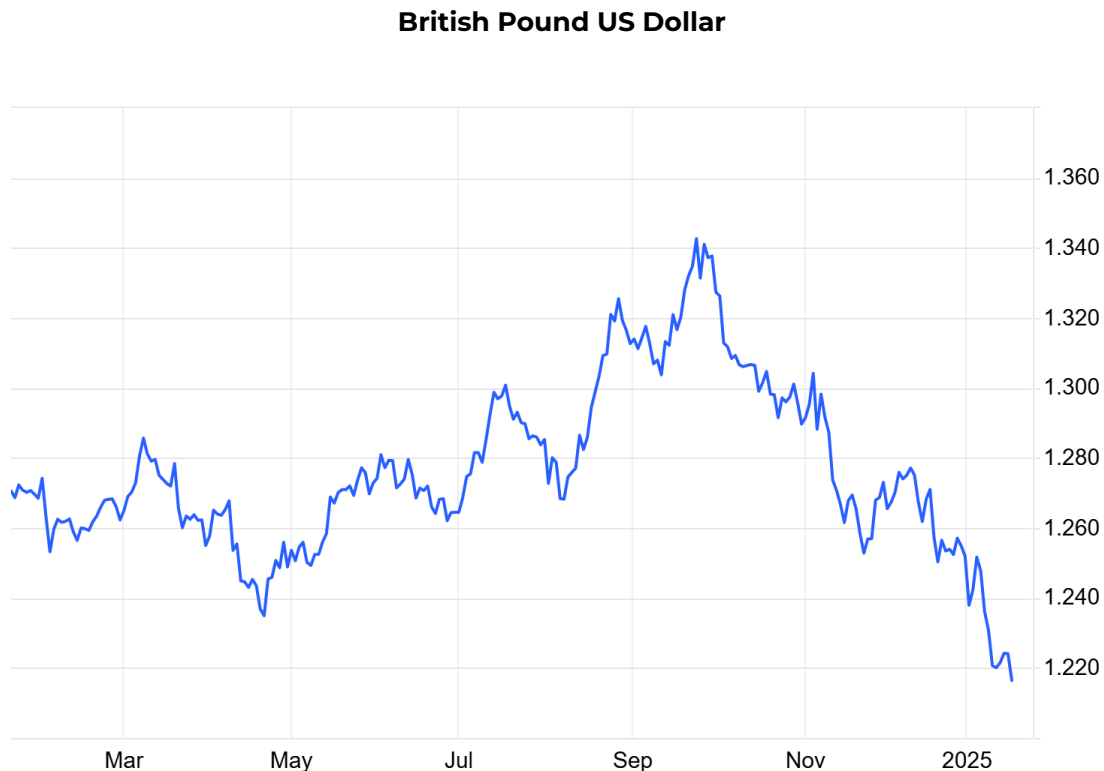
Source: Trading Economics

The pound dropped to $1.21 this week, extending its year-to-date decline to over 2%, the sharpest among major currencies. The decline follows **lackluster UK economic growth data for November, which highlighted ongoing challenges for the economy and increased expectations of further interest rate cuts from the Bank of England.**

Traders are now pricing in an 86% chance of a quarter-point rate cut at the Bank of England's February meeting. **The prospect of monetary**

easing, combined with slow growth and fiscal uncertainty, has continued to weigh on sterling and erode investor confidence link.

While gilts enjoyed a relief rally, with 10-year yields falling 10 bps this week to 4.65%, they remain significantly higher than pre-budget levels. The pound, meanwhile, faces persistent bearish sentiment in the options market, adding to its vulnerability amid domestic and global risks.

Analysts warn that sterling's outlook remains precarious, particularly as upcoming wage data and international political developments add to market uncertainties. **Without stronger growth signals or fiscal clarity, the pound's recent struggles are unlikely to ease in the near term.**

Commodities

Cocoa Prices Drop on Weak Grind Data and Ivory Coast Crop Concerns
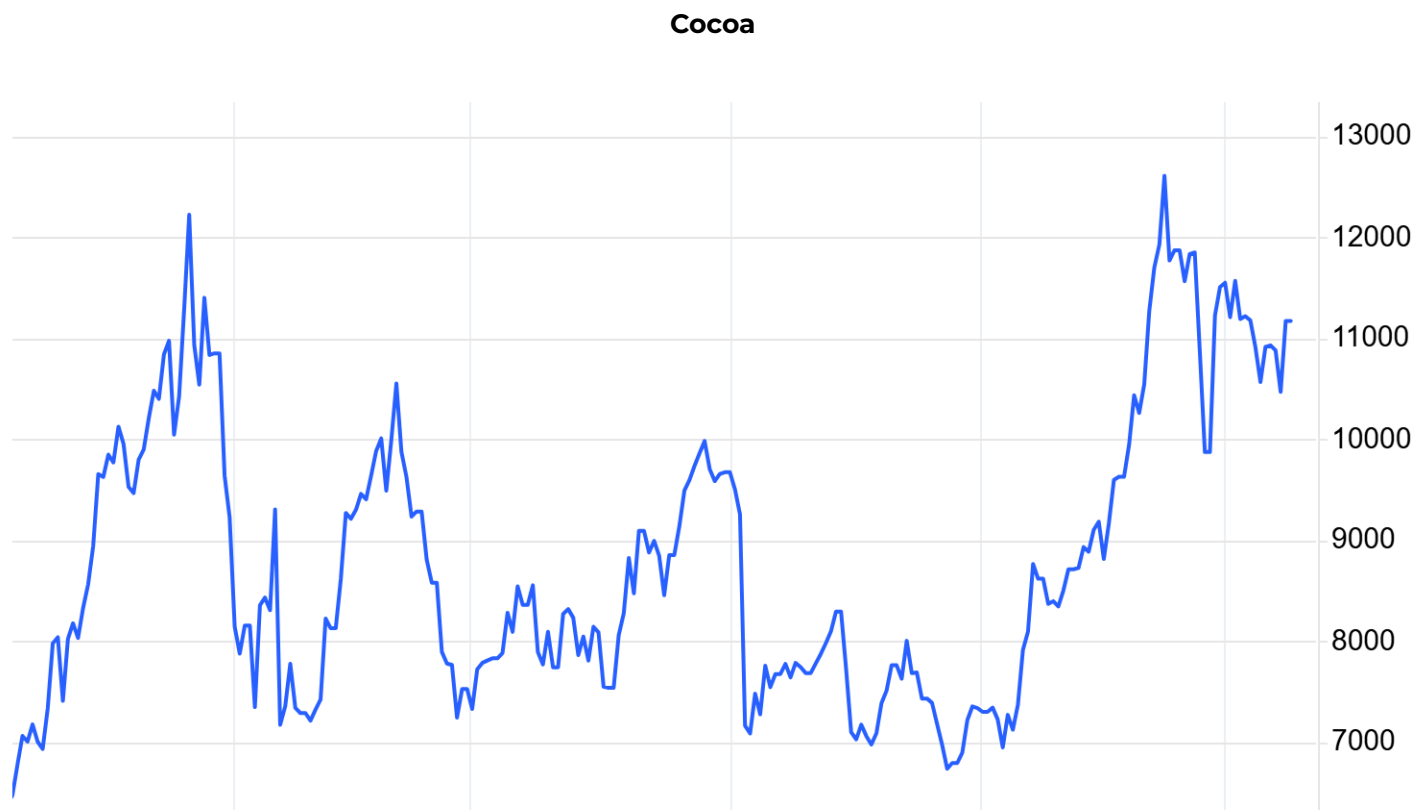
Cocoa

Source: Trading Economics

Cocoa futures fell to $10,500 per tonne, a near one-week low, as high **prices dampened demand**. Q4 grind data showed cocoa bean processing fell 5.4% in Europe and 0.5% in Asia, both at their lowest since 2020 and below expectations. Focus now shifts to US data and

Ivory Coast's mid-crop, where farmers report **rainfall shortages and tight harvest prospects** for February and March link.

Natural Gas Prices Fall on Milder Forecasts Despite Record LNG Exports

Natural gas

Source: Trading Economics

US natural gas futures dropped over 6% to below $4/MMBtu, retreating from a two-year high as milder F**ebruary weather forecasts reduced heating degree days by 13**. Prices had risen on colder weather expectations over Martin Luther King Jr. Day, which could freeze gas

wells and boost heating demand. **Federal data showed a 258 bcf gas storage withdrawal for the week ending January 10**, well above last year's 150 bcf and the five-year average of 128 bcf. Record gas flows to LNG export facilities also supported demand, with withdrawals above 200 bcf expected for the following weeks [link.](#)

Equities

This week, Russian stocks saw a huge increase, clocking a 4.29% WoW return, which amounts to a 22.26% monthly return. This is after a tough year with halted volatility. **From the downside of the world wide markets, Japan markets were the biggest losers, with a small decrease of -1.89%.**

Main Equity Markets Movers WoW

Major	Price	Day	%	Weekly	Monthly	YTD
MOEX	2946	▲ 34	1.18%	4.29%	22.26%	2.17%
FR40	7710	▲ 75	0.98%	3.75%	4.40%	4.46%
US30	43479	▲ 344	0.80%	3.67%	2.72%	2.20%
EU50	5148	▲ 41	0.80%	3.42%	3.84%	5.14%
DE40	20903	▲ 248	1.20%	3.41%	3.26%	4.99%
IT40	36275	▲ 460	1.28%	3.37%	5.45%	6.11%
SAALL	84700	▲ 1,042	1.25%	1.48%	-1.05%	0.72%
TSX	25064	▲ 218	0.88%	1.20%	2.06%	1.36%
IPC	49931	▼ 18	-0.04%	0.59%	-0.04%	0.77%
STI	3811	▲ 10	0.25%	0.24%	0.82%	0.61%
ASX200	8310	▼ 17	-0.20%	0.20%	0.01%	1.85%
SENSEX	76619	▼ 423	-0.55%	-0.98%	-4.44%	-1.94%
JP225	38451	▼ 121	-0.31%	-1.89%	-1.61%	-3.62%

Source: Trading Economics

Taking a closer look into the SPDR sectors, this was a great week, with all sectors having a positive return, fueled by strong news on CPI and

the upcoming Trump presidency. Materials, Financials and the Energy sector had a WoW return of 6% or more, while Health Care had the smallest returns, with a 0.39% WoW return.
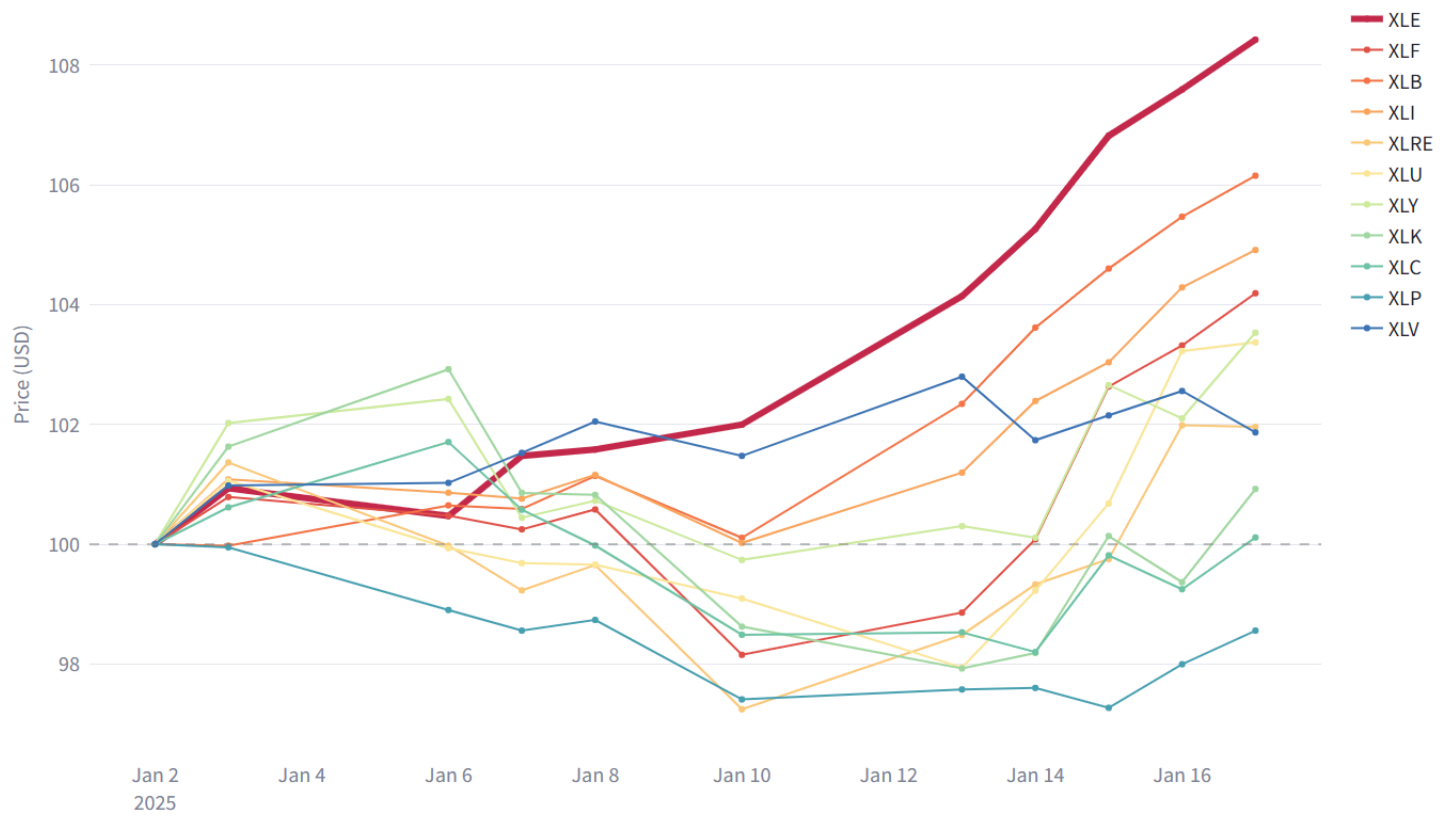
US Sector Performance

	WoW	YTD
Health Care (XLV)	0.39%	1.90%
Consumer Staples (XLP)	1.18%	-1.74%
Communication Services (XLC)	1.65%	0.60%
Technology (XLK)	2.33%	0.68%
Consumer Discretionary (XLY)	3.80%	2.17%
Utilities (XLU)	4.31%	4.16%
Real Estate (XLRE)	4.85%	1.01%
Industrials (XLI)	4.89%	4.55%
Materials (XLB)	6.04%	4.98%
Financials (XLF)	6.15%	3.93%
Energy (XLE)	6.30%	9.69%

Source: FMP

US Sector Performance

Source: FMP

Next week's earnings

	Company	Release Date	Exp. EPS	Time	MktCap (USD)	Country
NFLX	Netflix, Inc.	Tue, Jan 21	$4.21	AMC	$279,502	US
HDB	HDFC Bank Limited	Tue, Jan 21	$0.74	BMO	$142,212	IN
SCHW	The Charles Schwab Corporation	Tue, Jan 21	$0.90	BMO	$130,541	US
PLD	Prologis, Inc.	Tue, Jan 21	$1.38	BMO	$103,306	US
PG	The Procter & Gamble Company	Wed, Jan 22	$1.89	BMO	$395,276	US
JNJ	Johnson & Johnson	Wed, Jan 22	$1.99	BMO	$353,204	US
NOW	ServiceNow, Inc.	Wed, Jan 22	$3.67	AMC	$145,968	US
PGR	The Progressive Corporation	Wed, Jan 22	$3.44	BMO	$122,112	US
APH	Amphenol Corporation	Wed, Jan 22	$0.50	BMO	$80,739	US
TXN	Texas Instruments Incorporated	Thu, Jan 23	$1.20	AMC	$179,766	US
GE	General Electric Company	Thu, Jan 23	$1.05	BMO	$175,532	US
BX	Blackstone Inc.	Thu, Jan 23	$1.50	BMO	$143,889	US
UNP	Union Pacific Corporation	Thu, Jan 23	$2.76	BMO	$138,748	US
INTC	Intel Corporation	Thu, Jan 23	$0.12	BMO	$131,626	US
ELV	Elevance Health Inc.	Thu, Jan 23	$3.80	BMO	$124,792	US
FCX	Freeport-McMoRan Inc.	Thu, Jan 23	$0.36	BMO	$70,876	US
VZ	Verizon Communications Inc.	Fri, Jan 24	$1.11	BMO	$170,138	US
AXP	American Express Company	Fri, Jan 24	$3.00	BMO	$161,505	US

Source: FMP

Crypto

Altcoins Surge Amid Crypto Optimism

The cryptocurrency market experienced a robust rally this week, fueled by President-elect Donald Trump's plans to prioritize cryptocurrencies. Leading altcoins saw substantial gains, with **Solana surging 38.90%**, **XRP climbing 39.54%**, and **Litecoin up 20.40%** weekly.

Crypto WoW

Crypto	Price	Day	%	Weekly	Monthly	YTD
Ripple	3.27180	▲ 0.02233	0.69%	39.54%	42.10%	57.87%
Solana	261.8561	▲ 41.6671	18.92%	38.90%	34.40%	38.52%
Litecoin	125.378	▲ 1.148	0.92%	20.40%	15.31%	22.33%
Chainlink	24.0879	▲ 1.1446	4.99%	18.64%	-3.08%	21.00%
Algorand	0.45	▼ 0.02	-3.76%	18.53%	19.86%	30.93%
Cardano	1.10351	▲ 0.013	1.19%	18.28%	13.36%	30.93%
Stellar	0.49144	▲ 0.00824	1.71%	18.01%	24.13%	48.14%
Bitcoin	104410	▲ 4325	4.32%	10.03%	3.69%	11.78%
Monero	217.823	▼ 3.081	-1.39%	8.78%	1.84%	12.61%
Avalanche	39.22	▼ 0.73	-1.83%	6.86%	-8.57%	10.53%

Source: Trading Economics

These performance highlights contributed significantly to the **$400 billion increase in global crypto market cap**, reaching $3.81 trillion.

Bitcoin Soars to $105K as Trump's Pro-Crypto Policies and Investor Confidence Drive Rally

Bitcoin hit a **four-week high of over $105,000 on Friday**, leading a rally across the cryptocurrency market. The surge followed reports about President-elect Donald Trump's potential pro-crypto policies and encouraging U.S. economic data. Bitcoin has **climbed over 15% from its two-month low of $90,000** earlier this week. Trump's plans to sign an executive order next week, making cryptocurrency a national priority and potentially establishing a national Bitcoin stockpile, have accelerated the rally. Link

BTC/USD

Source: Trading Economics

XRP Surges Amid Rumors of U.S. Digital Asset Reserve Under Trump's Presidency

XRP has **maintained** a **strong bullish trajectory**, trading **above** the **$3** psychological level. This rally is fueled by rumors of President-elect Donald **Trump's plans to create a U.S. digital asset reserve prioritizing domestically developed cryptocurrencies.** Despite the Securities and Exchange Commission appealing Judge Analisa Torres' ruling in the Ripple case, XRP has resisted significant selling pressure, reflecting strong investor confidence.link

XRP's market cap hit $190 billion, supported by increased accumulation and gradual unlocking of locked tokens. **Whale transactions and** the number of **holders** have **surged**, with over **511,000 new investors** entering the market in the past two months.

XRP/USD

Ripple / US Dollar

Source: Trading Economics

Also, XRP broke above the $3 resistance, **targeting a new all-time high above $4.50.** However, maintaining the $2.90 support level is crucial for continued momentum. Key resistance levels include $3.55 and $4.00, while technical indicators like RSI and Stochastic Oscillator signal potential short-term corrections. link

Weekly Paper Picks

Multi-Hypothesis Prediction for Portfolio Optimization: A Structured Ensemble Learning Approach to Risk Diversification

Link: https://arxiv.org/abs/2501.03919

This study presents a framework for portfolio allocation using structured ensemble models to predict multiple hypotheses. Portfolio optimization is framed as an ensemble learning problem, where each predictor targets a specific asset or hypothesis, and portfolio weights are optimized by tuning ensemble parameters, with an equal-weighted portfolio serving as the baseline. The approach incorporates parametric control over predictor diversity, linking learning diversity to portfolio risk diversification and enabling diversification adjustments before decision-making. It also demonstrates that diverse asset or hypothesis selection based on return predictions, independent of ensemble learning, enhances out-of-sample diversification, favoring diverse sets with lower average return predictions over less varied ones. By allowing parametric control over diversity in both asset selection and learning

phases, the framework provides significant pre-decision control over portfolio diversification, with experiments validating these principles across various configurations and model variants for equity portfolios.
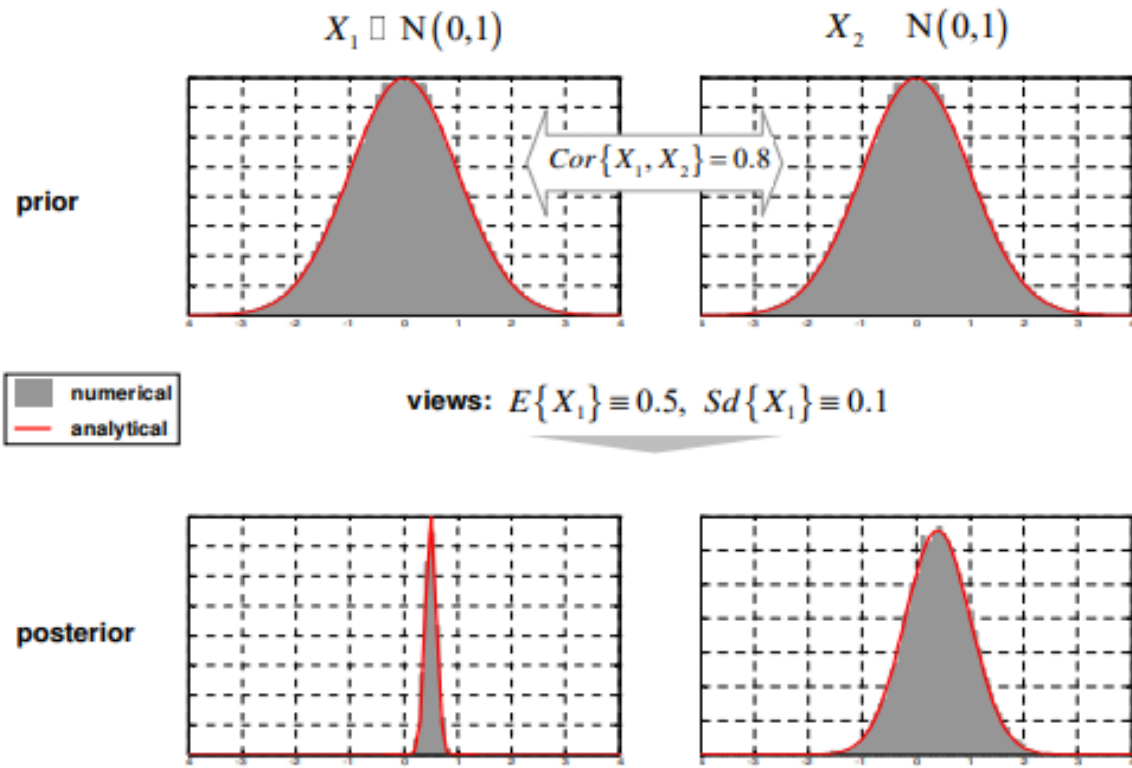

Figure 1: Entropy pooling: numerical approach matches analytical solution

Therefore, the full-confidence posterior distribution (14) is defined as

$$\tilde{\mathbf{p}} \equiv \underset{\underline{\mathbf{a}} \leq \mathbf{Af} \leq \overline{\mathbf{a}}}{\operatorname{argmin}} \{\mathcal{E}(\mathbf{f}, \mathbf{p})\}. \tag{27}$$

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