

KN Market View

Main Topics

[Economics](#) - Russia is constructing over **10 nuclear reactors abroad to meet growing energy demands fueled by artificial intelligence** and emerging markets.

[Bonds and Currencies](#) - **Turkey cuts rates as recession looms.** Brazil battles inflation amid rising yields and a weakening real.

[Commodities](#) - **Cocoa on profit-taking mode** after trading near its all-time high.

[Equities](#) - **Japan outperformed the broader markets closing 4.08%,** Russia continued with its positive trend ending 3.12% higher.

[Crypto](#) - Bitcoin's volatility, a resistance at \$100K and what lies ahead.

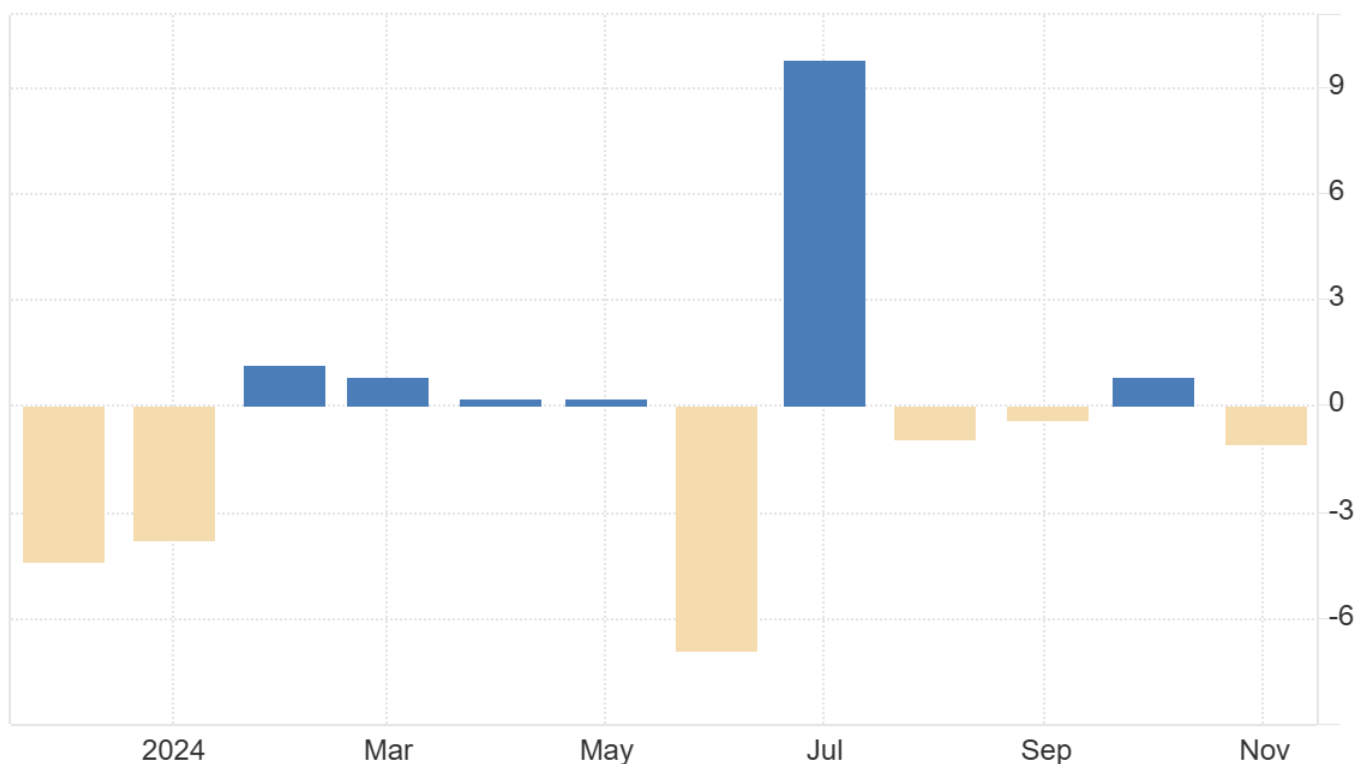
[Weekly Paper Picks](#) - **Monetary policy in the news:** communication pass-through and inflation expectations.



Economics

In November, **U.S. orders for manufactured durable goods dropped by 1.1% from the previous month to \$285.1 billion**, falling significantly short of the expected 0.4% decline. This followed a **stronger-than-anticipated 0.8% increase in October** after revisions [link](#).

US Durable Goods Orders (%)



Source: Trading Economics | US Census Bureau

A Russian missile attack on Dnipro, Ukraine, was captured in stark surveillance footage. Following the strike, **President Putin warned**



NATO allies of potential future attacks, citing their support for Ukraine's long-range missile use [link](#).

On Thursday, **Turkey's central bank reduced its key interest rate to 47.5%**, a 2.5 percentage point drop and **its first cut in almost two years**. The bank stated that **inflation remained stable in November and is expected to ease in December**, citing **slowing domestic demand** as a contributing factor to this trend [link](#).

The World Bank raised its growth forecast for China in 2024 and 2025 but warned that **weak confidence and property sector issues** would weigh on the economy. Challenges this year include a **property crisis, weak domestic demand. Additionally, the anticipated increase in U.S. tariffs** under incoming President Donald Trump in January could further **impact growth prospects** [link](#).

Official data released Monday revealed that the **UK economy stagnated in the first quarter** under Prime Minister Keir Starmer's leadership, highlighting concerns about a **slowing economy. The Office for National Statistics revised its GDP growth estimate for July to September, reducing it from 0.1% to zero** [link](#).

In November, new single-family home sales in the U.S. increased by 5.9% compared to the prior month, reaching a seasonally adjusted annual rate of 664,000, surpassing the anticipated 650,000 [link](#).



Russia is constructing over 10 nuclear reactors abroad to meet growing energy demands fueled by artificial intelligence and emerging markets. Despite sanctions targeting its oil and gas sectors following the Ukraine invasion, **Russia** continues to position itself as a **key player in international nuclear energy** [link](#).

President Trump has called for Panama to lower its Panama Canal fees or consider reverting control of the waterway to the United States, criticizing the country for imposing "excessive charges" on American shipping and military vessels [link](#).

In the coming week, key economic updates will include **inflation data from Spain, Indonesia, and Türkiye,** along with **core inflation** reports from **Spain** and **Indonesia**. The **US** will release the **Chicago PMI**, while **China** presents its **Manufacturing PMI** and **Caixin Manufacturing PMI**. **South Korea** and **Türkiye** will report trade data, with **South Korea** also announcing **GDP growth**. **Foreign exchange reserves** updates will come from **Türkiye, Mexico, India,** and **South Korea,** while **S&P Global Manufacturing PMI** figures are expected from **Canada, the US,** and **Mexico**. **Germany** and **Spain** will also provide **unemployment change data,** offering insights into global economic trends.



Bonds and Currencies

Turkey cuts rates as recession looms

This week, the **Turkish lira appreciated by 53 bps against the dollar**, closing at 34.97 liras per dollar, while the **yield on the 10-year government bond decreased by 81 basis points** to 27.43%. These movements reflect **the central bank's recent decision to cut interest rates**, aiming to stimulate an economy facing significant challenges and showing structural weaknesses after a prolonged period of restrictive monetary policy [link](#).

Turkey 10Y Bond Yield



Source: Trading Economics



The central bank reduced its key rate in response to a technical recession in the third quarter, marked by a 0.2% contraction compared to the previous quarter—the second consecutive quarter of decline. Annual GDP growth was just 2.1%, falling short of the 2.5% expectations and far below the pre-pandemic average of over 5%. Industrial production declined by 2.2% during the quarter, highlighting the strain high interest rates have placed on manufacturing activity. Meanwhile, although domestic consumption remains a key pillar of GDP with a year-on-year increase of 3.1%, its quarter-on-quarter slowdown underscores the impact of economic uncertainty on household spending patterns [link](#).

In this context, inflation remains one of the central challenges for the country's economic policy. Despite falling from over 75% earlier this year to the current 47.1%, it remains high and significantly above the official target. The central bank forecasts inflation to end 2024 at 44% and gradually decline to 21% by the end of 2025. However, the recent 30% increase in the minimum wage for next year could add further pressure on prices, complicating the disinflation process.

The economic team, led by Finance Minister Mehmet Simsek, appears **focused on implementing market-driven strategies**, contrasting with President Erdogan's earlier policies favoring rapid growth. In an



environment where balancing growth and price stability is critical, markets will closely monitor the central bank's next steps, as the pace of monetary easing will play a crucial role in shaping the country's economic trajectory in the coming months. The central question remains whether these measures will be enough to stabilize an economy struggling to emerge from stagnation without risking the confidence of international investors.

Brazil battles inflation amid rising yields and a weakening real

US Dollar Brazilian Real



Source: Trading Economics



The yield on Brazil's 10-year government bond rose 69 basis points this week, reaching 15%, while the real fell 1.83% against the dollar, closing at 6.19 reais per dollar. These movements reflect persistent inflationary pressures and uncertainty surrounding the country's economic policies.

Although annual inflation unexpectedly slowed in December to 4.71%, below the forecast of 4.83%, **food and services continue to drive price pressures.** Meat costs rose over 8%, and services inflation remains above the 3% target. While residential energy prices fell 5.72%, the decline was insufficient to offset other inflationary pressures [link](#).

In response, **the central bank raised the Selic rate to 12.25% this month and reaffirmed plans for two additional rate hikes in the coming months.** Gabriel Galipolo, the incoming central bank governor, emphasized a "high bar" for changing this guidance, underscoring the commitment to restrictive policies to curb inflation [link](#).

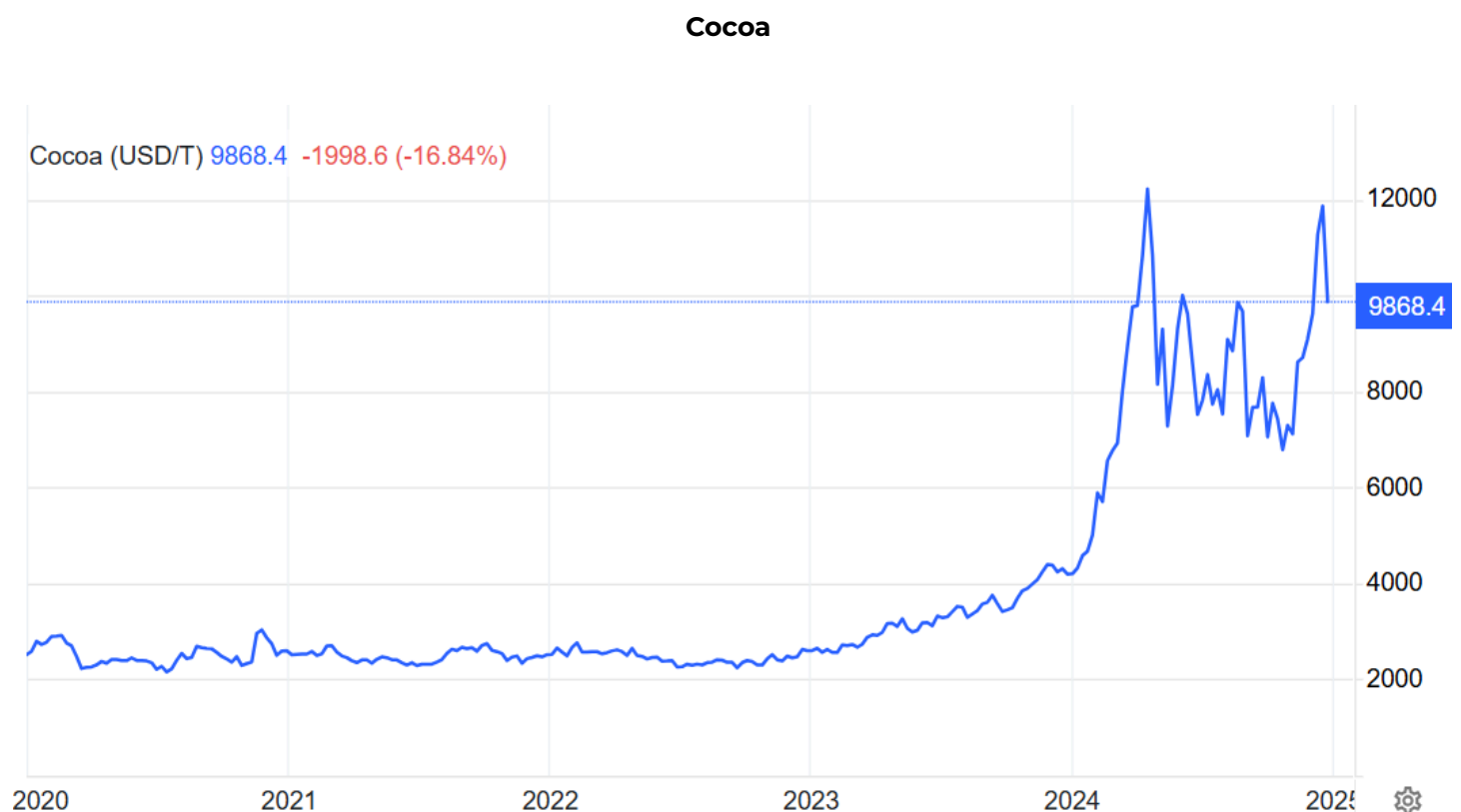
Despite Brazil's resilience, with GDP growth forecast at 3.5% this year, concerns persist about public spending and a weakening real, which has lost over 21% against the dollar in 2024. **The devaluation increases import costs and adds inflationary pressures,** leaving investors focused on how President Luiz Inácio Lula da Silva will balance fiscal discipline with economic growth in the months ahead.



Moving forward, it will be crucial to monitor the central bank's actions and the government's fiscal strategies, as well as their impact on inflation, exchange rates, and investor confidence. The ability to navigate these challenges will play a decisive role in determining Brazil's economic trajectory in the coming year.

Commodities

Cocoa on profit-taking mode after trading near its all-time high



Source: Trading Economics



Cocoa futures traded around \$10,800 per tonne, holding below their recent peak of \$12,605 per tonne hit on December 18th. Dealers reported continued strong cocoa shipments from top grower Ivory Coast, although a significant slowdown is anticipated in early 2025. The latest data revealed that Ivory Coast farmers exported 970,945 MT of cocoa to ports between October 1 and December 15, marking a 30% increase from the 744,967 MT shipped during the same period last year.

Cocoa prices saw a sharp rise in November and December, driven by concerns over the West African cocoa mid-crop outlook, with fears that dry weather could lead to a fourth consecutive shortfall. The global cocoa market experienced its largest deficit in over 60 years during the 2023-2024 marketing year, largely due to crop failures in Ivory Coast and Ghana. Ongoing supply challenges, exacerbated by climate change and fertilizer shortages, are expected to keep cocoa prices at historically high levels in the coming year [link](#).

Equities

Japan outperformed the broader markets closing 4.08%, Russia continued with its positive trend ending 3.12% higher. Latam top players continued under pressure, **Bovespa closed at its lowest level since July.**



Main Equity Markets Movers WoW

Major	Price	Day	%	Weekly	Monthly	YTD
JP225	40281	▲ 713	1.80%	4.08%	5.04%	20.37%
MOEX	2787	▲ 29	1.06%	3.12%	8.09%	-10.08%
ASX200	8262	▼ 3	-0.04%	2.42%	-2.16%	8.84%
NZX 50	13205	▲ 72	0.54%	2.33%	1.16%	12.19%
HK50	20090	▼ 8	-0.04%	1.88%	3.74%	17.85%
CH20	11589	▲ 101	0.88%	1.80%	-1.03%	4.05%
STI	3772	▲ 10	0.27%	1.39%	0.92%	16.40%
IT40	34161	▲ 421	1.25%	1.17%	2.71%	12.55%
FR40	7355	▲ 73	1.00%	1.11%	2.45%	-2.49%
IPC	49333	▼ 210	-0.42%	-0.56%	-1.10%	-14.03%
IBOVESPA	120269	▼ 808	-0.67%	-1.50%	-3.48%	-10.37%

Source: Trading Economics

US stocks slid on Friday as a selloff in major technology companies weighed on Wall Street, heading to end a volatile but stellar year. The S&P 500 fell 1.1%, the Nasdaq 100 lost 1.3%, and the Dow Jones dropped 333 points, snapping a 6-session winning streak. **Thin holiday trading amplified market moves, with megacaps like Tesla (-4.9%) and Nvidia (-2%) leading the decline.** Despite Friday's losses, the S&P 500 and Nasdaq posted weekly gains of 1.6%, while the Dow added 1.4%, supported earlier by the S&P 500's best Christmas Eve performance since 1974 [link](#).

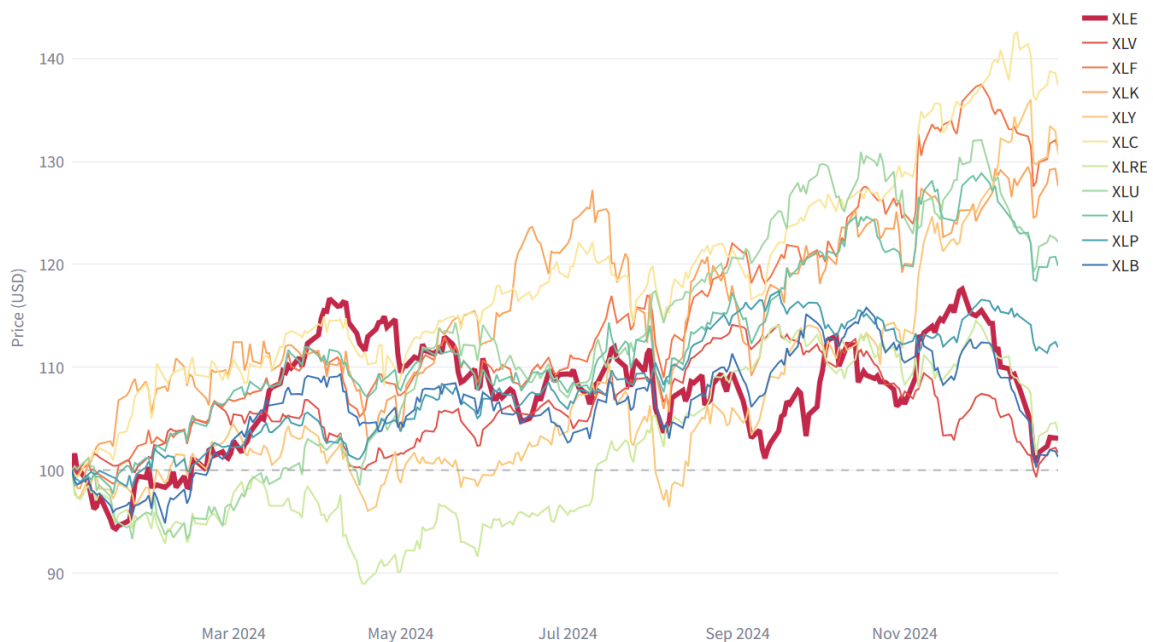


US Sector Performance

	WoW	YTD
Materials (XLB)	-0.23%	1.28%
Consumer Staples (XLP)	-0.05%	11.93%
Industrials (XLI)	0.08%	19.86%
Utilities (XLU)	0.37%	22.18%
Real Estate (XLRE)	0.45%	3.79%
Communication Services (XLC)	0.46%	37.36%
Consumer Discretionary (XLY)	0.55%	30.76%
Technology (XLK)	0.82%	27.57%
Financials (XLF)	0.93%	31.12%
Health Care (XLV)	1.14%	1.71%
Energy (XLE)	1.34%	3.10%

Source: FMP

US Sector Performance



Source: FMP



Crypto

Altcoin market diverging paths amid volatility

The **altcoin market experienced mixed performance** over the past week, reflecting broader market dynamics influenced by Bitcoin's consolidation phase and macroeconomic uncertainties. **Even Bitcoin's dominance stayed resilient; altcoins experienced sharper declines.** So market **sentiment remained cautious.**

Main Crypto Movers WoW

Crypto	Price	Day	%	Weekly	Monthly	YTD
Binance	709.2	▲ 20.4	2.96%	7.81%	9.09%	127.16%
Solana	193.5913	▲ 10.05	5.48%	7.13%	-20.73%	90.76%
Cardano	0.89367	▲ 0.03446	4.01%	-5.85%	-13.25%	50.61%
Avalanche	36.64	▼ 0.61	-1.65%	-8.05%	-14.80%	-5.32%

Source: Trading Economics

Among the top weekly gainers, **Binance Coin (BNB)** led the pack **with a surge of 7.81%**, driven by renewed interest in its ecosystem and the growing adoption of Binance-related products.



Avalanche (AVAX) also **faced a decline of -8.05%** and **Cardano (ADA)** was not far behind, registering a **weekly drop of -5.85%**, influenced by profit-taking and general uncertainty within its ecosystem.

Bitcoin's volatility a resistance at \$100K and what lies ahead

Bitcoin exhibited notable volatility over the past week, reflecting a broader market correction. **After reaching** its annual highs near the psychological barrier of **\$110,000**, **Bitcoin faced strong resistance and is now consolidating around \$95,000**. This **marks a 2.5% weekly decline** while maintaining support above the critical \$92,000 level.[link](#)

The **inability to sustain** gains above **\$100,000 highlights profit-taking** among investors **and a cautious market sentiment**. This behavior has been **largely influenced by hawkish commentary** from the Federal Reserve, which signaled a shallower rate cut in 2025. This macroeconomic backdrop presents a headwind for bullish momentum in the short term [link](#).

Price action analysis reveals that **Bitcoin staged a strong rally from mid-year lows near \$50,000 to highs close to \$110,000 before the recent correction**. This pullback aligns with seasonal trends and macroeconomic pressures, **emphasizing Bitcoin's correlation with broader economic indicators**.



Looking ahead, **analysts expect a period of consolidation** unless a significant catalyst emerges. **Key support at \$92,000 and resistance around \$100,000 will be pivotal in determining price action** in the coming weeks. Investors are advised to remain cautious and consider systematic strategies like Dollar Cost Averaging (DCA) to navigate the volatility.[link](#)

So, Bitcoin's price dynamics underscore its sensitivity to macroeconomic conditions and market sentiment. Despite these short-term challenges, long-term adoption trends and institutional interest remain positive drivers for the cryptocurrency's future trajectory.

BTC / USD



Source: Trading Economic



Weekly Paper Picks

Monetary policy in the news: communication pass-through and inflation expectations

Link: <https://www.bis.org/publ/work1231.htm>

We analyse the media's role in channelling information about the Fed's monetary policy stance to the public. Using LLMs, **we find a tight correspondence between FOMC communication and media coverage, although with significant variation over time.** The communication pass-through weakened during the ZLB period and improved with the introduction of press conferences, which now exert strong influence on the media. Media coverage affects households' inflation expectations, particularly when inflation is high and volatile, while we do not detect a direct impact of FOMC communication. This underscores the media's crucial function in channelling central banks' communication to the public.

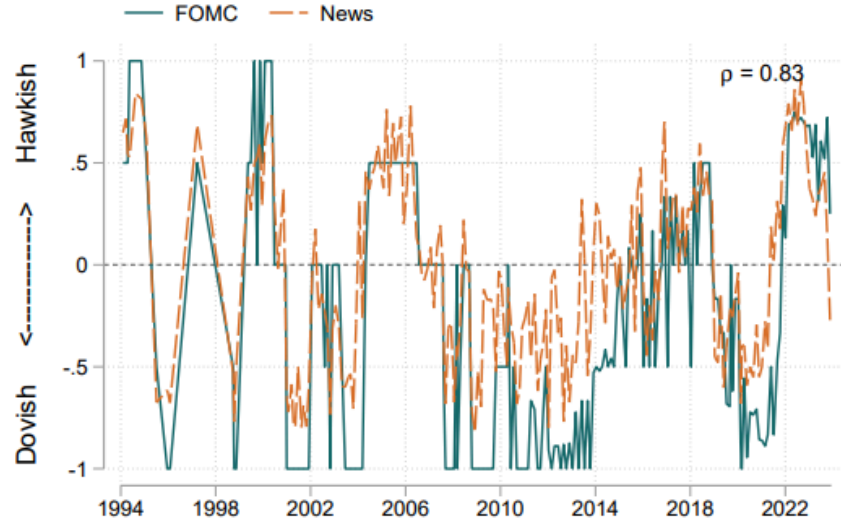


Table 1: Accuracy scores for press conference answers across LLMs

Model	Human's classification			
	All	Hawkish	Neutral	Dovish
GPT-4	0.60	0.16	0.91	0.38
RoBERTa-SPC23	0.61	0.34	0.75	0.54
BERT-GoPhTa23	0.42	0.54	0.26	0.60
Number of answers	692	117	336	239

Notes: The accuracy scores report the share of correct matches between the model's and human's classification of press conference answers.

Figure 4: FOMC and media sentiment



Notes: Green solid line denotes the aggregate FOMC sentiment. Orange dashed line denotes media sentiment. ρ is the correlation coefficient.



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