JEME CAPITAL

WEEKLY NEWSLETTER

May 19th, 2025

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19/05/2025

FINANCIAL DASHBOARD

Index	1w ch. %	Bonds 10yrs		Commodities	
STOXX 600	1.95%	BUND	2.584	GOLD	3,201.09
S&P 500	5.27%	OAT	3.259	WTI Crude Oil	62.48
NIKKEI 225	2.23%	BTP	3.588	EUR/USD	1.12
MSCI WORLD INDEX	4.18%	UST	4.430	EUR/GBP	0.75
ISHARES MSCI EEM	(2.82%)	JGB	1.450	EUR/JPY	145.64

Markets: **U.S. equities** rallied last week, with the **S&P 500** (**+5.3%**) and **Nasdaq** (**7.2%**) marking their third weekly gain in the past four. **Big Tech led** the rally, as NVIDIA (+16%) and Tesla (+17.3%) posted outsized gains. **Semiconductor** stocks (SOX +10.2%), **tariff-exposed** names, and **high-beta** shares also saw **strong performance**. In contrast, **managed care** stocks lagged, with UnitedHealth plunging 22.9%. Investors rotated into cyclical sectors as **confidence** in a soft-landing scenario **grew**, supported by resilient consumer spending and easing inflation. **Treasury yields declined** across the curve, with the **2-year** approaching **4%** and the **10-year** just below **4.5%**. Gold **fell 4.7%**, its worst weekly drop since June 2021, as risk appetite improved.

POLITICS & ECONOMIC NEWS

Tariffs: The **U.S.** and **China** reached a **temporary** agreement this week to **lower tariffs** for 90 days, marking the **first significant easing** in trade tensions this year. The U.S. reduced tariffs on **Chinese imports** from **145% to 30%**, while China cut its retaliatory tariffs from **125% to 10%**. Despite the move, officials warned that **structural** trade **issues remain unresolved**, and the temporary nature of the agreement leaves **future** outlooks **uncertain**.

In parallel, President **Trump** announced plans to impose **new tariff rates** on over 50 other trading partners. Due to the **complexity of** negotiating **individual agreements**, the administration plans to unilaterally set rates and notify affected countries. The move raised concerns of **escalating tensions** with **Europe**, **Canada**, and **Latin America**.

U.S. President Donald Trump at a signing ceremony in Doha, Qatar, on Wednesday.

U.S. Rating Updates: On Friday, **Moody's** downgraded the **U.S. credit rating** from **Aaa to Aa1**, citing rising **government debt**, projected to reach **134%** of **GDP** by 2035, and **expanding** budget **deficits**. This marks the **first time** all three major rating agencies, **Moody's**, **Fitch**, and **S&P**, have rated the **U.S. below** the **top tier**, breaking a century-long record.

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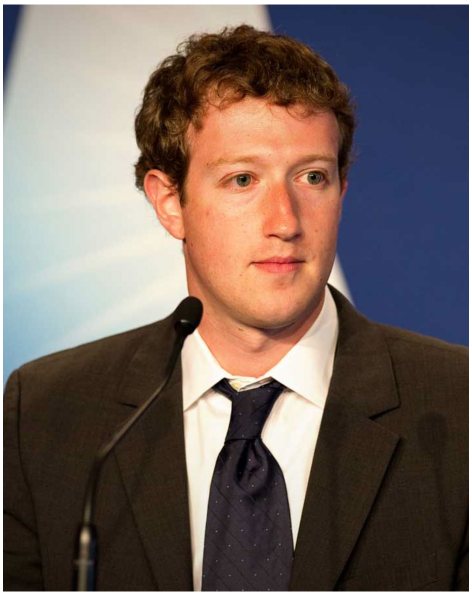
CORPORATE NEWS



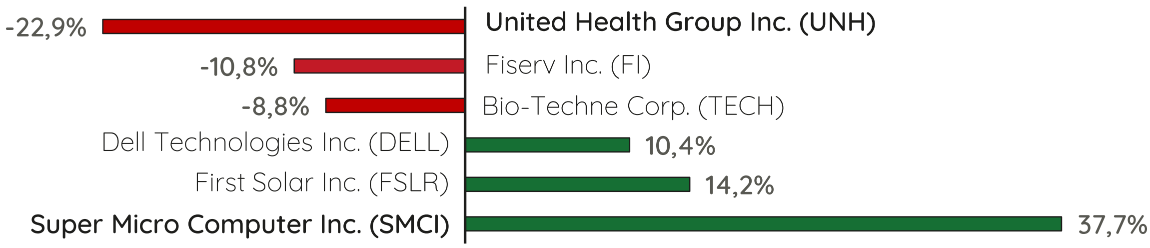
Mark Zuckerberg, CEO of Meta.

- **Meta delayed** its flagship AI model, **Behemoth**, over **performance issues**, sending **shares down 4%** as investors grew **cautious** about **returns** on its massive **AI bets**.
- **Alibaba** reported **Q1 revenue** of **$32.8B** (+7%), falling short of expectations, with **shares down 5.9%** amid persistent **headwinds** from soft Chinese **consumer demand**.
- **JPMorgan upgraded Renk** to Overweight and doubled its target to **€70**, driven by **strong European defence** demand, sending **shares up 7%** on improved **market confidence**.
- **Unipol** posted **€407M Q1 profit** (+12%), with **premiums up 18.8%** to €5B, driven by strong life insurance growth (+35.5%) and **solid results** across **all revenue channels**.

JEME CAPITAL'S HIGHLIGHTS

- **UnitedHealth** shares plunged **23%** this week after **CEO Andrew Witty resigned** and the company **suspended** its **2025 outlook**. The sell-off followed news of a **criminal DOJ probe** into alleged **Medicare fraud**, shaking investors' confidence in the sector.
- **Novo Nordisk ousted CEO** Lars Fruergaard Jørgensen over concerns **about losing its market advantage** in the obesity drug sector, causing the stock to **drop 4%**.
- **Walmart** warned of possible **price hikes** due to new China-imposed tariffs, after posting **Q1 sales** of **$161.5B** (+6%) and raising its 2025 earnings guidance.
- **Dick's Sporting Goods** announced a **$2.4B acquisition** of **Foot Locker**, at an **86% premium**, offering $24 per share. Foot Locker **shares surged 81%** on the news, while **Dick's** stock **fell 12%** amid investor concerns over acquiring a **struggling retailer**.

LAST WEEK BIGGEST MOVERS IN S&P 500



WHAT'S AHEAD NEXT WEEK IN THE MARKETS

Date	Event (U.S.)	Prev. Value	Exp. Value
22-May	Existing Home Sales (Apr)	4.02M	3.90M
22-May	Initial Jobless Claims	229K	231K
22-May	Global Manufacturing PMI (May)	50.20	50.10
23-May	Building Permits (Apr)	1.47M	1.41M
23-May	New Home Sales (Apr)	0.72M	0.69M

Date	Event (EU)	Prev. Value	Exp. Value
19-May	EU CPI (YoY) (Apr)	2.20%	2.20%
20-May	German PPI (YoY) (Apr)	(0.20%)	(0.70%)
21-May	U.K. CPI (YoY) (Apr)	2.60%	3.30%
22-May	EU Manufacturing PMI (May)	49.00	49.20
23-May	German GDP (YoY) (Q1)	(0.20%)	(0.20%)

U.S.-China Trade Negotiations

Next week, the focus will be on the effects of the **90-day tariff truce** between the U.S. and China. This temporary agreement has already sparked a **rally** in **global markets**, with major indexes like the **S&P 500** and **Nasdaq** posting **strong gains**. However, the truce is set to **expire** in early **July**, and both sides are expected to engage in **further negotiations**, making developments crucial in determining a **permanent resolution**.

U.S. Indicators

Existing home sales for **April** are expected to **dip** to **3.90M from 4.02M**, while **new home sales** are seen **falling** to **0.69M from 0.72M**. **Building permits** are also forecast to **decline** to **1.41M from 1.47M**, reflecting weaker construction momentum. Meanwhile, **initial jobless claims** are expected to **edge up** to **231K from 229K**, and the **S&P Global Manufacturing PMI** is projected to **slip slightly** to **50.1 from 50.2**, signalling marginally slower factory activity.

EU Indicators

Eurozone CPI for April is expected to **hold steady** at **2.2%**, while **German PPI** is forecast to **fall further** to **-0.7% from -0.2%**, deepening deflation in producer prices. In contrast, **U.K. inflation** is projected to **jump** to **3.3% from 2.6%**, raising pressure on the Bank of England. Manufacturing remains weak but is stabilising, with the **Eurozone PMI** expected to **rise** to **49.2 from 49.0**, while **Germany's Q1 GDP** is forecast to remain unchanged at **-0.2%**.

Asia's Market Signals

China's industrial production for April is expected to **ease** to **6.2% year-over-year from 7.7%**, signalling softer factory momentum. **Japan's trade surplus** is projected to **narrow sharply** to **¥200B from ¥544.1B**, while **inflation** is set to **rise slightly** to **3.7% from 3.5%**, reflecting continued price pressures. **Singapore's economy** is additionally forecast to **contract** by **0.8%** in Q1, reversing last quarter's growth of **0.5%**, due to global trade tensions.

WHAT'S AHEAD NEXT WEEK FOR CORPORATES

Key Earnings Report

19/05	20/05	21/05	22/05	23/05
Trip.com Grupo Mexico Ryanair	Home Depot Palo Alto Networks Vodafone	Snowflake Target BestBuy	Intuit Assicurazioni Generali EasyJet	PDD Holdings JSW Steel Booz Allen Hamilton

19/05/25

- **Trip.com** anticipates **¥13.83B** (**$1.92B**) in **revenue** and **¥5.54** (**$0.77**) **EPS**. The firm reported double-digit growth in cross-border travel bookings during the May Labour Day holiday, indicating a strong rebound in regional tourism demand.

21/05/25

- **Target** is forecast to report **$24.46B** in **revenue** and **$1.73 EPS**. In April 2025, the company experienced its tenth consecutive week of declining foot traffic, attributed to consumer backlash over changes to its diversity, equity, and inclusion initiatives.
- **Best Buy** is expected to announce **$8.75B** in **revenue** and **$1.07 EPS**. Investors will also be watching for tariff-related commentary, after Walmart warned on Thursday that higher duties on Chinese imports could raise prices on electronics, baby gear, and toys.

22/05/25

- **Assicurazioni Generali** projects **€0.68 EPS**, with revenue not yet forecasted. In April 2025, Mediobanca launched a **€6.3B bid** for **Generali's wealth management arm**, potentially reshaping the Italian financial services landscape.
- **EasyJet** is projected to report **£3.64B** in **revenue** and -**£0.32 EPS**. The company expanded its operations at Rome's Fiumicino Airport by adding five new routes, **increasing capacity** by **35%** to meet anticipated tourist demand for the Vatican City.

23/05/25

- **PDD Holdings** is expected to post **¥102.98B** (**$14.29B**) in **revenue** and **¥19.44** (**$2.70**) **EPS**. The firm filed its annual report, revealing a **59% year-over-year revenue increase** and an **87% rise in net income** for fiscal year 2024, driven by strong e-commerce performance.

Assicurazioni Generali's logo above their office entrance in Rome, Italy.

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