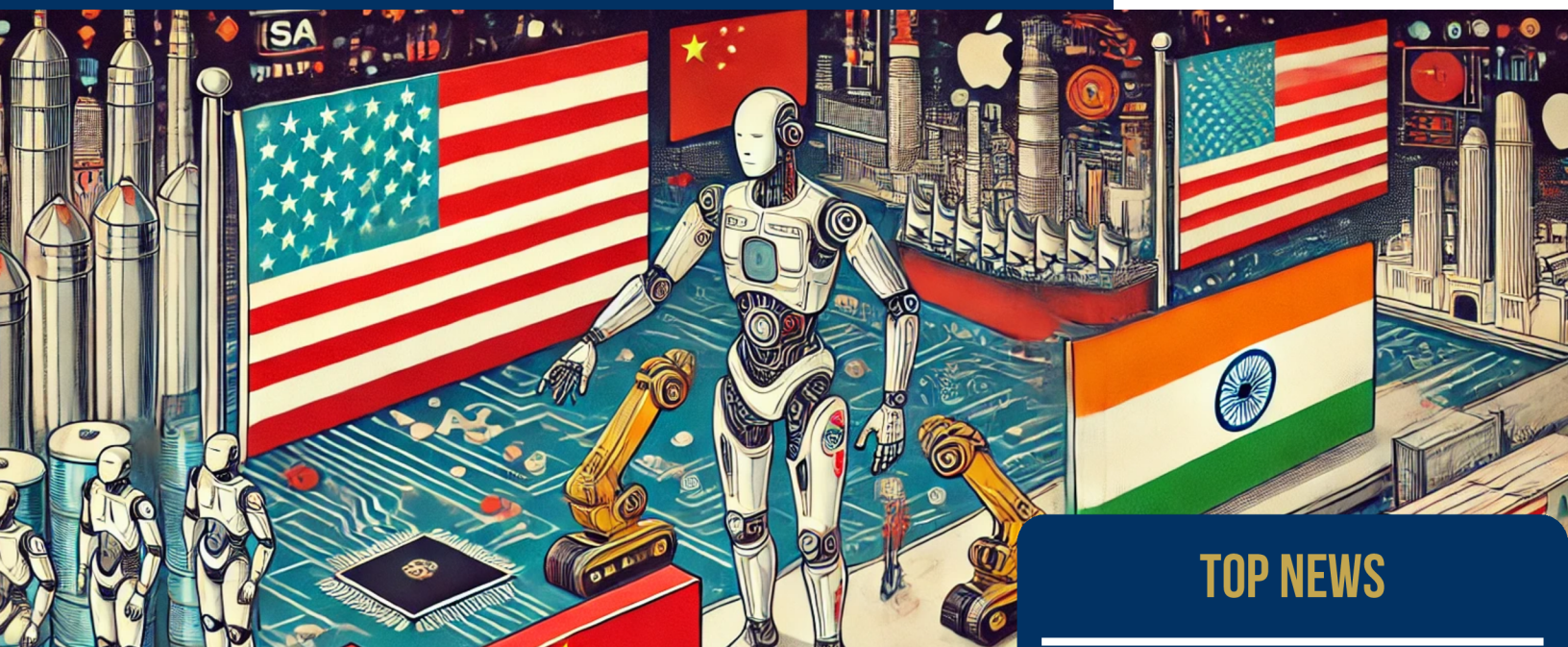


EEIF MARKET & ECONOMIC REVIEW

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TOP NEWS

TECH SECTOR SHIFTS - INNOVATION & IMPACT

As of February 20, 2025, Chinese tech stocks, including Alibaba and Tencent, have made a strong comeback after months of struggles. The government has introduced policies to support the market, boosting investor confidence. As a result, the MSCI China index is nearing its highest level since last October. On the other hand, Palantir Technologies saw its stock drop by 10% due to concerns over President Trump's proposed defense budget cuts. Since Palantir relies heavily on government contracts, investors worry that reduced defense funding could harm its revenue and negatively impact other firms in the defense and intelligence sectors reliant on government contracts.

Lastly, the growing demand for artificial intelligence is driving more mergers and acquisitions in the financial sector. Many asset management firms are looking to buy or partner with AI-focused businesses, with 81% planning AI-related deals by 2028. For consumers, the further integration of AI could lead to smarter financial products, offering improved tools for managing finances.

TECH SECTOR SHIFTS

Chinese stocks rebound; US defense budget cuts concerns hit firms like Palantir, while AI demand rises.

INCREASED TARIFF TENSIONS

Trump's proposed tariff adjustments could escalate trade tensions, production shifts out of China.

JANUARY CPI REPORT RELEASED

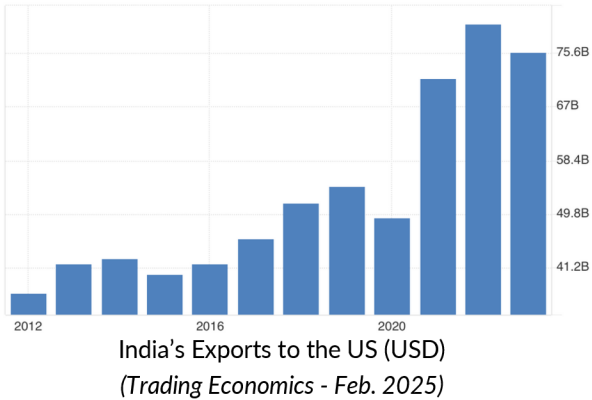
January's CPI report revealed higher-than-expected inflation, primarily driven by rising food prices.



TARIFF WARS HEATING UP: RISING TRADE TENSIONS & GLOBAL ECONOMIC IMPACTS

In the past week, Trump announced plans to design custom tariffs and increase U.S. tariffs to match the tax rates that other countries charge on imports. Factors to consider include existing tariffs, exchange rates, trade balances, and other regulations. Many Chinese tech manufacturers—especially those producing sensors, circuit boards, and power electronics—have relocated production to Vietnam, India, and Thailand (all of which have relatively high tariffs and rely on the U.S. as a major export market) to dodge further U.S. tariffs on Chinese goods. If these new tariffs go through, those same countries could be hit with higher import costs, potentially triggering another wave of supply chain shifts, which could increase the price of everyday goods in the U.S., including electronics, auto parts, and industrial equipment.

- In 2025, Apple shifted production of the iPhone 16 Pro to India making India its largest mobile phone exporter. 25% of iPhones are projected to be made in India by 2027.
 - Apple is also shifting 20% of iPad and 65% of AirPods production to Vietnam by 2025.
- Following a similar trend, one in four major tech companies has already moved operations out of China.

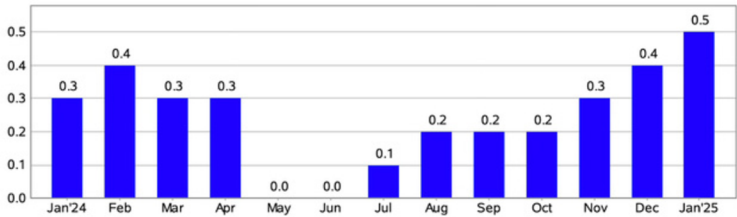


JANUARY CPI REPORT CAUSES MARKET REACTIONS, PRICES SQUEEZE CONSUMERS

Following the release of the January CPI data by The Bureau of Labor Statistics earlier this month, it was reported the consumer price index (CPI) for all urban consumers rose 0.5% in the month of January and 3.0% in the past 12 months. Core inflation, which excludes food and energy, was up 0.4% for the month and 3.3% over the year, coming in hotter than economists expected. Food prices saw notable increases—especially in meats, poultry, fish, and eggs—which jumped 1.9% in January. The biggest shock came from eggs, which skyrocketed 15.2% in a single month, largely due to the ongoing bird flu outbreak. Other key categories saw notable increases:

- Used cars and trucks: +2.2%.
- Auto insurance costs increased by 2.0% and are forecasted to continue rising as car part prices increase due to tariffs, particularly for international brands with complex supply chains.
- January CPI is often influenced by price adjustments businesses make at the start of the year, such as gym memberships and restaurant menu prices. Despite seasonal factors, this year's inflation increase was 0.1 percentage points higher than in January of the previous year, indicating persistent price pressures.

With inflation still running above target, the Fed's decision to hold off on a fourth rate cut seems validated. The next few months will be critical in determining whether these price pressures persist—or if a cooling trend finally takes hold.



CPI Percent Change for Urban Consumers (CPI-U) Seasonally Adjusted
(CPI Inflation Calculator - Feb. 2025)