

Markets rise after Trump AI pledge but China tariff fears return

AFP- Most Asian markets extended a global rally Wednesday as investors gave a cautious welcome to Donald Trump's first full day in office amid hopes he will take a more cautious approach on trade than initially feared.

Software investment giant SoftBank soared more than 10 percent – leading Tokyo-listed chipmakers higher – after the American president said it was included in a new \$500-billion venture to build infrastructure for artificial intelligence in the United States.

However, Hong Kong and Shanghai fell after the tycoon warned China could be included in a list of countries to be hit with tariffs on February 1 “based on the fact that they’re sending fentanyl to Mexico and Canada”.

Traders have been bracing for Trump 2.0 since his re-election in November, with an initial rally – fuelled by hopes for market-boosting measures – giving way to worries he would resume his trade war with Beijing and also target others.

There is also a concern that his plans to slash taxes, immigration and regulations will reignite inflation and crimp the Federal Reserve's ability to cut interest rates.

Tokyo's Nikkei 225 was the standout performer Wednesday, piling on more than one percent thanks to SoftBank's advance fuelled by news that it will be part of the Stargate venture along with cloud giant Oracle and ChatGPT-maker OpenAI.

The project “will invest \$500 billion, at least, in AI infrastructure in the United States” Trump said at the White House.

Japanese chipmakers also rose, with Advantest up four percent, while Tokyo Electron and Lasertec gained more than one percent.

Taipei also enjoyed a big jump, with chip titan and market heavyweight TSMC soaring more than one percent, while Seoul was also helped by big gains in SK hynix and LS Electric.

Sydney, Mumbai, Bangkok, Jakarta and Manila also rose but Singapore and Wellington slipped.

Hong Kong fell 1.6 percent after a six-day run-up as concerns China will be hit with fresh tariffs dealt a blow to confidence. Shanghai also took a hefty hit.

– ‘No winners’ –

There had been optimism that Beijing would avoid being targeted in an early flurry of duties by the White House after Trump said Monday he would hit Canada and Mexico.

But he broadened his targets Tuesday to include China and the European Union.

When asked how soon these tariffs could be enacted, he said: “Probably February 1 is the date we’re looking at.”

The comments came after Chinese Vice Premier Ding Xuexiang told the World Economic Forum in Davos, Switzerland, that “protectionism leads nowhere and there are no winners in a trade war”.

Foreign ministry spokeswoman Mao Ning echoed those comments Wednesday, adding that Beijing was “firmly committed to safeguarding national interests”.

China saw record exports in 2024, with observers saying they were likely boosted at the end of the year by companies ramping up stockpiles ahead of Trump’s second term.

“China will still need to brace for potential tariffs and that’s going to slow down exports this year,” Frederic Neumann, chief Asia economist at HSBC in Hong Kong, told Bloomberg TV.

The broader gains in Asia came after another rally on Wall Street and records for London and Frankfurt.

London and Frankfurt extended their gains at the open, while Paris also rose.

“Investors are now cautiously optimistic, focusing on the US’s robust economic indicators, strong earnings reports, and the prospect of lower borrowing costs and increased capital inflows,” said Stephen Innes at SPI Asset Management.

“This blend of factors is expected to propel US stocks higher throughout 2025, barring any unexpected trade escalations.

“In sum, the delay in imposing new tariffs has been widely regarded as a significant positive for markets.”

The yen eased after edging higher against the dollar recently on expectations the Bank of Japan will hike interest rates at its meeting on Friday, while the euro and pound resumed their losses.

Oil prices dipped again after tumbling Tuesday in reaction to Trump’s announcement of a “national energy emergency” to ramp up drilling in the United States.

– Key figures around 0815 GMT –

Tokyo – Nikkei 225: UP 1.6 percent at 39,646.25 (close)

Hong Kong – Hang Seng Index: DOWN 1.6 percent at 19,778.77 (close)

Shanghai – Composite: DOWN 0.9 percent at 3,213.62 (close)

London – FTSE 100: UP 0.1 percent at 8,557.68

Euro/dollar: DOWN at \$1.0412 from \$1.0426 on Tuesday

Pound/dollar: DOWN at \$1.2320 from \$1.2342

Dollar/yen: UP at 156.00 yen from 155.50 yen

Euro/pound: UP at 84.53 pence from 84.45 pence

West Texas Intermediate: DOWN 0.7 percent at \$75.34 per barrel

Brent North Sea Crude: DOWN 0.5 percent at \$78.89 per barrel

New York – Dow: UP 1.2 percent at 44,025.81 (close)

AFP