

Asian markets track Wall St bounce as Fed decision looms

AFP – Asian markets rose in holiday-thinned trade Wednesday, tracking a rally on Wall Street, where tech titans led by Nvidia recovered some of their hefty losses a day earlier as worries over Chinese AI startup DeepSeek subsided.

Investors were also awaiting the conclusion of the Federal Reserve's policy meeting later in the day as well as earnings from the likes of Microsoft and Tesla over the coming days.

A sense of calm returned to trading floors after Monday's rout, which was sparked by DeepSeek's unveiling of its R1 chatbot that has apparently shown the ability to match the capacity of US AI pace-setters for a fraction of the investments made by American companies.

The news hammered tech firms Monday, with US chip giant and market darling Nvidia collapsing almost 17 percent and wiping almost \$600 billion from its market capitalisation – a record single-day loss for a publicly traded company.

The firm has been at the forefront of a rush by investors into all things linked to AI, pushing it up around 1,900 percent in the past five years.

However, Tuesday saw a tech sector rebound, with Nvidia climbing 8.8 percent as analysts said the selling may have been a little overdone and suggested a pullback in a recent rally may have been needed.

Others said there were also doubts over whether DeepSeek's AI was developed as cheaply as it claims.

DeepSeek's arrival raised questions about whether the vast sums of cash invested in AI in the past few years may have been overdone, but observers said the industry could benefit in the long term.

Billionaire investment giant and founder of Point72 Asset Management Steve Cohen said the emergence of the startup could boost AI development.

And Malik Ahmed Khan at Morningstar said he expected US companies to over time “replicate some of the AI techniques that DeepSeek leveraged to drive the cost of R1 down, as a means of reducing their own model training and inference costs, potentially lowering medium- to long-term capital expenditures”.

All three main indexes rose Tuesday, with the Nasdaq putting on two percent and the S&P 500 almost one percent – both clawing back most of their losses.

Tokyo followed suit, having taken a heavy hit over the previous two days as its chip companies tanked. There were also gains in Sydney and Wellington.

Most of Asia’s markets were closed for the Lunar New Year holiday.

The Fed’s policy meeting is expected to see it stand pat on interest rates but its post-meeting statement, and comments by boss Jerome Powell, will be pored over for an idea about the future as Donald Trump kicks off his second term.

The US president has called on the bank to lower rates, but there are worries his plans to slash taxes, regulations and immigration – as well as impose tariffs on imports – will reignite inflation.

The prospect of borrowing costs staying elevated boosted the dollar, which was given an extra lift Monday when Trump said he wanted universal tariffs “much bigger” than the 2.5 percent suggested by Treasury Secretary Scott Bessent.

Traders are also awaiting the European Central Bank’s latest policy meeting, with some analysts expecting a small rate cut.

– Key figures around 0230 GMT –

Tokyo – Nikkei 225: UP 0.6 percent at 39,232.75 (break)

Hong Kong – Hang Seng Index: Closed for a holiday

Shanghai – Composite: Closed for a holiday

Euro/dollar: DOWN at \$1.0431 from \$1.0433 on Tuesday

Pound/dollar: DOWN at \$1.2439 from \$1.2440

Dollar/yen: UP at 155.66 yen from 155.53 yen

Euro/pound: UP at 83.86 pence from 83.84 pence

West Texas Intermediate: UP 0.1 percent at \$73.82 per barrel

Brent North Sea Crude: FLAT at \$77.49 per barrel

New York – Dow: UP 0.3 percent at 44,850.35 (close)

London – FTSE 100: UP 0.4 percent at 8,533.87 (close)

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