



بنك الإمارات دبي الوطني
Emirates NBD

CIO OFFICE MORNING MARKET WRAP

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Merely weeks before President Elect Trump taking office, the trade conflict has gone up a notch. China yesterday cut drone supplies to the US and Europe. The country’s decision-making Politburo vowed to embrace a “moderately loose” monetary policy in 2025, according to the official Xinhua News Agency, signaling more rate cuts ahead and shifting from a “prudent” strategy that’s held for nearly 14 years. The 24-man body also pledged “more proactive” fiscal policy at its monthly huddle, raising expectations for Beijing to widen the fiscal deficit from 3% at the annual parliamentary session in March. This is the most aggressive stimulus tone from the country in a decade. Canadian President Justin Trudeau said the country will “respond” if Trump imposes 25% tariffs on its imports. Separately, economists estimate the government would break its self-imposed fiscal constraints to counter the impacts of any trade conflict similar to China.

NY Fed 1-year inflation expectations increased 10 bps to 2.97%. Treasury yields ended Monday higher by as much as 5bp amid a rise in crude oil and anticipation of this week’s coupon auction cycle beginning Tuesday. This week’s Treasury auctions begin Tuesday with \$58b 3-year new issue, followed by \$39b 10-year and \$22b 30-year reopenings Wednesday and Thursday. Risk assets were negatively impacted. Both S&P 500 and Nasdaq dropped more than 0.6%. DM stocks dropped 0.4% even as EM equities gained 0.8%.

Markets this morning:

This morning the Asian shares are positive taking heart from China’s stimulus plans. Both Hong Kong and local Chinese stocks are up 1.1% and 1.6% respectively. Investors will now shift focus to China’s annual closed-door Central Economic Work Conference due later this week. China’s exports growth was weaker than expected for November coming in at 6.7% vs estimate of 8.7%. The US 10-year yield trades around 4.19% this morning. Gold has increased to \$2,668. Brent Crude has fallen below \$72.

Upcoming Key events/data:

The macro data dossier is light today. Germany’s CPI is due today. Economists expect disinflation with prices falling by 0.2% in November. Investors wait for the US CPI release due tomorrow which is the last key data point before the Fed meeting next week.

Have a good week ahead!

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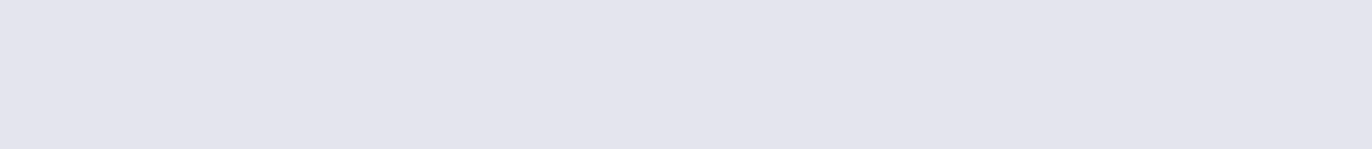
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