CIO OFFICE MORNING MARKET WRAP

25 August 2025

As students “Go back to School” across the UAE today, we underscore the importance of constant learning to protect portfolios in an ever-changing macro environment and policy drivers. A classic example is Chairman Powell’s changed tune from the earlier focus on tariff driven inflation to a shaky labour market during his address at the Jackson Hole Symposium. He mentioned that “with policy in restrictive territory, the baseline outlook and the shifting balance of risks may warrant adjusting our policy stance,” effectively underwriting a rate-cut in the September FOMC meeting. He also, refrained from any indication that he’s expecting outsize rate reduction of 50 bps. This contradicted with July FOMC meeting minutes released earlier last week, where most Federal Reserve officials highlighted the risk to inflation as outweighing concerns over the labour market.

Chairman Powell’s comments were music for the market. S&P 500 surged 1.5% after falling for 5 consecutive sessions and Nasdaq gained 1.9%. But small caps were the best performer as Russell 2000 ended the day 3.9% higher. The yield curve bull-steepened due to the combination of rate cut expectations and lingering inflation concerns. the spread between 5- and 30-year rates touched a new cycle high at 112bps. Two-year yields were down about 10 basis points to 3.7%. However, the long-end rally in the treasuries is quite circumspect and even with Friday’s gains, bond yields still haven’t pushed below lows from earlier this month as investors wait for employment and inflation data that come in before the next meeting.

Markets this morning:
The Asian markets are riding high post the Powell fueled rally in the US last week. Hang Seng and mainland China stocks are up 2%. Nikkei has gained 0.7%. US equity futures trade slightly in the red while the 10-year Treasury is up 1.4 bps trading at 4.26%. Gold hovers around $3,366 and Brent Crude is at $67.8.

Upcoming key events/data:
On Monday, the US will release data on new home sales, building permits, and the Dallas Fed index, while UK markets will be closed for the Summer Bank Holiday. Tuesday brings reports on US durable goods and consumer confidence. Nvidia is scheduled to announce its earnings on Wednesday, coinciding with the start of the 50% US tariff on Indian imports. Thursday features the release of US GDP figures and policy rate decisions from Egypt’s Central Bank. Finally, on Friday, Alibaba and BYD will report their earnings, the July PCE index will be published, and the US will end its “de minimis” tariff exemption for low-value imports.

Have a great day.

Chief Investment Office
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