



CIO OFFICE MORNING MARKET WRAP

27 August 2025

Worldwide long-end bonds continued to struggle for various reasons. The French OAT and German Bund spread currently at 77 bps could widen more as uncertainty grows on the stability of the current government as three major opposition parties have decided to vote against the planned €44 billion of spending cuts and tax increases. US 30-year treasury yields crossed 4.9% as President Trump and Fed governor Cook stood their ground. Even with Fed rate cut priced in next month, the long-end yields remain stubbornly high and requires a black swan event for 10-year yields to move below 4%. Meanwhile, UK 10-year Gilts moved higher with BoE's Mann saying that rates should stay higher for longer.

The August Conference Board consumer confidence report showed the headline index edging down and the labour market differential continued to worsen. France's CAC 40 was the worst performer yesterday dropping 1.7%. However, US equity markets did well with S&P 500 and Nasdaq returning +0.4%. Nvidia is set to release its Q2 earnings today. Bloomberg consensus estimates a revenue of \$46.2 Bn and EPS of \$1.01 which is a stunning 49% annual growth. The effect of China's recent move to shun H2O chips on the company's financials remains to be seen.

Markets this morning:

Asian tech markets are up today. Chinese AI leader Cambricon rose 8% while Nikon shares went up by 21% in Japan on news that Essilor Luxotica is planning to increase its stake in the company. Mainland China stocks are up 0.7% while Hang Seng remains flat. Nikkei is up 0.3%. US 10-year yields are at 4.26%. Gold trades at \$3,382. Brent Crude trades above \$67.3 this morning. The 50% US Tariff on India comes into effect from today which could reduce India's GDP by a quarter point. Indian markets are closed today.

Upcoming key events/data:

Today's economic data releases are limited. The US will publish the MBA Mortgage application figures, while Germany is set to release the Gfk consumer confidence data. Nvidia's earnings results will be available after the close of the US markets. Additionally, the US Treasury plans to auction \$70 billion in 5-year notes, which is unchanged from last month's auction size.

Have a great day.

Chief Investment Office
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