



بنك الإمارات دبي الوطني  
Emirates NBD

## CIO OFFICE MORNING MARKET WRAP

### 6 February 2025

Investors must be gaining more conviction that the US economy is finally starting to slow down, yet that global growth will anyway be picking up. Commodities are outperforming equities, technology is trailing, manufacturing is picking up in relative terms against services, the dollar is weakening, and yields are falling. Altogether, dollar-centric assets are showing a few cracks, while commodity-related themes are gaining some traction. Yesterday’s market performance reflects these relationships. Stocks rebounded with gains lead by major industries rather than the Magnificent 7 that mostly disappointed in the earnings season. Yields and consumer discretionary stocks fell on deteriorating business confidence in services. The major benchmarks were led higher by semiconductors and real estate, while telecommunication services took a beating on Google’s underwhelming results and profit-taking on Tesla. The US Dollar Index saw sizeable losses for two sessions back-to-back against most major peers. Commodities rallied, led by gold. The ISM services index fell more than expected to 52.8, while on Monday its manufacturing counterpart got into expansion territory for the first time since 2022. The partial closing of this gap was confirmed yesterday by the prints of the S&P Global US Manufacturing and Services indices. Despite the doom and gloom about tariffs, so far investors seem to be constructive on cyclical themes, which could mean the end-result of Trump’s ‘chaos’ will be less painful than expected, or more simply that this is a temporary reprieve till the outlook gets worse. At the cost of being repetitive, we underscore once more that the main driver of non-dollar assets remains China with the related stimulus measures. And putting numbers to the above, on Wednesday the Dow Industrials (+0.8%), outperformed the S&P 500 (+0.4%), while the Nasdaq lagged behind (+0.2), and the Magnificent 7 (+.5%) underperformed small caps (+1.1%). Consumer discretionary stocks led losses (-1.6%), the yield on the 10-year note fell 9bps. The US dollar lost 28pips, and copper gained 2%. Gold got closer to our \$2,900/oz fair value.

As for earnings, Qualcomm and Arm posted strong quarterly sales growth on Wednesday as the chipmakers benefited from better-than-expected smartphone demand. Both stocks fell in extended trading on concerns about the outlook. Likewise, Uber stock fell in the face of its ‘strongest quarter ever’ as guidance disappointed.

**Markets this morning:**

Asian equities rose in the morning session with three back-to-back gains and reaching their highest levels since last December following previous day’s positive returns in US stocks and bonds. The yen almost touched a three-month high against the dollar after the largest jump in wages in Japan since 1997 recorded on Wednesday. Investor focus will soon be turning to Friday’s jobs report, with today’s non-farm payrolls taking a backseat. Shares in Hong Kong and mainland China advanced, reversing yesterday’s declines, while US equity futures held steady. Treasuries were steady as well after a decline on Wednesday. The US dollar trimmed some of its early losses against its major peers, and a BOJ official said that Japanese benchmark rates could touch 1% in the second half of the fiscal year 2025. And this should feed through to Japanese longer-dated yields. Which stands in contrast with the outlook for US yields as per US Treasury Secretary Bessent’s declarations. He said that the Trump’s administration focus in bringing down borrowing costs is on the 10-year Treasury yield, rather than on policy rates. In Europe, the Bank of England today is expected easy policy with a 25bps cut to 4.5%. In commodities, gold was steady after touching a record high in the previous session on concerns on tightness in the physical market, while WTI crude rebounded after falling 2%.

**Upcoming key events/data:**

The main highlights for today include US jobless claims, Amazon’s earnings, Eurozone retail sales, and the UK central bank decision on rates.

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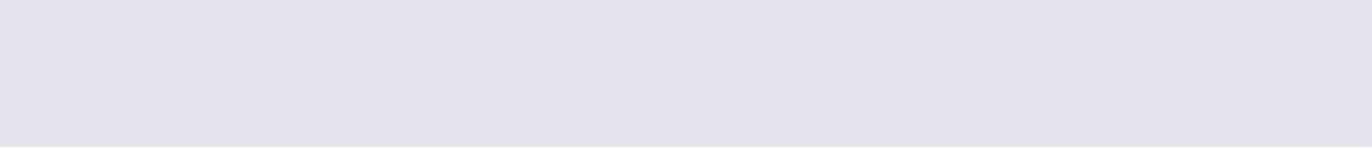
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