



بنك الإمارات دبي الوطني
Emirates NBD

CIO OFFICE MORNING MARKET WRAP

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Markets were mixed on Thursday, with stocks edging up without gaining much traction. Caution prevailed on overall mixed earnings and ahead of Amazon’s results and today’s US payrolls data. Qualcomm and Ford sank, the former on concerns about demand for new handsets, the latter due to a profit warning. Peloton was lifted by a bullish outlook, while Phillip Morris hit a record on solid sales. Treasury Secretary Bessent made important statements about yields and the dollar. He said the administration is focused on policy that affects longer-dated yields, rather than short-term rates, and that a “strong dollar policy is completely intact” under President Donal Trump. The two are linked, and ultimately if commodity prices - hence inflation - are not contained, the only option to put a lid on yields would be to suppress them via some form of direct intervention. This represents the blue-sky scenario for gold, where it would have much more to run from current levels with the dollar entering a bear market. Bessent also said he’s “aligned” with Elon Musk DOGE’s efficiency drive, that is going to “yield big savings”. As for the economy, jobless claims yesterday were still subdued, and labour productivity remained solid, providing a positive backdrop for asset markets.

Amazon dropped about 4% post market missing on quarterly profit and on sales forecasts, the latter mostly due to a currency drag. It echoed Microsoft in saying it cannot keep up with AI demand despite plans to invest \$100bn this year. Growth in the cloud division will be “lumpy” due to delays in getting hardware and on insufficient electricity. Constraints should ease in the second half of the year.

The UK government is in a predicament. Big public investments core to the policy pushed forward by the Chancellor of the Exchequer Rachel Reeves were supposed, at some point, to be paying for themselves by boosting growth and hence tax revenue. The Bank of England yesterday threw those assumptions into disarray. It cut rates by 25bps to 4.5%, as widely expected, but it also slashed by half projections for the expansion rate of the economy this year, to a level of 0.75%. The government on the one hand will hope for further easing to reduce its borrowing costs, though on the other the bank is anticipating higher than expected inflation as well. The outlook for the British economy remains uncertain, as mentioned yesterday by Bank Governor Bailey. The pound showed renewed weakness following a recent rebound.

Markets this morning:

Asian stocks fell Friday after a tepid session on Wall Street ahead of today’s all-important jobs report that will be key for the future path of monetary policy. Shares in China and Hong Kong fluctuated, and Japan and South Korea fell. Australia pared early declines, while US futures were little changed. Treasuries were steady following small declines across the curve yesterday. The dollar was in lacklustre trade, and gold hung close to its all-time highs. Japanese equities were affected by the yen that reached its highest levels since December, following comments from a board member that underscored the case for higher interest rates. The US jobs report should show that 175,000 new payrolls were added to the economy. The print will be closely watched, providing indications about where the neutral interest rates could sit. A persistently firm labor market would consolidate the view that the economy is close to the neutral rate and provide incentives to keep policy on hold. Payrolls in the 175,000-200,000 range should be absorbed with little volatility, whereas higher figures would spur markets to adjust the expected number of cuts lower. The Fed’s next move is not seen until mid-year, in keeping with Powell’s statement last week that “serial readings” of moderating price pressures are needed for further easing.

Upcoming key events/data:

The US jobs report and the University of Michigan consumer survey are the main highlights for today.

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