



بنك الإمارات دبي الوطني
Emirates NBD

CIO OFFICE MORNING MARKET WRAP

13 February 2025

US consumer prices rose more than expected in January, triggering a bear steepening in the US Treasury yield curve: +7 basis points for the 2-year to 4.35%, +10 for the 5 and 10-year to respectively 4.47% and 4.62%. Market implied expectations for the Fed adjusted to just one 25bps cut in 2025. The dollar initially rose but closed unchanged. US stocks also rebounded from their initial sharply negative reaction: the S&P 500 ended the session down -0.3%, leading to -0.2% for the MSCI World. Emerging equity markets gained +0.6%. Gold added \$6 to \$2,904 while Brent crude fell \$1.8 to \$75.2.

The US January CPI upside surprise was significant. The year-on-year measures unexpectedly rose to respectively 3% for the headline and 3.3% for the core – compared to median forecasts of 2.9% and 3.1%. Fed’s Powell commented, clearly suggesting interest rates will remain elevated for some time: “we’re close, but not there”, and “we want to keep policy restrictive for now”. It wasn’t outright hawkish however, as he also added that “we don’t get excited about one or two good readings, and we don’t get excited about one or two bad readings”. Nevertheless, the future inflation outlook may get even more complicated by the imposition of widespread trade tariffs, which could be signed off as early as this week, according to the White House. This is the transition to the other headline of last night: President Trump and President Putin agreed to begin talks on ending the conflict in Ukraine. The direct talks could start soon in Saudi Arabia.

Markets this morning:

Asian markets are overall well oriented as we write this morning, with US Treasury yields releasing the pressure, down between 1 and 2 basis points across the curve. Stocks are flat in Shanghai/Shenzhen, but up almost +1% in both Hong-Kong and Korea, and a bit more in Tokyo, supported by a weaker yen at 154. Gold is stable and Brent crude is down another 70 cents to \$74.5.

Upcoming key events/data:

Today we will look at industrial production in Europe, as well as at PPI inflation and the usual weekly jobless claims in the US. Corporate earnings include Cisco, Reddit, Nestle, Unilever, Siemens and Talabat.

Have a good week ahead!

Chief Investment Office
Wealth Management,
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