



بنك الإمارات دبي الوطني
Emirates NBD

CIO OFFICE MORNING MARKET WRAP

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Thursday was positive across asset classes, for several reasons. First, market participants acknowledged that the details of the US January CPI report were a bit better than the headlines. Second, the announced talks between the Presidents of Russia and the US on Ukraine supported European assets. Finally, the announcement of “reciprocal tariffs” imposed by the US came with an April timeline, which suggests some room for negotiation. Time will tell, but in the meantime, US Treasury yields fell in a bull flattening pattern that saw the 10-year decreasing by 9 basis points to 4.53%. The dollar weakened by an impressive -0.5% in a day against trade-weighted counterparts, which helped gold adding \$24 to \$2,928 while Brent crude was stable at \$75. Stocks were up +1.2% in the developed world, let by non-dollar denominated markets, and +0.2% in emerging regions.

A word on reciprocal tariffs. President Trump asked his advisors to calculate the appropriate levels for each country, taking into account not only trade duties but also taxes, subsidies and even exchange rates. This puts the Euro area and its high VAT rate, as well as some emerging countries, in the crosshair. The Commerce Secretary said that they could be implemented in early April. Market participants see this development as a relief, as it is probably better than the immediate imposition of 25% tariffs for everyone, and as the examples of Canada, Mexico and Colombia suggest that targeted countries have some leeway to delay further or smoothen the potential bill. Honestly, this may be a bit optimistic as a delay seems necessary just to do the math on the right rate for each country. Unpredictability is here to stay, even if the January rise in inflation is another reason to hope for some caution from the US administration on tariffs.

Crossing the Atlantic, the UK economy grew by a lackluster +0.1% in Q4/2024, which is low but better than the median forecast of a small contraction. The details however are not that great, with government spending, up +0.8%, making most of the positive surprise as private consumption, investments and net exports were not great. In the Eurozone, industrial production was also negative and uninspiring. Back to the US, PPI inflation was broadly in line with expectations, which leads to a “back of the envelope” calculation for core PCE, the Fed’s preferred measure, to have gained around +0.25% in January: not alarmingly fast for the Fed, but not slow enough to re-ignite dovishness. Weekly jobless claims were also slightly better (lower) than forecast. Finally, India’s Prime Minister met the US President in what was described as a productive meeting, with India committing to buy more energy and weapons, including potentially F-35s, from the US.

Markets this morning:

The mood continues to be good in Asian markets as we write this morning. Stocks are quite logically down -0.4% in Japan as the yen is below 153, but they are up 2.1% in Hong-Kong, now at double digits YTD, followed by Korea and onshore China at +0.7%. US treasury yields are stable: in rounded numbers, the 2,5 and 10 years are at respectively 4.3%, 4.4% and 4.5%. There is no notable move in commodities and the trade-weighted dollar is marginally lower.

Upcoming key events/data:

Today we will look at the preliminary Q4 GDP for the Eurozone, at 2PM Dubai time with the consensus expecting quarter on quarter stagnation. US monthly retail sales will be released at 5.30PM and industrial production at 6.15PM. Have a great end to the week.

Have a good weekend!

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