



بنك الإمارات دبي الوطني
Emirates NBD

CIO OFFICE MORNING MARKET WRAP

20 February 2025

January FOMC minutes were released yesterday. Officials expressed their readiness to hold interest rates steady amid stubborn inflation and economic-policy uncertainty. The minutes also mentioned that “many participants noted that the committee could hold the policy rate at a restrictive level if the economy remained strong and inflation remained elevated.” If the market perceives the rates to be restrictive, we should not see large bear steepening from current levels.

No wonder the long-end yields dipped after the release of the minutes. Both US Housing Starts and MBA Mortgage applications dropped from their previous releases. European stocks were negative yesterday on the backdrop of additional tariffs on autos being contemplated. EU officials mentioned that the bloc is ready to discuss cutting tariffs on autos and other goods as it seeks to head off a trade war with the US. S&P 500 notched another record closing at 6144. Defensive sectors such as healthcare, consumer staples and utilities were positive while the cyclicals were mostly in the red. Palantir shares fell 10% on Wednesday following a report that US Defense Secretary Pete Hegseth has asked officials for plans on how to slash military spending.

Meanwhile President Trump backed a House budget plan calling for a \$4.5 trillion tax cut. Mr Trump also announced that it may be possible to reach a trade deal with China. The dollar continued its dominance as a reserve currency accounting for 50.2% of international foreign-exchange traffic sent via Swift in January, up from 49.1% the previous month.

Markets this morning:

This morning the Asian equities fell as the tech rally in Hong Kong took a pause. Hong Kong index fell 1.5% while mainland Chinese stocks dipped 0.4%. Ali Baba releases its earnings today which will be a key hurdle after the investors saw a DeepSeek fueled \$110 Bn rally in its market cap. PBOC held its 1- and 5-year rates at 3.1% and 3.6% respectively. The Yen Strengthened reaching its highest level since December. Nikkei lost 1.6%. Gold trades near \$2,941 and Brent Crude has dropped slightly below \$76. US 10-year treasury trades 1 bps below last night closing at 4.52%.

Upcoming key events/data:

Eurozone consumer confidence releases today. We get the US initial jobless claims and Philadelphia Fed manufacturing index as well. Fed’s Austan Goolsbee and Alberto Musalem speak later this evening.

Have a good day!

Chief Investment Office
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