



CIO OFFICE MORNING MARKET WRAP

2 July 2025

The first trading day of Q3 was broadly negative with tariff discussions at the forefront. President Donald Trump said he is not considering delaying his July 9 deadline for higher tariffs to resume and renewed his threat to cut off talks and impose duty rates on several nations, including Japan. He also said that auto trade between the two nations is imbalanced. The president sounded more optimistic about reaching a deal with India. In Sintra, Federal Reserve Chair Jerome Powell stated that the US central bank probably would have cut rates further this year in the absence of President Donald Trump's expanded use of tariffs. Powell reiterated that the Fed is waiting to see the effects of the tariffs, which are expected to show up in inflation data in coming months and will make decisions on a meeting-by-meeting basis.

Yesterday's JOLTS job openings report showed an unexpected, steep increase for May at 7,769k — a sign of labour market strength that ignited a bond market selloff. ISM manufacturing stayed in the contraction zone at 49 and ISM Prices paid moved up to 69.7. Both New Orders and employment remained below 50. However, the manufacturing PMI improved in the final June survey, rising to 52.9 from 52.0 in the June preliminary report.

The US Treasury yield curve experienced a bear-flattening as front-end yields increased by 6 basis points. The S&P 500 and Nasdaq indices decreased by 0.1% and 0.8%, respectively. Goldman Sachs, Citigroup, and Bank of America are among the US banks that are increasing their dividends following the Federal Reserve's annual stress tests. Additionally, JPMorgan approved a \$50 billion buyback, and Morgan Stanley reauthorized a multi-year repurchase program of up to \$20 billion.

The Senate passed the One Big Beautiful Bill Act, with Vice President Vance casting the tie-breaking vote last night. Due to numerous amendments in the Senate version, the bill will return to the House for another vote, which is scheduled to begin tomorrow. The Senate-approved text includes a \$5 trillion increase in the debt ceiling, compared to the \$4 trillion increase in the House version.

Markets this morning:

This morning, the Hong Kong shares are up 0.7% while Nikkei is down 0.8% due to the trade tensions. US and European equity futures are in the green today. US Treasury 10-year yield is up at 4.24%. Oil is trading above \$67 per barrel. Gold has gained 2% in the last 2 days to trade around \$3,340.

Upcoming key events/data:

Markets now focus on tomorrow's US Job report after the positive surprise on the JOLTs figures. Today's data dossier remains light as we get the ADP employment report and the MBA mortgage applications.

Best Regards,

Chief Investment Office
Wealth Management
Emirates NBD.

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