# CIO OFFICE MORNING MARKET WRAP

## 8 July 2025

US tariffs angst took a toll on markets on Monday. The MSCI World reflected a -0.6% drop in stocks from developed markets, due to the S&P500 closing -0.8% lower, while emerging markets lost -0.4% on average. US Treasury yields rose in a light bear steepening pattern, up between 1 and 3 basis points. Gold was stable at $3,335, the price of Brent crude oil rebounded to $69.6, and the dollar was +0.3% firmer against trade-weighted counterparts.

There is anxiety, but no panic, as the latest development leave room for negotiation. Factually, the White House announced having sent the first wave of letters on the new "unilateral" tariffs. Notable levies are 25% for Japan and South Korea, 36% for Thailand and Cambodia, while recipients also include South Africa and Indonesia. The implementation deadline is on August 1st, unless bilateral agreements are concluded in the meantime. Importantly, the delay also applies to previous "reciprocal" tariffs, and the President ambiguously said that the rates were "more or less" a final offer and that the deadline was "firm but not 100% firm". He added that the US was close to a deal with India, while officials from the EU also signalled progress. Europe may be willing to accept a 10% rate without retaliation but with sectoral exemptions. Bottom-line, from the "Art of Deal" standards, this is a relatively soft approach, and it seems market participants are finally getting used to it. Staying on the US foreign policy, President Trump said that more weapons will be sent to Ukraine. The idea of an antiwar and antideficit administration is definitely being questioned.

In other news, retail sales in the Eurozone contracted in May, while German industrial production held better than expected. We continue to be sceptical regarding the growth perspectives of the area. Japan's wages progressed less than expected, at +1% overall, with rising salaries but lower bonuses. Finally, China's FX reserves rose by a solid $32.2bn in June, which does not suggest that exports are collapsing. The part of gold in the $3.3tn total approaches 8%, while the proportion of US treasuries continues to trend lower.

**Markets this morning:**
Tariffs anxiety is fading in Asian markets as we write this morning. Stocks are slightly up everywhere, from +0.1% in Japan to +0.7% in Korea with China and Hong-Kong in between. There is no notable move in US Treasury yields or in major currency pairs. Gold is stable and Brent trades lower at $69.2.

**Upcoming key events/data:**
Today is data-light. We will look at the US small businesses confidence from the NFIB report, before looking at inflation in China tomorrow. Have a great day.

Best Regards,

Chief Investment Office
Wealth Management
Emirates NBD.

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