CIO OFFICE MORNING MARKET WRAP

14 July 2025

Markets lost momentum last week as trade friction returned to the spotlight, amplifying geopolitical noise and clouding an already uneven global macro backdrop. Early optimism was overtaken by rising caution as tariff risks re-emerged, policy signals turned mixed, and growth concerns lingered across regions. The MSCI ACWI slipped 0.3%. Developed markets led the pullback while Europe held firmer ground. Emerging markets fared slightly better but continued to wrestle with crosscurrents in rates, commodities, and capital flows. In the U.S., the S&P 500 eased 0.3% after brushing against record highs earlier in the week. Mega-cap tech remained resilient, but broader flows turned cautious as sentiment was pulled by macro and policy developments. Fed minutes showed a split committee with signs of discomfort on both inflation and growth. Volatility climbed, with the VIX moving toward 16 as traders grew more active in downside hedging ahead of earnings season. Tariffs moved back to center stage after former President Trump issued formal notifications outlining sweeping new levies. The proposed measures included a 30% tariff on imports from the EU and Mexico starting August 1, along with a 35% rate on Canadian goods. While exemptions remain possible for U.S.-assembled products, the scale and suddenness of the proposal jolted markets. Brussels was caught off guard, with EU leaders warning of countermeasures but signaling interest in resuming negotiations. Talks with India advanced in parallel, with signs of a lower bilateral rate taking shape. Markets began to reassess trade fragmentation risk, and exporters, semiconductors, and autos came under pressure.

Europe stood out as an outperformer. The MSCI Europe Index gained 0.7%, lifted by strength in energy, defensives, and commodity-linked stocks. BP rallied on earnings optimism, while utilities and insurers attracted flows. The FTSE 100 rose 1.3% on commodity gains and oil resilience. However, GDP contracted for a second straight month and sentiment in Germany and France weakened into Friday as Trump's tariff rhetoric returned. European ADRs slumped to close the week, with trade concerns overshadowing otherwise supportive earnings revisions. In Asia, The MSCI China Index rose 0.6% as sentiment improved on signs of further policy support and renewed flows into property and biotech names. Speculation around a Trump-Xi summit gave the market an added tailwind. Japan lagged, with the TOPIX down 0.2% as the yen strengthened and auto stocks came under renewed pressure. Saudi Arabia's Tadawul added a structural milestone with the announcement of omnibus account functionality and upcoming Saudi Depository Receipts. The changes aim to open access for global investors while giving domestic participants a window into international securities, deepening the Kingdom's capital market reach.

Within commodities, brent crude rose nearly 3% for the week to close at $70.4 a barrel, supported by tightening supply expectations. Gold climbed 0.6% to $3,356 an ounce and the Bloomberg dollar spot Index rose 0.7%. Treasury yields pushed higher into the close, with the 10-year finishing at 4.42%.

Markets this morning:
Today, markets opened under a cloud as tariff threats jolted sentiment and pulled risk appetite in check. S&P 500 futures fell 0.4%, haven demand picked up, and silver surged toward decade highs. President Trump's move to slap 30% tariffs on EU and Mexican goods landed hard, reviving fears of trade fragmentation. The mood turned fast. After brushing against records, equities now face a fresh test as trade friction takes the wheel. Markets step into the week watchful and alert.

Upcoming key events/data:
The coming week delivers a full slate of macro and corporate signals. China's Q2 GDP will test whether stimulus measures are feeding through to the real economy, alongside key retail sales and industrial production data. In the U.S., earnings season begins with results from JPMorgan and Citigroup expected to shed light on loan quality and consumer trends. Netflix will headline tech earnings, with focus on streaming growth and live content expansion. Analysts expect aggregate S&P 500 EPS to rise 4.8%, the weakest clip since 2023. With cost pressures building and geopolitical uncertainty rising, companies could begin flagging early implications of tariffs in forward commentary and margin detail. Valuations remain stretched, and earnings season could mark a turning point if delivery falls short of elevated expectations. TSMC's report will serve as a key bellwether for the semiconductor cycle. Inflation prints this week from the U.S. and UK could also shape the policy narrative just as rate expectations begin to recalibrate.

Best Regards,

Chief Investment Office
Wealth Management
Emirates NBD.

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