بنك الإمارات دبي الوطني
Emirates NBD

CIO OFFICE MORNING MARKET WRAP

15 July 2025

Markets were largely directionless Monday, with global equities treading water as participants absorbed the latest turns in trade tension and fiscal risk. The MSCI ACWI edged up just 0.1%, with both developed and emerging markets effectively flat. The S&P 500 eked out a 0.1% rise, marking a subdued start to the week. Headlines remained thick with trade developments, but price action suggested a market waiting for clarity. Europe offered a microcosm of the broader mood, flat on the surface, unsettled underneath. The MSCI Europe Index ended unchanged, yet sector dispersion was stark. Autos, luxury, and industrials fell sharply after President Trump formally proposed 30% tariffs on EU and Mexican goods, prompting swift condemnation from Brussels and talk of countermeasures. The move caught many off guard, forcing a reassessment of transatlantic trade risk. UK stocks however outperformed. The FTSE 100 notched a fresh record high, powered by AstraZeneca and defensive inflows, as markets leaned into resilience amid rising uncertainty. Within Asia, The MSCI China Index gained 0.5%, helped by continued strength in biotech and defense-aligned industrials, though enthusiasm was tempered by fading turnover and narrowing valuation spreads between A-shares and Hong Kong. Japan's TOPIX finished flat but risk sentiment weakened. Bond yields surged across the curve as fiscal concerns intensified ahead of the July 20 election. Super-long JGBs sold off sharply, mirroring May's volatility and signaling broader anxiety over Japan's debt trajectory. Equities reacted cautiously, with exporters on the defensive as the yen firmed and tariff concerns resurfaced.

In commodities, Brent crude fell 1.6% to $69.2 a barrel, retreating from last week's geopolitical spike as supply disruption fears eased. Gold slipped 0.4% to $3,335 an ounce amid a modest risk-on tilt. The Bloomberg Dollar Spot Index rose 0.2% and 10-year Treasury yields climbed two basis points to 4.43%.

Markets this morning:
Today, risk appetite showed signs of stabilizing as Nvidia announced plans to resume sales of its H20 AI chips to China, lifting sentiment across tech and AI-linked names. US equity futures edged higher and Hong Kong tech stocks rallied over 2% on optimism the move signals a softening in US-China trade tensions. The MSCI Asia Pacific Index turned positive and eurozone futures ticked higher. The decision, which followed export license assurances from Washington, was viewed as a lift not only for Nvidia but for the broader AI supply chain. While inflation data and earnings loom large, the day's tone was shaped by relief that a key flashpoint in US-China relations may be cooling, at least for now. China's economy grew 5.2% in Q2, beating expectations on the back of strong exports, though weakness in consumer demand persisted. Industrial output rose sharply in June, but retail sales missed, underscoring the uneven recovery. Manufacturing remained solid, yet deflationary pressure and fragile domestic sentiment suggest stimulus efforts are far from over.

Upcoming key events/data:
This week's data docket is heavy and consequential. Today brings US CPI, eurozone industrial output, and earnings from JPMorgan, Citigroup, and Wells Fargo as bank season begins. Wednesday follows with PPI and industrial production from the US, UK CPI, and results from Goldman Sachs and Morgan Stanley. On Thursday, TSMC reports earnings in a closely watched readout on the semiconductor cycle, alongside US retail sales and jobless claims. Eurozone CPI and UK labor data are also on deck. Friday rounds out with US housing starts and the University of Michigan consumer sentiment index. The calendar will test how well markets can hold their footing with both inflation and earnings pressure building.

Best Regards,

Chief Investment Office
Wealth Management
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