CIO OFFICE MORNING MARKET WRAP

23 July 2025

Markets didn't massively move on Tuesday. Stocks were overall flat, US treasury yields gently fell by 2 to 4 basis points, and the dollar weakened -0.5% against trade-weighted counterparts, back to -10% year-to-date. This supported gold, up 1% to $3,430 while Brent crude oil slipped further to $68.6. The breaking news are on trade, with the White House successively announcing deals with Indonesia, the Philippines and Japan, following Vietnam a few days ago. The most significant is with Japan, being a large, developed economy with elaborated trade and financial relations. The US will set a 15% tariff rate on imports, which should apply to everything, including automobiles (a relief for this emblematic sector). In counterpart, Japan will open its market to cars and trucks built to US standards and importantly pledge to a $550bn fund to invest in the US. Japan is also said to have agreed to buy 100 Boeing aircrafts, and to boost its spending on US agricultural products and defense. President Trump also announced a safety clause on future sectoral tariffs (typically pharmaceutical and semiconductors) which guarantees to Japan the lowest global rate.

The announcement is big news as it shows that the August timeline can be met and confirms that 10-15% tariffs could be the ultimate order of magnitude, much more rational than the outrageous rates from Liberation Day. Such a level should be relatively manageable for all parties. The next big question is of course about the EU, with diverging national interests, an overall low level of appreciation for President Trump, and a governance that doesn't favor clarity and speed in taking decisions.

The corporate earnings season continues and in a good way, with for example Coca Cola, General Motors and Northrop Grumman all beating quarterly expectations. Finally, a security flaw in Microsoft SharePoint software has been exploited by hackers since last Friday, with breaches affecting several large companies and government agencies globally.

Markets this morning:
The Nikkei gains over +3% following the deal. Meanwhile, Prime Minister Ishiba will reportedly resign in August, and an auction of 40-year government bonds saw the weakest demand in 15 years. The yen is down as a result, fueling the equity rally further. The morale is good in other Asian stock markets: +0.2% in Korea, +0.7% in Shanghai-Shenzhen, and +1.2% in Hong-Kong. US Treasury yields rise by 2 basis points across the curve, to 3.9% for the 5-year and 4.37% for the 10-year. In the same "pro cyclical" mood, gold is slightly down and oil prices slightly up.

Upcoming key events/data:
Today is again light in terms of economic data, apart from consumer confidence in the Euro Area (no reason for it to shine…) and existing home sales in the US (same). The earnings agenda is much richer with the beginning of US big tech reports: Alphabet, Tesla, and IBM in particular. In Europe, Thales numbers will also be closely watched as its ~80% stock price gain in 2025 so far obviously rises expectations.

Have a great day.

Chief Investment Office
Wealth Management
Emirates NBD.

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