



## CIO OFFICE MORNING MARKET WRAP

4<sup>th</sup> June 2025

Tuesday was not bad for global markets with a lot of data to digest. Stocks rose modestly in both developed and emerging regions, respectively led by the US at +0.5% and China at +1.5%. US Treasury yields were stable, but the dollar strengthened +0.5% against trade-weighted counterparts. This took a modest toll on gold, down -0.8%, while the price of Brent crude oil continued to rebound, adding \$1 to \$65.6.

Most of May manufacturing PMIs are out and the big picture shows moderation, after the pre-tariff boost of the first months of 2025. China is logically the weak link there, with the Caixin manufacturing index at 48.3. Saudi Arabia whole economy PMI came in at a very solid 55.8, a slight acceleration over April. Inflation in the Eurozone is not a problem anymore, according to the May preliminary CPI report: +1.9% year-over-year for the headline measure and +2.3% for the core (from 2.7% in April). This opens the door wider for another 25bps cut tomorrow from the ECB. In the US, both factory orders and durable goods were weak in April, but job openings from the JOLTS survey surprised to the upside. At almost 7.4mn, they are materially better than the consensus expectation of 7.1mn and March's 7.2mn. The US labor market holds up.

Meanwhile in Washington, President Trump signed his order to double tariffs on steel and aluminum from 25% to 50%, which doesn't apply to the UK who holds separate negotiations on the matter. Criticism is mounting on the President's signature "one big beautiful" budget bill, with Elon Musk calling it "an abomination" and many Republicans criticizing the size of the fiscal package. Section 899 of the said bill nicknamed "revenge tax", also worries international investors as it allows an increased taxation for foreign holders of US assets from countries whose tax policies are seen as "discriminatory". Finally, verbal escalation continues on trade between the US and China – which usually, according to the "Art of the Deal", suggests more pressure ahead leading to another agreement.

### Markets this morning:

Asian markets are in the green as we write this morning, with Korean stocks jumping +2.5% following the clear win in the presidential election, ending months of uncertainty. The Nikkei is up 1% as the PMI Services game in at a solid 51 level. Onshore China and Hong-Kong gain +0.5%. US Treasury yields are stable from 3.95% for the 2-year to 4% for the 5-year and 4.44% for the 10-year. An ounce of gold trades for \$3,365 and barrel of Brent for \$65.4.

### Upcoming key events/data:

Today we will get the S&P Global PMI for both the UAE and Dubai, before an avalanche of PMI Services: India at 9am, the Eurozone at 12, UK at 12.30, and US ISM at 6PM. We will also get the monthly ADP labor report. which we usually don't pay too much attention to, the real deal being Friday's NFP job report with the median forecast at 130K job creations in May. In between, the ECB will meet and most probably cut rates by 25 basis points tomorrow.

Due to public holidays, this is our last daily outlook of the week. Eid Mubarak!

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