



CIO OFFICE MORNING MARKET WRAP

12th June 2025

The US Treasury curve bull-steepened with yields falling 5 to 7 bps across the curve after a weaker than expected CPI inflation. Headline CPI rose 0.08% while the core index increased 0.13%. On yearly basis, the numbers stood at 2.4% and 2.8%, respectively. Food prices rose 0.3%, while energy prices fell 1.0%. The weakness in the core basket was broad-based, with core goods prices falling 0.04%, showing very little evidence of tariff pass-through, while core services inflation was also soft at 0.17%. Rent and OER rose just 0.21% and 0.27%, respectively. OIS markets are now priced for 49bp of easing in 2025, with a full 25bp cut priced by October. The 10-year bond auction yesterday was easily absorbed. End-user demand came in at 91.0%, near its highest level since February 2023. Today US Treasury will auction \$22bn 30-year bonds. Risk assets did not like the incoming data. S&P 500 and Nasdaq dropped 0.3% and 0.5% respectively. Overall, DM stocks lost 0.2% and EM equities gained 0.7%. Energy was the best performing sector rising 1.2%.

President Donald Trump announced that a trade framework with China has been completed. Beijing will provide rare earths and magnets, while the US will allow Chinese students into its colleges and universities. Chinese suppliers recently received six-month rare earth export licenses, which Beijing is limiting to retain leverage amid potential trade tensions. Both countries will maintain current tariffs after their agreement in London. Despite the agreement, tariff uncertainties remain as President Trump plans to set unilateral tariff rates in the coming weeks. We believe this may be another negotiation tactics by the President. Scott Bessent noted it's likely the original 90-day pause will be extended for partners negotiating sincerely.

Markets this morning:

Asian shares declined this morning amid tariff uncertainty. The Nikkei fell 0.7%, Hong Kong stocks dropped 0.6%, and mainland China equities remained flat. The 10-year yield is around 4.4%. Gold surged to over \$3,375. Oil decreased by 0.5% to \$69.4 after an earlier jump due to reports of US diplomats being asked to leave Iraq.

Upcoming key events/data:

Today, we get the US PPI numbers and weekly jobless claims. From the UK, we get the Industrial Production figures. India's inflation may have moderated for a seventh straight month in May, with the CPI forecast to rise 2.98% year on year, giving the RBI room to extend its easing cycle.

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