



## CIO OFFICE MORNING MARKET WRAP

### 24 June 2025

Mondays are usually quiet days in the week, though yesterday made for quite an exception. Newsflow was rich both on the macro and the geopolitical front, suiting everybody's taste. Regional airspaces were closed and there were moments of apprehension due to a much-expected retaliatory response to the nuclear site strikes that occurred during the wee end. Details are unnecessary, when all that matters is to understand that yesterday's attacks can be categorised as ritualistic, that is well telegraphed, so able to cause much clamour, though little real damage. We maintain the view that token retaliations are needed for de-escalation, and this is what we have witnessed so far. Otherwise, how to explain seemingly rising tensions and falling oil prices? Yesterday Brent crude opened above \$80bbl and closed at \$71.5. The market is telling us it is not worth paying an oil war premium under no real threat to energy sources. Gold kept on range-trading, not sending any signals of panic related rising geopolitical tensions. Treasury yields did fall alongside oil prices, that must have pleased Donal Trump that buckled in early April when the trade war came to a head and yields spiked. The yield on the 10-year note reached a new low for the month, that speaks to still very muted inflationary pressures against a backdrop of positive though slowing growth. And this is beneficial for long-duration stocks, that is Information Technology, including the ARKK fund that rose past its 2024 highs, as well as Biotechnology. Yesterday the main US benchmarks ended the session about 0.9% higher, with the smaller companies outperforming, while overseas stocks trailed posting mildly negative returns. Consumer Discretionaries and Real Estate led gains in the wake of falling Treasury yields. The yield on the 10-year note settled 3bps lower at 4.35%, while the US Dollar Index gapped higher at the open to close the session lower.

June advance business confidence indicators for the United States released by S&P Global sent messages conflicting with local purchasing manager indices and previous month ISM releases. The PMI Composite printed 52.8 versus 53 expected, so well in expansion territory, with the Employment subindex rising to 52.1 for the month. This is a far cry from the bleaker picture depicted in May by the ISM release, with both manufacturing and services in contraction territory, or by the Philadelphia Fed Index, showing falling headcounts in June on a worsening outlook. Maybe we'd better wait for the final PMI release or rather consider that markets are outright neglecting soft data and currently playing a reflation trade that points to forthcoming policy easing. One point remains firm, though: Prices Paid keep on rising, no matter which institute runs the survey, echoing stagflation concerns recently highlighted by Fed officials. No surprise on the other hand for the euro area and UK PMIs: they showed they are treading water, printing slightly above 50, and pointing to muted private sector activity at the end of Q2. On the other hand, Japan's private sector logged a modest expansion in June.

Treasury yields are falling, and this is pleasing Donald Trump and equity investors at the same time, as already mentioned. Are they falling as the economy is slowing down? This is one reason. Though we can't help thinking outsize buybacks executed by the Treasury department may be playing some role as well. In this case existing funds are used, so no new money gets printed in the process, as against QE, carried out by the Fed using newly printed money. Yet, the size of the purchases is striking. In May 2025 a \$20bn operation was executed in just two weeks, and \$10bn 10 June followed another large one carried out 3 June. Such large purchases, though formally the constituting debt management routine, have the same depressing effects on yields as open-market operations carried out by the Fed. Relief interventions till the Fed finally decides to cut rates?

#### Markets this morning

Donald Trump surprised once more, announcing on his Truth Social platform that US and Israel agreed to a ceasefire, following a retaliatory strike against a US base in Qatar on Monday considered highly symbolic. Brent crude fell sharply over 5% in early Asian trading, gold slipped, and the dollar dropped against all the major peers. Contracts on the S&P 500 rose 0.5%, while the major benchmarks advanced in Japan, Hong Kong, and Australia. The accord would begin round midnight US time and mark a lasting end to the fighting. The MSCI Asia Pacific Index climbed 1.6%, with three stocks gaining for each one that declined, an indication of strong market breadth. The yield on the 10-year note failed to follow through on Monday's dip trading little changed. Investor's attention will soon shift to Powell's Congress testimony set to start later today in the House to continue tomorrow in the Senate, when he's expected to explain why interest rates will be held steady till September.

#### Upcoming key events/data

On top of chair Powell's House testimony, highlights for today are the Conference Board Consumer Confidence release, as well as some regional Fed business surveys.

Best Regards,

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Wealth Management  
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