



CIO OFFICE MORNING MARKET WRAP

30 June 2025

Geopolitics played a significant role last week. The week began with increased risks related to US involvement in the Middle East conflict. Oil prices were closely monitored, with Brent Crude surpassing \$80 on Monday morning. However, Iran's measured response helped ease investor concerns, and Brent closed around \$70 by the end of Monday. Since then, geopolitical factors have become less prominent in the market for now.

The US Treasury yield curve bull-steepened. Despite Powell's recent assertion that the Fed is in no hurry to cut rates, two voting members suggested rate cuts as early as July. Bond yields and the dollar have declined, partly due to speculation about Trump's potential announcement of Powell's successor. The Fed's future rate path might be influenced by factors beyond economic fundamentals. While the market doubts a July cut, OIS swaps now price a 64 bps rate cut by year-end. However, EURDM govies have bear-steepened driven by the release of the updated German fiscal/issuance numbers and the NATO agreement on a minimum 5% of GDP in defence spending by 2035. In Germany, with the large deficit increase, 2025 net issuance is now estimated to be around ~€85bn.

S&P 500 notched another record high at 6,173 last Friday recovering all the losses post the liberation day rout. Nasdaq gained 4.2% last week taking the YTD returns to 5.4%. DFM was the best performing emerging market index rising 7.9%. As expected, all the MSCI sectors were in the green except Energy.

As the July 9th deadline approaches, tariff discussions intensify. On Friday, Trump had announced he would end trade talks with Canada over its digital services tax, a 3% levy on revenue over C\$20 million from Canadian users, targeting online advertising, social media, and marketplaces. However, Canada has pulled back the tax over the weekend to get a trade deal with the US. Trump said Japan's trade imbalance of cars with the US is "not fair" as both countries pushed for a deal. Meanwhile, making a trade deal with Europe will be challenging for Trump, as the EU plans retaliatory tariffs against US imports in response to potential US levies on EU goods. Moreover, the tax cut bill is in the Senate and a final vote is expected today that could add as much as \$3.3 Tn to budget deficit over the next decade according to the Congressional Budget Office.

Markets this morning

Asian markets are showing mixed performance this morning. Hong Kong shares have decreased by 0.5%, while mainland China stocks remain unchanged. China's June manufacturing PMI increased to 49.7 from 49.5 in May. The Nikkei index is up by 1.5%. Japan's factory output rose 0.5% in May compared to the previous month, but did not meet estimates. S&P 500 and Nasdaq futures have risen by 0.4% and 0.56%, respectively. The 10-year US Treasury yield is approximately 4.28%. Brent Crude is trading at \$67.6 ahead of the OPEC+ meeting. Gold is currently trading at \$3,281.

Upcoming key events/data

The US jobs report for June due this Thursday will offer clues about the strength of the labour market. Economists forecast employers added 113,000 jobs during the month, the fewest in four months yet still consistent with healthy labour demand. The week in Asia features a slew of PMI reports that will shed light on how regional economies are coping with elevated US tariffs. Inflation numbers will draw attention in the euro zone. For the region as a whole, economists anticipate an outcome of 2% on Tuesday. German factory orders, along with French and Spanish industrial production, will be published on Friday. UK's final Q1 GDP numbers are out today. In Turkey on Thursday, annual inflation is forecast to slow slightly to 35.2% in June from 35.4% the prior month. Five central bank chiefs, including Federal Reserve chief Jerome Powell, will discuss monetary policy at the European Central Bank's annual retreat in Portugal, amid global economic uncertainty caused by Donald Trump's presidency.

Best Regards,

Chief Investment Office
Wealth Management
Emirates NBD.

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