



بنك الإمارات دبي الوطني
Emirates NBD

CIO OFFICE MORNING MARKET WRAP

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On Monday markets were hit by economic worries as well as inflation concerns in a continuation of the past week’s trends. The S&P 500 fell 1.8% as expansion rates in manufacturing activity remained very tepid even as prices paid jumped. The Nasdaq shed 2.2%, and the Dow 1.5%. Energy and tech led losses with Nvidia tumbling almost 9%, and the Magnificent 7 megacaps losing about 3%. A further indication of softness in the economy was provided by the January’s drop in construction spending. On a more positive note, the diverging trends between US and European equities continued, with the Euro Stoxx index climbing to new all-time highs, led by a strong rally in defense stocks as plans to strengthen military expenditures gained traction. The euro rose by 0.4% against the US dollar. In commodities, OPEC+ gave in to President Trump’s pressures by planning to go ahead with the restarting of halted production, that caused Brent crude to fall by more than 2%. Tariffs, set to take effect today against major partners, were at the forefront of investors’ minds and heightened negative sentiment. Treasuries gained across the curve, in a bull flattening shift that suggested growth rather than inflation jitters. The yield on the 10-year note dropped below 4.2%, while gold climbed 1.2%.

The outlook for manufacturing is becoming brighter at a global level, as factory activity expanded by the most in eight months in February led by surging new orders. The sector is stabilising, with a reading of 50.6 for the Global Manufacturing PMI index in February. The US ISM manufacturing showed demand steady just above expansion territory, while prices paid surged. The slight inflection lower in new orders and production, that rose rapidly in the past three months, was much less significant than the rise in the price subindex at its fastest pace since mid-2022. Most comments in the survey related to price pressures and tariff uncertainty. The eurozone manufacturing PMI improved just slightly to 47.6 versus its flash reading of 47.3, with little progress since the sector entered contraction in July 2022. Stagnant activity was reflected in the tame euro area inflation reading, that declined in February with a more pronounced fall in services. This would keep the ECB biased to cut by 25bps in March.

Markets this morning:

Yesterday’s sell off on Wall Street spread to Asia in the morning session as investors grew more concerned about the negative effects of President Trump’s planned tariffs against major trading partners on the global economy. Benchmarks in Hong Kong, Sydney, and Tokyo fell, following the almost 2% drop of the S&P 500. The US president said Mexico and Canada would not be able to avoid levies on their exports set to take effect today. He also signed an order to double China’s tariffs to 20%. Contracts of US futures ticked higher, and Treasuries rose, with the yield on the 10-year note trading below 4.15%. China said countermeasures would be taken, with tomorrow’s start of the National People Congress coming in the spotlight for the announcement of possible fresh stimulus. Trump also said tariffs on “external” agricultural products would be imposed from April 2, which pushed Chinese soymeal higher. Asian currencies weakened, while the Canadian dollar and the Mexican peso slipped. Cryptocurrencies remained volatile despite the Administration’s calls for digital assets in a public fund, and bitcoin fell following its 9% tumble yesterday. Oil sank and gold steadied. On a different note, Taiwan Semiconductors, the top producer of AI chips, said it would boost its chip production on American soil by investing further USD100bn to support Trump’s goal of increasing domestic manufacturing. On the geopolitical front President Trump ordered a pause to Ukraine military aid until views on a peace agreement with Russia reconverge.

Upcoming key events/data:

The highlight for today is President Donald Trump’s address to a joint session of Congress. Investor focus will be shifting tomorrow to the release of the surveys for the service sector, as well as the start of the National People’s Congress in China.

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