



بنك الإمارات دبي الوطني
Emirates NBD

CIO OFFICE MORNING MARKET WRAP

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Last week was eventful and volatile, with a material dispersion in asset class returns. The narrative revolved around concerns on US growth on one side, and the spectacular reaction of Germany and Europe to the US foreign policy pivot on the other. The dollar brutally weakened as a result, losing -3.5% against trade-weighted counterpart, especially the euro and the yen. US Treasury yields had large fluctuations but settled the week on a “bear-steepening”, with the 12-month modestly down to 4.04% while the 5 and 10-year added respectively +7 and +9 basis points to 4.1% and 4.3%. US stocks had a bad week at -3.1% and are now negative -1.7% YTD. The MSCI World lost -1.7% over the week for this reason, even if Europe, UK and Japan had positive returns expressed in US dollars. Stocks from emerging markets gained +2.9% - also in US\$- led by China at +6.6%. Gold rebounded +1.8% to \$2,909, helped by the weakness of the greenback, while the price of Brent crude oil fell by \$2.8 to \$70.4 with more production from the OPEC+ on the horizon.

Let’s start with US growth concerns. They are obviously not baseless: the economy seems to be expanding at a slower pace this quarter, with additional threats from both trade and fiscal policies. On trade, the large tariffs on Canada and Mexico have been delayed again, but the direction of travel hasn’t changed. On the budget, the administration unambiguously talks about a transition period to “re-privatize” the economy and warns that it may imply initial pain (for future gains). This has always been one of the potential game changers highlighted in our 2025 Outlook – and as painful as it may be on the short-term, it’s certainly not negative for the medium-term. Yet, as of March, current data does not signal an imminent recession. The ISM Services surprised to the upside at 53.5 in February, and if Friday’s monthly job report was not buoyant with 151k job creations and a downward revision to January numbers, the pace of hiring remains consistent with a healthy activity. Of course, combining external pressure from tariffs with internal pressure from fiscal “austerity” can hurt, with consumer sentiment already reflecting this risk, but talking about an imminent recession is currently not based on facts. When it comes to the rest of the world, the 180 degrees pivot from Germany on budget and the additional defense package proposed by the European Union are real and should materially stimulate growth. The boost should however have some limits: many European countries do not enjoy the fiscal situation of Germany, the area is definitely not far on the US administration’s list of tariffs, and it is not as competitive as it once was. Within this context, last week’s 25bps cut from the ECB was not a surprise, and President Lagarde explicitly mentioned an increasingly volatile backdrop while lowering her growth projections (which did not take into account recent spending announcements however). Finally, news from China continued to be overall positive with the National People’s Congress confirming an annual growth target of 5%, helped by a fiscal deficit of 4% and a significant increase in debt issuance.

Markets this morning:

Markets are mixed in Asia as we write this morning. Stocks are down -0.6% in onshore China and -1% in Hong-Kong following yesterday’s CPI report which saw consumer prices dive in negative territory at -0.7% year-on-year. Korea and Japan equity indices are however up by half a percentage point, the latter defying a stronger yen, currently at 147.6 for a dollar. US Treasury yields are -2 to -3 basis points lower across the curve in Tokyo trading. Gold is firm at \$2,911 while a barrel of Brent crude trades slightly down, just above \$70.

Upcoming key events/data:

The week ahead is not particularly rich in terms of data, as announcements from Washington will continue to be the main driver for markets. We will look at US CPI and consumer sentiment on Friday in particular.

Chief Investment Office
Wealth Management,
Emirates NBD.

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