



بنك الإمارات دبي الوطني
Emirates NBD

CIO OFFICE MORNING MARKET WRAP

20 March 2025

Fed as expected did not alter its policy rates. New economic forecasts indicated higher inflation for 2025 at 2.8%, lower growth for the US at 1.7%, Unemployment rate projections increased to 4.4% and an unchanged Dot Plot at 50 bps. But the Fed member have become more hawkish. Eight participants now see just one or no cuts at all this year, and only two see three cuts. The dreaded “T” word was implied and repeated yesterday. Chairman Powell answered that the higher inflation is due to the expected impact of tariffs but as long as the long-end inflation expectations remain well anchored the Fed will look through it. Moreover, the inflation projections for 2026 and 2027 remained unchanged. He reiterated that hard data continues to be strong whereas survey data remains soft. The biggest news came on the QT front as policymakers decided to cut Treasury monthly run-off to \$5 Bn from the earlier \$25 bn. Chairman Powell mentioned that QT will be slower for longer. We believe this meeting tone was hawkish, but actions were taken by the markets as dovish.

Markets rejoiced as the S&P 500 had the best FOMC decision day response since July 2022 gaining 1.1% and Nasdaq went up by 1.4%. Tech, Consumer discretionary and Energy were the best performing sectors whereas Healthcare, consumer Staples and Real Estate lagged. Bond yields came down and the US yield curve bull steepened. The front-end dropped by 6 bps and the long-end came down by 3 to 4 bps.

Emerging markets have been recently roiled by domestic political upheavals. Turkish stock markets sunk and Borsa Istanbul trading was halted after the news of the detention of the Istanbul Mayor and leader of the opposition party Mr Ekrem Imamoglu became public. Lira dropped 12% intraday but recovered to trade at 37.9, a loss of 3.34% post intervention to the tune of \$8 Bn by domestic financial institutions. The currency has depreciated 7.7% YTD. This comes a day after Indonesian fiasco when the stock market crashed 7% over the news of the resignation of the country’s finance minister, Sri Mulyani which she later vehemently denied calming markets.

Markets this morning:

This morning Asian stocks are in the red. Hang Seng is down 1.3% and CSI 300 dropped 0.3%. Nikkei is trading 0.25% lower. Chinese banks held their benchmark one-year and five-year loan prime rates unchanged for a fifth month. Tencent shares dropped even though the company registered its highest revenue growth since 2023 on decreased capex in the AI space compared to its peers and lower share buyback program. US Treasury 10-year Yields remained steady at 4.24%. Gold continued its upward journey touching \$3,050. Brent Crude trades around \$71.2.

Upcoming key events/data:

After the BoJ and the Fed, it is the BoE’s turn today. The central bank will probably hold its key rate at 4.5% though officials are seen turning less dovish. UK also comes out with its Jobs report today ahead of the BoE decision.

Have a good day!

Chief Investment Office
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