



## CIO OFFICE MORNING MARKET WRAP

12 May 2025

Last week was eventful but overall quiet in terms of market action. Stocks fell -0.3% in developed markets but gained +0.5% in emerging regions. US Treasury yields modestly bear steepened with yields adding 5 to 10 basis points on maturities of 2-year and above. Gold rallied +2.6% to \$3,325, Brent gained over \$2 to 63.9 while the trade-weighted dollar strengthened +0.3%.

It was a week of top-down data, central bank meetings and trade conversations. Starting with the former, PMIs for April were overall positive, confirming activity strength (or stability at worse) through the first four months of the year. At the composite levels, all major regions are above 50, with China and the US both close to 51, India flying at 59.7 and the UAE stable at an impressive 54. China's April trade numbers surprised to the upside on Friday, with exports rising 8% year-over-year and imports stabilizing. The Fed meeting didn't surprise investors, with rates kept on hold. The key message there is that uncertainty is rising, posing risks to both employment and inflation, and that as a result the central bank is not in a hurry to do anything, especially as the present situation is fine. The Bank of England also didn't surprise with a 25 basis points cut, but an overall dovish flavor, by contrast to the Fed's attempt at being hawkish. The British central bank met before the news of a US-UK trade deal made headlines. From what we know so far, and even if all details are yet to be finalized, the deal is not very impressive. It appears that the UK has limited the damage, with concessions on cars and steels especially, but the US remains inflexible on the 10% "baseline", an important indication of America's global approach. We can think that both countries could see some advantages in announcing a deal quickly, demonstrating openness and effectiveness. Other negotiations may take time, even if talks between China and the US happened this weekend in Switzerland, with "substantial progress" being claimed this morning. In other geopolitical news, Ukraine has demanded a 30-day truce to Russia, with full support from their allies, as a precondition to start peace talks. Finally but importantly, President Trump will start a visit in the Gulf tomorrow. The first foreign trip of his second mandate will be interesting as our region is much different than during his 2017 "Gulf tour", and as to some extent the US also is, from its status of energy exporter and semiconductor gatekeeper to the current America First policies. The high-stakes trip includes the UAE, KSA and Qatar but not Israel this time.

### Markets this morning:

Asian stock markets are well oriented as we write this morning, but do not take announcements of "substantial progress" in US-China trade talks for granted. Markets are up from +0.1% in Japan to +0.7% in Hong-Kong. US Treasury yields gain +2 basis points across the curve in Tokyo trading, to 3.9% for the 2-year, 4% for the 5-year and 4.4% for the 10-year. This supports the dollar, up +0.2% on a trade-weighted basis, and weigh on gold, down -1.5% to \$3,273 while Brent crude is up +0.6% to \$64.3. A measured "pro cyclical" pattern.

### Upcoming key events/data:

The week ahead will provide several important data on the US economy: CPI inflation tomorrow, retail sales, industrial production Thursday, consumer sentiment on Friday. Elsewhere we will get second estimates for Q1 GDP growth (UK, EMU, Japan). Have a great week.

Best Regards,

Chief Investment Office  
Wealth Management  
Emirates NBD.

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