



CIO OFFICE MORNING MARKET WRAP

16 May 2025

Markets were reasonably quiet yesterday, with an outperformance of defensive assets. Gold rebounded +2% to \$3,240 and US treasury yields fell after US macro data painted a tepid picture for April. The 2-year shed -9 basis points to just below 4%, the 5-year fell -11bps to 4.06% while the 10-year closed -10bps lower at 4.43%. Stocks were stable however, slightly up in developed markets and flat in emerging regions. The trade-weighted dollar index weakened -0.2% and the price of Brent crude oil lost \$1.6 to \$64.5.

The avalanche of US data showed that the April tariffs saga took a toll, although modest, on consumers and businesses. Retail sales were revised higher for March but gained only +0.1% in April, with goods purchases probably lower. The Empire Manufacturing survey dipped a bit deeper than expected, and industrial production rolled over after the strength of the first quarter. Finally, PPI inflation, the factory gate prices, surprised with a sharp -0.5% decrease in April. This suggests that the Fed's preferred measure of inflation, the core PCE, could inch a bit lower. Markets adjusted in an orderly manner to the April picture. Our view remains that we should have some moderation in activity before seeing a tariff-related impulse on inflation, hence our house view for 3 25 basis points rate cuts from the Fed. Futures currently price in slightly less (57 bps of easing).

Closer to us, President Trump landed in Abu Dhabi yesterday afternoon and will conclude this morning. Between his visit of the Grand Mosque and a state dinner, where he praised the UAE as a "partner and friend" which should be treated "magnificently", \$200bn worth of deals were announced, with a particular focus on deepening cooperation in artificial intelligence, with the establishment of the "US UAE AI Acceleration Partnership". A gigantic AI campus project, coordinated by G42, was unveiled. Its announced 5GW capacity suggests that it will serve much more than the UAE of even the Gulf market, being the largest in the world outside of the US.

Markets this morning:

Stocks are slightly lower a bit everywhere in Asia as we write this morning, from -0.7% in Hong-Kong, following unimpressive growth from Alibaba, to -0.3% in Japan, where the preliminary Q1 GDP report shows a slightly deeper contraction than expected at -0.2% versus the previous quarter. US Treasury yields are down -1 basis point across the curve, the dollar is a bit weaker, oil prices are flat and gold is trading -1% lower.

Upcoming key events/data:

The only potentially market-moving data today will be the US consumer sentiment index from the University of Michigan at 6PM Dubai time, including inflation expectations. We shall also hear more announcements from Abu Dhabi, with maybe a more detailed commitment on the supply of Nvidia advanced chips. Next week will provide retail sales and industrial production in China, flash PMIs (already) for most regions, among other data. Have a great end to the week.

Best Regards,

Chief Investment Office
Wealth Management
Emirates NBD.

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