



CIO OFFICE MORNING MARKET WRAP

20th May 2025

In the aftermath of the Moody's rating downgrade, US long-end Treasury yields jumped close to 13 bps with 30-year crossing the 5% barrier briefly before recouping most of the losses. The yield curve was flat to 4 bps higher by the end of the session. JP Treasury Client Survey indicates that positioning in the US 10-year Treasury is not stretched, indicating smaller moves than what happened in April. Meanwhile, risk assets also mirrored the move in the treasury yields to end up flat. S&P 500 and Nasdaq were up 0.02% and 0.09% respectively. Overall, DM stocks gained 0.3% whereas EMequities lost 0.5%. Healthcare was the best performer and Energy remained at the bottom of the chart. Stablecoin legislation overcame a procedural blockade in the US Senate, marking a major victory for the crypto industry after a group of Democrats dropped their opposition yesterday. The regulatory bill is now set for debate on the Senate floor with a bipartisan group hoping to pass it as soon as this week.

Hawkish Fed speak continued as John Williams suggested policymakers may not be ready to cut rates before September amid a murky economic outlook. Raphael Bostic also signaled an unwillingness to ease for some time. Fed Vice Chair Philip Jefferson also emphasized a wait-and-see approach at the Atlanta Fed's 2025 Financial Markets Conference. Jamie Dimon warned that the market may be underestimating risks of inflation and credit risk remains high hinting towards stagflation regime. The bank is sticking with its forecast for full-year net interest income — at \$94.5 billion. President Trump mentioned that Russia and Ukraine would start peace talks immediately after his phone call with President Putin. President Trump is expected to push fractious House Republicans to overcome divisions and unite behind his signature tax-cut legislation today as he travels to the Capitol today.

Markets this morning:

US Treasury futures are negative this morning. S&P 500 was down 0.2% and Nasdaq futures were trading 0.3% lower. Asian Shares are positive. Nikkei is up 0.5%. Toyota and its group companies are mulling borrowing up to ¥3 trillion (\$21 billion) to take Toyota Industries private, the Nikkei reported. Hong Kong shares are up 0.9%. CATL, the Chinese battery giant rose 13% in Hong Kong today wrapping up the world's biggest listing this year by raising HK\$35.7 billion (\$4.6 billion). PBOC reduced the 1-year and 5-year Loan Prime Rates by 10 bps each. US 10-year yields are flat at 4.45%. Gold trades at \$3,227. Brent Crude is slightly up trading near \$65.6. Bitcoin is at a fresh high after breaching 106k levels.

Upcoming key events/data:

The data dossier remains light today. We get Germany's PPI numbers and Euro Area consumer confidence today. We have a host of Fed speakers this evening expected to reinforce the central bank's wait-and-watch policy.

Have a good day!

Chief Investment Office
Wealth Management
Emirates NBD.

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