



CIO OFFICE MORNING MARKET WRAP

23 May 2025

Markets stabilized yesterday after the deficit fueled drop on Wednesday. The US session started with increasing yields but reversed intraday to close 5 to 7 bps lower. Short term treasuries moved higher from the day's lows after US PMI data came out stronger than expected. The manufacturing index showed expansion at 52.3, compared to the 49.9 estimate. Input prices for the composite measure rose to the highest since Nov. 2022. On the contrary, Private-sector activity in the euro area unexpectedly shrank in May as services recorded their worst performance in 16 months. The composite PMI dipped below 50 to 49.5. Nasdaq rallied 0.35 while S&P 500 was marginally lower. DM stocks lost 0.3% and EM equities were down 0.8%. All the sectors were in the red with Utilities and Health care being the worst performers.

US House passed the tax-cut bill narrowly by 1 vote last night. The bill would extend corporate and individual tax cuts passed in 2017 during Trump's first term in office, cancel many green-energy incentives passed by Democratic former President Joe Biden and tighten eligibility for health and food programs for the poor. It will also add new tax breaks on tips and car loans and boosting spending on the military and border enforcement. The bill will add about \$3.8 trillion to the federal government's \$36.2 trillion in debt over the next decade, according to the nonpartisan Congressional Budget Office. The bill includes a \$4 trillion increase in the US debt ceiling, which the Treasury Department forecasts could otherwise force a default as soon as August or September, adding urgency to the timeline.

In a landmark decision, the US Supreme court ruled yesterday that the Federal Reserve is a "uniquely structured, quasi-private entity" and its decision supporting the administration to fire other independent agency chairpersons won't apply to the Fed, shielding Jerome Powell from being fired by Donald Trump. Meanwhile, Federal Reserve Governor Christopher Waller said the central bank could cut interest rates in the second half of 2025 if the Trump administration's tariffs on US trading partners settle around 10%..

Markets this morning

This morning Asian stocks are positive. Nikkei is up 0.6%. Japan's key inflation gauge, national Core CPI accelerated to 3.5% in April, the fastest clip in more than two years, fueled by rising food and energy costs. Hong Kong stocks have rallied 0.6% while mainland China stocks have gained 0.3%. US equity futures are also in the green. US 10-year treasury yields were around 4.52%. Gold trades above \$3,300. Brent Crude trades at \$64.1. Bitcoin is trading near \$111,160 after touching \$112k last night.

Upcoming key events/data

Today, we have a light data dossier. From the US, we get new home sales figures for April. UK retail sales numbers for April may show an acceleration. Germany's final Q1 GDP may show a flat QoQ growth of 0.2%.

Best Regards,

Chief Investment Office
Wealth Management
Emirates NBD.

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