



## CIO OFFICE MORNING MARKET WRAP

29 May 2025

Wall Street returns were negative ahead of the much-awaited Nvidia's results. The S&P 500 and the Dow lost 0.6%, the Nasdaq outperformed ending 0.5% lower. Sector leadership was clearly skewed towards growth and against value, as Technology and Communication Services were amongst the top performers, while Materials and Energy trailed with all sectors in negative territory. Though investors must have been relieved that the 5-year Treasury auction was met with solid demand, the longer end of the curve remained unaffected. The yield on the 10-year note ended 3bps higher at 4.48%, while the 30-year hovered just below 5%. The Fed minutes were a non-event, reinforcing the notion that the central bank would remain in wait-and-see mode for some time as policy shifts cloud the outlook. The new news was in the outlook, as Fed staff had marked down growth projections for 2025 and 2026. At the same time, the labor market was expected to weaken "substantially", and the unemployment rate to remain elevated through 2027. "Almost all" participants saw the risk of sticky inflation. In summary, the outlook smelled very much of stagflation. On another front, latest trade developments continued to lean positive. US-EU trade negotiations should be fast-tracked to reach a deal before the July 9 deadline, with trade representatives from each side expected to meet today. The dollar index added 0.4%, while gold slipped on easing bond turmoil. Brent crude was little changed against risks of sanctions to Russia and stalling US-Iran nuclear talks.

Nvidia's Q1 release surprised positively, as CEO Jensen Huang allayed concerns about a China slowdown with a solid sales forecast. He said the AI computing market is still in "exponential growth". Sales in Q1 rose 69%, beating projections, and reported profit also beat. Despite export restrictions to China expected revenue of \$45bn through July still met analysts' estimates. The outlook shows the company is ramping up production of Blackwell, its key selling chip for AI models, alongside a broader line-up of hardware and software products. The greatest uncertainty for the company is related to the impact of tariffs and increasing scrutiny inside China. Huang also mentioned that Chinese AI competitors are now "formidable", with the gap between US and Chinese products now decreasing.

### Markets this morning:

The trade war never stops surprising, if not for Donald Trump's decisions, for others that try to stand in his way with some degree of success. The US Court of International Trade in Manhattan deemed the bulk of President Trump's global tariffs illegal and blocked them, dealing a major blow to his agenda. This is significant, as the vast majority of tariffs are suspended - the global flat tariff, elevated tariffs on China and others, the fentanyl ones on China, as well as on Canada and Mexico. Others are unaffected, including the ones on steel, aluminum and automobiles. The ruling also lays out a 10-day deadline for tariffs to be stopped, that will send uncertainty spiking for the next two weeks. The administration will challenge the ruling and will have to go to a federal appeals court first to then proceed to the Supreme Court, with the final say. US assets got a boost from the ruling, and Nvidia's results also bolstered sentiment. Futures on the S&P 500 and the Nasdaq 100 gained as much as 1.7% and 2.1%. Nvidia jumped almost 5% in post-market trading on solid results. Asian shares gained 0.2%, led by Japan that jumped 1.2%. The dollar rose to the highest level in a week, while gold lost almost 0.5%. The yield on the 10-year note ticked higher by 2bps, and the 30-year hovered just below 5%. Brent climbed towards \$66 amidst risk-on mood.

### Upcoming key events/data:

The macro highlight for today is Q1 US GDP's second print, with no large revisions anticipated for this release. Investor's focus will also be on the 7-year note's auction. Tomorrow the personal income and spending report will be in the spotlight.

Best Regards,

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