



CIO Office Morning Notes

3 November 2025

Global markets were volatile last week with relatively unspectacular returns overall. Cyclical assets from high yield to stocks gained, with Japan and US tech clear leaders. Government bonds and global REITS were in the red, with US Treasury yields increasing by 6 to 8 basis points. The dollar continued to strengthen and gold to suffer from profit taking, while Brent crude consolidated around \$65.

The news flow was more important than market action. Starting with top-down, trade tensions between the US and China de-escalated after their two presidents met. Tariffs on China will be lowered 10% (to roughly 30%) in what looks like a one-year truce. Economic data were fine with solid flash PMIs everywhere, especially in the West where Q3 GDP in the Eurozone also topped expectations. US statistics remained scarce due to the lasting government shutdown, but there was no red flag from surveys, including consumer sentiment and the Richmond Fed manufacturing index. Finally, but crucially, the message from three major central banks' policy meetings was clear: activity is robust, we don't need to commit anything. Both the ECB and the Bank of Japan kept their interest rates unchanged, with no explicit guidance. While the Fed delivered a universally expected 25 basis points cut Wednesday, and confirmed the end of quantitative tightening from December 1st, Chairman Powell made it clear that another cut in December was "not a foregone conclusion – far from it". This explains the yield curve and dollar moves, even if futures markets keep on putting a high probability on another cut this year. So do we.

Turning to bottom-up, last week was massive in terms of corporate earnings. On aggregate, it's a good season so far with an average EPS surprise of +5% in the US, +4% in Europe and a bit more in Japan. Below the surface however, there is dispersion. Big tech last week was important and emblematic. Market participants didn't like the massive AI spending from Meta and to some extent Microsoft but enjoyed strong quarterly results from Alphabet and Apple. Amazon was the best performing of the "Magnificent seven", not that much because of tremendous operational results (numbers were impeccable but not far from forecast), but due to a jump in the mark-to-market value of their investment in private AI startup Anthropic, combined with their announcement of material lay-offs seen as a first tangible return on their AI investments. We have been reluctant to talk about an outright AI bubble but the magnitude of the market reaction, a more than \$200bn market cap gain in a day, is a bit scary.

Markets this morning:

November starts pretty well from what we can see this morning. Stocks are up +2.5% in Korea following a meeting with President Xi. Hong-Kong is also well oriented while onshore China is slightly down. Japanese markets are closed, which includes Tokyo trading of US Treasuries. Futures on Western stock markets are up +0.3%. Gold had a turbulent Monday morning which started with a -1% drop as China removed a tax-incentive for individual investors, followed by a full recovery to \$4,007 as we write. Oil prices are also on the rise after OPEC+ announced the group will pause production increases in the first quarter of 2026. There is no notable move in currencies where the dollar remains steady after two positive weeks, now down "only" -8% in 2025 against trade-weighted counterparts.

Upcoming key events/data:

The first week of a month is always about PMIs and US labor statistics. The latter should only be partial, limited to the (private) JOLTS and ADP reports as the shutdown should continue to deprive us from NFP monthly data. The earnings season will continue with almost one quarter of global companies reporting – even if the most important mega caps already did. We will also hold our monthly investment committee. Today we will look at CPI in Turkey, manufacturing PMIs for India and Europe, and the ISM manufacturing in the US.

Have a great week.

Chief Investment Office
Wealth Management
Emirates NBD

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