بنك الإمارات دبي الوطني
Emirates NBD

CIO Office Morning Notes

5 November 2025

Risk aversion dominated on Tuesday, fueled by valuations concerns especially for US tech. The Nasdaq lost -2% with Palantir, Tesla, Nvidia or Coinbase among the worst contributors. This dragged developed market indices to -1.7% while emerging regions fell -1.2%. US Treasury yields dropped -3 basis points on average in a flight to quality that also supported the dollar, up an impressive +0.35% in a day against trade-weighted counterparts. The dollar index regained the 100 mark for the first time in 6 months. The yen, a traditional safe haven, was an exception as it gained 0.3% against the dollar. Gold did not benefit as it lost another -1.7% to $3,930, while Brent also fell to $64.4.

We write it constantly: elevated valuations and sharp rallies create vulnerability, even if they do not give any clue on the timing of a potential correction. The catalyst in this case is not a fundamental event, but pure market dynamics: Palantir's earnings release on Monday night exceeded expectations, but the negative market reaction was a wake-up call on the fact that with sky-high multiples, perfection is already priced-in. Bitcoin, which briefly fell below $100,000, is not at a stage of maturity yet that protects it from risk-aversion. Gold, being this year's best performing asset by far, is also a natural candidate for profit taking. We do not see a fundamental change, which means that the medium-term picture is not compromised. In the short-term, risk-aversion could naturally extend: the level of implied volatility leaves ample room for concerns to become fear or even a bit of panic. Our quantitative tactical models see important levels at 6,650 for the S&P500 and potentially $3,850 for gold. The same models had predicted the rise of the dollar index, predicated to rise to 101. As always however, short-term forecasts have a low level of confidence.

This is the transition to our monthly investment committee yesterday in which we didn't change our positioning. The backdrop is currently relatively supportive, with resilient growth, reasonable inflation, monetary support and more clarity on trade. The issues are low macro visibility, high valuations, and positive investors sentiment. We are slightly defensive: overweight cash, and gold, as long-term drivers are intact. We underweight hedge funds as the environment is dangerous for short-term strategies. We are slightly underweight fixed income and stocks from developed markets but more constructive on emerging regions. Our profiles are up +12%, +15% and +18% this year as of yesterday, way ahead of competition. Should risk-aversion turn into a severe correction, our stance would be to add to risk.

There was no market moving data from the US yesterday, as the JOLTS report was delayed by the government shutdown. Closer to home, it was a good day for the Kingdom of Saudi Arabia. The PMI for October came out at a spectacular 60.2 – which by comparison is stronger than India. On the corporate side, Saudi Aramco's quarterly results materially exceeded expectations as higher volumes compensated for lower oil prices. The company generated $23.6bn of free-cash-flow, allowing it to directly fund a $21bn dividend. Back to the US, New York picked Zohran Mamdani as its new mayor which is clear left turn for the city home to Wall Street.

Markets this morning:

Risk aversion logically crossed the Pacific as we write this morning. Stocks are down -3% in Japan and -2% in Korea, but only -0.4% in Hong-Kong and almost flat in onshore China, probably helped by a reassuring PMI Services, just released at 52.6. US Treasuries continue to be sought after, with their yields shedding another 1 to 2 basis points to 3.56% for the 2-year and 4.07% for the 10-year. Currencies are stable, digesting yesterday's sharp moves, but both gold and bitcoin are rebounding to respectively $3,960 and $102,000.

Upcoming key events/data:

Today's focus will be on whether risk aversion continues or abates. Data wise, it is all about PMIs: indices for services will be released for Europe and the US, as well as the whole economy measure for the UAE at 8.15AM. The ADP monthly job report will also be scrutinized at 5.15PM Dubai time, especially as in the absence of both the JOLTS and NFP reports, this will be the only available data on the labor market. Consensus is for +30k job creations in October and markets would not like anything negative or too positive.

Have a great day.

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