

CIO Office Morning Notes

7 November 2025

Risk aversion came back on Western markets yesterday. Tech valuation concerns combined with doubts on US labor to pressure stocks, down -1.1% for the S&P500 and -1.9% for the Nasdaq in a volatile session. Stocks from emerging markets were up +0.8% as the morning was all about an Asian rebound. Flight to quality benefitted bonds: US Treasury yields shed -7 basis points on average across the curve. Gold was flat, torn between its natural defensive characteristics on one hand and the temptation to secure profits on the other. The dollar weakened -0.5% against trade-weighted counterpart, especially the yen and the British pound. Oil prices were marginally down.

Angst about the valuation of AI stocks is not new and we highlighted for some time the vulnerability that it creates. A trigger for the sell-off yesterday was a weird statement from OpenAI's CFO suggesting that the US government should "backstop the guarantee that allows the financing" of the company's gigantic infrastructure spending plans. This suggests that funding is not that easy, at a time when the company does not focus on profitability at all, like a typical start-up, while the amounts we're talking about are very far from the typical start-up. A White House representative responded that "there will be no federal bailout for AI", which certainly didn't help - does AI need a bailout?! Another sign of investors' tech valuation anxiety came earlier yesterday: despite having delivered strong results and an upbeat forecast, Qualcomm stocks were down even before US indices started to go south. Having said that, all shareholders are not afraid of massive spending: over 75% of Tesla shareholders approved Elon Musk's extravagant pay package structure which could, if all objectives are met, total \$1 trillion. One trillion dollar.

US top-down factors didn't help risk appetite either. Weekly jobless claims were unexpectedly not released yesterday, due to the government shutdown, while a report from outplacement firm Challenger suggested that the number of job cuts announced by US companies was the highest for any month of October in 20 years at more than 150,000, bringing 2025's cumulated number above a million. Implied probability for a Fed cut in December rose to 70% on the release.

Staying with monetary policies, the Bank of England kept their rates unchanged yesterday, but the vote was unusually tight at 5 vs 4, a "dovish hold" in market jargon, and an exception to the overall less dovish tone adopted by other central banks. Elsewhere, service PMIs for both Japan and India were strong, and it's important to keep in mind that leading indicators were overall positive everywhere in October. Finally, trade numbers for China just came out and they surprised to the downside: exports in October are down -1.1% compared to 2024 while imports are only up 1%. We tend to see this as another reason for authorities to stimulate consumption further and faster, in accordance with their recent 5-year plan. In addition, the US just announced that they will block the sale of some of Nvidia's AI chips to China precisely - the competition between the two superpowers is certainly not over.

Markets this morning:

Asian markets show no immunity to US anxiety as we write this morning. Stocks are down -2.5% in both Japan and Korea and closer to -1% in Hong-Kong and onshore China. US Treasury yields are steady and so is the dollar. Gold gains +0.4%, very close to regaining the \$4,000 mark and the price of Brent crude oil adds 20 cents to \$63.6.

Upcoming key events/data:

Today will see another regrettable absence of the US monthly job report due to a never-ending shutdown which we hope could be solved in the coming days - visibility is low but as consequences are not benign anymore, from flight restrictions to market pressure, and after Democrats won three electoral victories, we think that the probability is improving. We will thus pay attention to the University of Michigan Sentiment survey which we doubt will be as good as the consensus expects.

Have a great end to the week.

Chief Investment Office
Wealth Management
Emirates NBD

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