بنك الإمارات دبي الوطني
Emirates NBD

CIO Office Morning Notes

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Markets continued to stabilize as global equities advanced for a second session, supported by relief that the U.S. had stepped back from immediate tariff threats tied to Greenland, even as the underlying details of the proposed arrangement reinforced that geopolitical risk has shifted rather than disappeared. The MSCI ACWI rose 0.7%, with developed markets up 0.7% and emerging markets gaining 1.0%. The catalyst remained President Trump's announcement in Davos that a "framework of a future deal" had been reached with NATO regarding Greenland and the broader Arctic region, prompting the U.S. to withdraw proposed tariffs against several European nations. Trump explicitly ruled out the use of military force to take control of Greenland, marking a sharp reversal from earlier comments that had unsettled markets. Subsequent reporting, however, clarified that while sovereignty was not discussed, the framework is materially substantive. Officials familiar with the talks indicated that the agreement would enable an expanded U.S. and NATO military footprint on the island, including potential deployment of U.S. missile systems as part of broader Arctic and missile-defense architecture, alongside access to critical minerals through U.S.-aligned mining projects intended to limit Chinese involvement. NATO Secretary-General Mark Rutte emphasized that discussions focused on Arctic security, energy production, and missile defense, highlighting that the arrangement reframes Greenland as a strategic platform rather than a territorial issue.

Trump also officially launched his "Board of Peace" initiative, presented as a high-level body designed to oversee de-escalation efforts and longer-term strategic stability. While details remain limited, the initiative was introduced alongside the Greenland framework as part of a broader shift toward institutionalizing U.S. leverage through negotiated security arrangements rather than overt economic or military coercion. Markets have so far treated the announcement cautiously, viewing it as supportive of near-term stability but insufficient to remove longer-term policy uncertainty.

U.S. equities advanced as immediate trade fears eased, with the S&P 500 rising 0.6%. Gains were broad but measured, pointing more to position adjustment than renewed risk-taking. Late in the session, Intel weighed on sentiment after shares fell as much as 14% in extended trading. The company issued a downbeat first-quarter outlook, guiding revenue to a range of $11.7–$12.7 billion versus consensus closer to $12.6 billion, and signaling break-even earnings versus expectations for a modest profit. Management cited persistent manufacturing yield issues, noting that usable chip output remains below internal targets, constraining supply just as demand for server and AI-related chips remains firm. Credit markets remained notably insulated from equity and geopolitical volatility. U.S. investment-grade corporate spreads held near multi-decade tights, hovering around the mid-80 basis point area over Treasuries, levels last seen in the mid-1990s. High-grade issuance continued to clear smoothly, with strong demand at recent deals and little evidence of spread concession.

European equities outperformed as relief around tariffs and trade dominated the session, with the MSCI Europe Index gaining 1.0% after several days of pressure. Banks, autos, and other cyclicals led the rebound as investors covered defensive positioning built during the height of Greenland-related uncertainty. However, defense stocks sold off sharply, with investors repricing near-term escalation risk following confirmation that the framework reduced immediate confrontation. Analysts noted that while the agreement represents a de-escalation in tone, it may ultimately require European NATO members to establish a more visible and sustained military presence in Greenland, suggesting that defense dynamics may shift rather than fade. Political reaction across the region remained guarded, with officials continuing to warn about the structural unpredictability of U.S. policy.

In Asia, the MSCI China Index slipped 0.1% despite improved global sentiment. Under the surface, however, signals were more constructive. Authorities set the daily yuan fixing stronger than 7 per dollar for the first time since 2023, indicating comfort with gradual currency appreciation amid a softer dollar and improved capital flows. Private funds reportedly increased equity exposure, and sentiment toward Chinese assets has stabilized as policy support becomes more visible. Within equities, the AI theme continued to rotate toward companies with clearer monetization and application-driven earnings, while reports that Alibaba is preparing steps toward a potential IPO of its AI chip unit reinforced expectations of sustained investment in domestic semiconductor capacity. Japanese equities rebounded, with the TOPIX rising 0.7%, supported by gains in technology stocks and improved global risk sentiment. Beneath the equity recovery, however, the bond market remains a point of fragility following recent volatility in super-long Japanese government bonds. Thin liquidity and heightened sensitivity to marginal flows have raised concerns about renewed dislocation, particularly as investors looked ahead to policy guidance from the Bank of Japan and the broader implications for domestic financial stability.

In commodities, price action continued to reflect lingering demand for hedges despite the equity rebound. Brent crude rose 1.8% to $64.0 per barrel. Gold surged 2.2% to a fresh record of $4,936 an ounce, underscoring that while immediate geopolitical fears have eased, investors continue to price longer-term uncertainty around U.S. policy direction, global security arrangements, and reserve diversification. The dollar fell 0.3% on the day, while the yield on the U.S. 10-year Treasury was little changed at 4.25%.

Markets this morning:

This morning, Asian equities climbed to fresh records and precious metals pushing further into uncharted territory. The MSCI Asia Pacific Index rose 0.5% and was on track to close at a record high, advancing for the eighth time in nine weeks as demand tied to artificial intelligence infrastructure and relatively attractive valuations continued to draw inflows. Japanese equities rallied after the Bank of Japan kept its policy rate unchanged at 0.75%, as expected, while raising its inflation outlook and signaling that another rate hike remains likely once the impact of last month's move and upcoming elections becomes clearer. The yen weakened modestly following the decision, trading around 158.7 per dollar, while Japanese government bond yields were little changed. Gold climbed toward the $5,000 mark, reaching fresh record highs above $4,965 an ounce, with silver and platinum also setting all-time highs as investors continued to hedge geopolitical risk, concerns around U.S. policy predictability, and renewed questions about Federal Reserve independence. U.S. equity futures pointed modestly higher, though European futures edged lower, suggesting a more cautious handover as investors assess how far the recent relief rally can extend.

Upcoming key events/data:

Key data for Friday includes a broad PMI slate across Europe and Asia, while in the U.S. the focus turns to the Conference Board leading index, the University of Michigan consumer sentiment survey, and S&P Global manufacturing PMI, rounding out the week with signals on demand, confidence, and forward-looking activity.

Have a good day!

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