A **slower Fed**, and a **faster China** ahead?

- **Last week was mildly negative for most asset classes, especially for China's stocks**
- **Mainland markets reopened as investors took profits, waiting for more details on stimulus**
- **Fed expectations tempered, between nuanced FOMC minutes and a slightly hot CPI report**

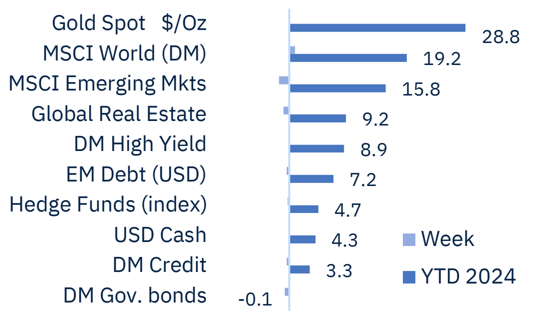
Last week was overall relatively quiet, despite a few major events. First, China's mainland stock markets reopened after the long pause of the Golden Week. It wasn't a triumph, as many "fast-money" investors took profits following the vertical rise of the previous sessions, as briefings from authorities did not provide many details with regards to the fiscal stimulus plan.

In the US, the FOMC minutes revealed that the jumbo 50-basis-point cut of September was not as unanimously endorsed as we may have initially thought. Furthermore, the September CPI inflation report was mixed: headline slowed, but core inflation rose, both printing 0.1% above their respective median consensus forecast. Fortunately, implied expectations for the Fed had already become much more reasonable a week ago with the stellar September job report. As a result, only the long end of the yield curve steepened, by a contained +10 basis points. Finally, the Q3 corporate earnings season started on a positive note on Friday, with good numbers from JP Morgan and Wells Fargo.

We held our monthly investment committee on Tuesday, which didn't decide any change in positioning at the asset class level. Still, our equity team decided to overweight China within our Emerging Markets allocation. We reduced our overweight on India to add to China, where we see upside potential, at the price of serious volatility.

The week ahead will see more corporate earnings, as well as probably a 25bps cut from the ECB, and various economic data, including inflation in Europe as well as retail sales and industrial production for both the US and China. Have a great week.

ASSET CLASSES USD % TOT.RETURN, 2024 & LAST WEEK



MAURICE GRAVIER
Chief Investment Officer
MauriceG@EmiratesNBD.com

GIORGIO BORELLI
Head of Asset Allocation
GiorgioB@EmitatesNBD.com

SATYAJIT SINGH, CFA
Head of Fixed Income Strategy
Satyajitsi@EmiratesNBD.com

ANITA GUPTA
Head of Equity Strategy
AnitaG@EmiratesNBD.com

NAWAF ALNAQBI
Equity Strategist
NawafALNA@EmiratesNBD.com

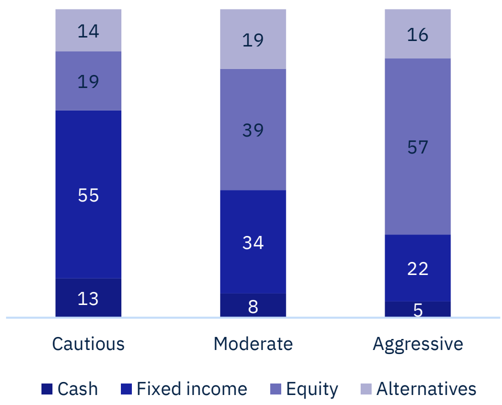
Cross-asset Update

Quite some newsflow and market action nowadays is China-dependent, especially when it comes to the broadening of the ongoing equity rally. Analysts and strategists were underwhelmed by the briefing of the Chinese Ministry of Finance on Saturday, that failed to attach a hard number to the pledge to shore up the economy. And this disappointment seems now to be recurrent, and it may be stemming more from market expectations being misaligned, than from actual lack of commitment by the Chinese authorities. The liquidity injections implemented by the PBOC, and the statements made by key officials before the briefing already constituted an element of novelty, showing the determination to do more to address the deflationary pressures in the country. And investors welcomed the change of stance with an impressive rise in domestic equities. On Saturday the MOF announced support for local governments, and for state-owned banks, the former in turn being then able to address issues in the real-estate sector, the latter to increase lending to promote economic growth. And the resources would be coming from the issuance of special government bonds, so through much-awaited fiscal measures. Yes, there was no mention about the size of the intervention. Yet, investors should have by now learnt that Beijing, though availing huge resources, prefers a gradual approach. The year-end 5% growth target should be met simply owing to the additional liquidity made available by the PBOC. Specific announcements may well be possible if not at the China's legislature meeting in the coming weeks, then by year-end or early next year. At that time, it will be crucial for government officials to walk the talk and promote growth in 2025.

So, in our view the commitment and the resources are there, and it is not by chance that this morning markets scored gains from the initial disappointment. Iron ore futures in Singapore reversed early declines, while copper retraced losses. Equities in mainland China ended in positive territory, while Hong Kong traded in a holding pattern. What is even more important, is that the rally is broadening in the Western markets, and the Chinese stimulus is playing a role. DM markets ex-US rose 6.7% in the previous quarter, beating the S&P 500 that put in a 5.5% return, and small caps globally climbed by 8.9%. Investors are also taking the resilience of the US economy at face value, and financials, a cyclical sector exposed to the domestic economy, recorded new all-time highs last week.

Overall, barring black swans from the presidential elections or the rising geopolitical risks in the Middle East, we see reason to have a constructive stance into year-end.

TACTICAL ASSET ALLOCATION: SIMPLIFIED POSITIONING

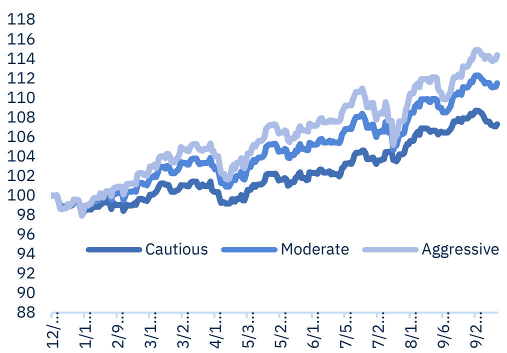


TAA – RELATIVE POSITIONING – MODERATE PROFILE

UW/N/OW: Underweight/Neutral/Overweight

	UW	N	OW
Cash			>>>
DM Gov.			>>
DM Credit		=	
DM H. Yield		=	
EM Debt		=	
DM Equity	<<		
EM Equity	<		
Gold			>
Hedge Funds	<<		
Real Estate	<		

TAA – 2024 INDICATIVE PERFORMANCE



Source: Bloomberg. CIO Office calculation based on TAA applied to market indices, net total return in USD.

Fixed Income Update

Last week was relatively calm for bond markets. The CPI numbers came worse than expected with Core CPI increasing by 0.3% last month. However, the impact on treasury curve was moderated by a higher than anticipated Initial Jobless claims that came in at 258k. The US Treasury yield curve bear steepened last week. The 2-year remained anchored around 3.9% while the 10-year yields touched 4.1% and the 30-year ended the week at 4.4%. However, the gauge of treasury volatility, MOVE Index remains high at 118.

FOMC minutes released last week indicated that the 50 bps rate cut in the September meeting was not a done deal with pushback from members. The minutes mentioned "Some participants observed that they would have preferred a 25-basis-point reduction of the target range at this meeting, and a few others indicated that they could have supported such a decision." Governor Michelle Bowman placed the only dissenting vote against the move. OIS swaps now price in less than six rate cuts by 2025.

This week the ECB is expected to cut rates by 25 bps on Thursday with an eye to arrest any slowdown in the employment market. This decision comes 5 weeks after the September rate cut with very little new information apart from survey data pointing to a contraction in the private-sector economy. The ECB's assumption that it will sustainably reach its 2% inflation target in the second half of 2025 is based on a slowdown in wage gains.

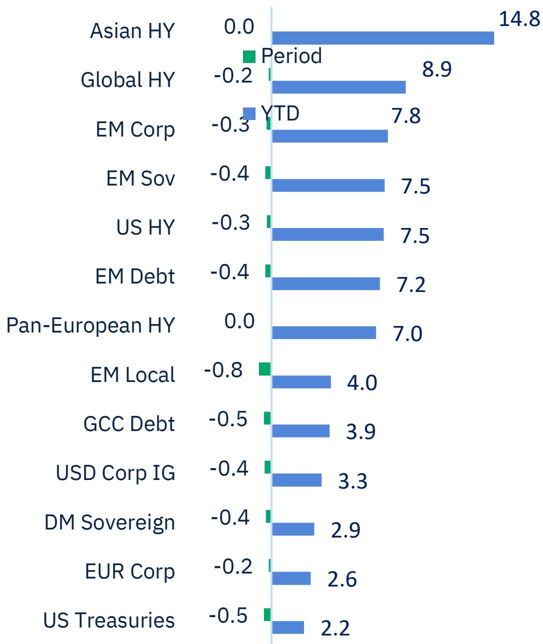
The credit indices were range bound with spreads remaining tight. The Q3 earnings season kicked off last Friday on a strong footing. A good earnings season is a prerequisite for spreads to remain low. Within High Yield, CCC spreads have compressed massively since May this year. However, the economics of refinancing for most CCC issuers remains challenging and we avoid these issuers with our exposure within CCC bucket being limited to certain high quality bank subordinated papers from Turkey.

An interesting case study on long-short IG credit basket performance vs odds of a democrat win remains non-correlated. Event risk isn't always priced in the same way across the capital structure. Given the pull to par in credit, speculative upside is by design far more limited. The impact of tax changes, however, would affect spreads. While the current statutory corporate tax rate (federal and local) is roughly 26%, the median IG or HY-rated issuers have effective tax rates of 20% and 22%, respectively, for fiscal year 2023 according to a recent report from Goldman Sachs. According to the report, A potential decline in the federal statutory tax rate from 21% to 15% would arithmetically boost earnings by about 4%, while a hike to 28% would reduce earnings by about 5% and thus fuel some passive re-leveraging.

FIXED INCOME KEY CONVICTIONS (2024)

DEVELOPED MARKETS
Overall overweight DM FI
OW Government Bonds
Neutral corporate (IG & HY)
EMERGING MARKETS
Neutral EM Debt
Favor quality and selectivity
Including in GCC

FIXED INCOME SUB ASSET CLASS RETURNS (YTD, LAST WEEK)



Source: Bloomberg

Equity Update

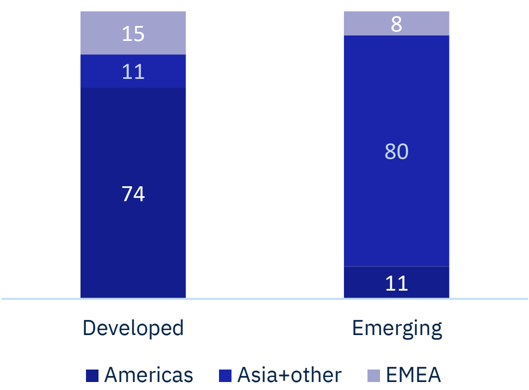
US markets power ahead, a bit disappointing on China fiscal stimulus, earnings season starts well. Global equities saw developed markets ending up last week almost a percent, while emerging markets fell 1.6% with China equities down 7%. US markets (we are overweight) saw the S&P 500 gaining +1.1%, marking its 45th record high of 2024. Tech stocks led the rally, with Nvidia gaining 8% last week, TSMC's results are seen as a positive catalyst. Financials gained with strong results from JPMorgan and Wells Fargo, though late-week volatility from derivatives rebalancing curbed broader gains.

The earnings season (expectation 4.2% y/y earnings growth S&P 500 in Q3) saw the banks, setting a positive tone despite analysts having lowered estimates on lending business post the Fed's 50bps cut. JPMorgan posted a surprise gain in NII by 3% to $23.4bn, beating expectations for a slight decline, driven by strong lending and trading. The company lifted NII expectations for 2024 as US consumers and the economy remain healthy, yet 2025 could see NII trending lower and choppy from quarter to quarter. Wells Fargo also delivered better-than-expected results, BlackRock reported strong Q3 results, AUM grew to $11.5 trillion, with robust demand for ETFs and private market investments. With the major banks Goldman Sachs, Citigroup, Bank of America, and Morgan Stanley set to report this week, the financial sector will shape the start of this earnings season. Broad participation across US and global equity markets a positive signal as we move toward the final quarter.

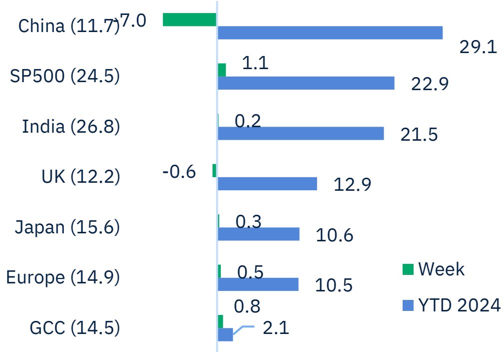
European equities STOXX 600 up +0.7% last week, with consensus estimates 3% y/y earnings growth, largely driven by financials, which are expected to grow earnings 10%. However, outside of financials, earnings are forecasted to decline by 2%, weighed down by weakness in autos, consumer products, and energy. This downturn is largely attributed to China's slowing consumption, oversupply challenges, and softer demand in end markets.

We have shifted our Neutral positioning to Overweight for China, reflecting the magnitude of its easing package across fiscal, monetary, and property sectors. Current valuations remain below historical averages, offering upside potential, in consumer-driven sectors like retail and services, as policy support continues to take effect. The MSCI China Index is down -6.8% for the week, taking a break, after the stimulus-fuelled rally. Chinese equities best performing global market even after this pullback. We shift India, from Overweight to Neutral. A strong long-term growth story, current high valuations and potential for profit-taking have prompted a tactical shift toward China. India's structural growth drivers, including urbanization, a young population, and ongoing reforms, remain intact, but China's tactical rebound offers a more immediate opportunity at present. Japan's equity market rose supported by a weaker yen and strong US labor market data. Political uncertainty ahead of Japan's Lower House election later this month could introduce some volatility, but sentiment remains cautiously positive.

EQUITY RECOMMENDED REGIONAL POSITIONING

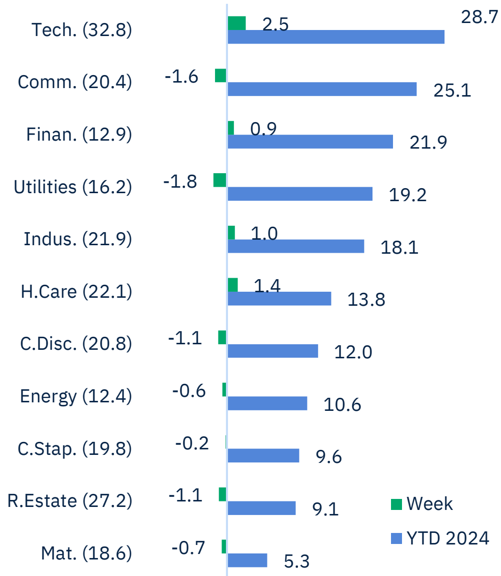


MAJOR INDICES PERFORMANCE (TR, US$), P/E in brackets



Source: Bloomberg consensus. MSCI Indices unless specified.

GLOBAL SECTOR PERFORMANCE (TR, US$), P/E in brackets



Source: Bloomberg consensus. MSCI All Country World sectors US$.

بنك الإمارات دبي الوطني
Emirates NBD

DISCLAIMER

IMPORTANT INFORMATION

This document is prepared by Emirates NBD Bank (P.J.S.C) ("the Bank" or "Emirates NBD"), a public joint stock company incorporated in Dubai, UAE and licensed, regulated supervised and controlled by the Central Bank of the UAE ("Central Bank") and the Securities and Commodities Authority of the UAE ("SCA"), having its head office at Baniyas Road, Deira, PO Box 777, Dubai, United Arab Emirates. This document may be distributed and/or made available by the Bank and its affiliates and subsidiaries, including Emirates NBD Capital KSA CJSC ("ENBD Capital") (through its website, its branches or through any other modes, whether electronically or otherwise).

Emirates NBD and its affiliates, subsidiaries and group entities, including its shareholders, directors, officers, employees and agents are collectively referred to Emirates NBD Group. This publication is prepared without regard to the individual financial circumstances and objectives of persons who receive it. Data/information provided in this publication are intended solely for illustrative purposes for the general information or its recipients, irrespective of their customer classification as an Ordinary Investor or Professional Investor under the SCA Regulations. Any person (hereinafter referred to as "you", "your") who has received this document or have access to this document shall acknowledge and agree to the following terms.

Reliance

This publication may include data/information taken from stock exchanges or other third-party sources from around the world, which Emirates NBD reasonably believes to be reliable, fair and not misleading, but which have not been independently verified. The provision of certain data/information in this publication may be subject to the terms and conditions of other agreements to which Emirates NBD is a party. Opinions, estimates and expressions of judgment are those of the writer and are subject to change without notice. Emirates NBD or any member of Emirates NBD Group makes no representation or warranty and accepts no responsibility or liability for the sequence, accuracy, completeness or timeliness of the information or opinions contained in this publication. Nothing contained in this publication shall be construed as an assurance by Emirates NBD that you may rely upon or act on any information or data provided herein, without further independent verification of the same by you.

The contents of this document are prepared as of a particular date and time and will not reflect subsequent changes in the market or changes in any other factors, including those relevant to the determination of whether a particular investment activity is advisable. Emirates NBD does not undertake any obligation to issue any further publications or update the contents of this document. Emirates NBD may also, at its sole discretion, update or change the contents herein without notice. Emirates NBD or any member of Emirates NBD Group does not accepts no responsibility whatsoever for any loss or damage caused by any act or omission by you as a result of the information contained in this publication (including by negligence).

References to any financial instrument or investment product in this document are not intended to imply that an actual trading market exists for such instrument or product. Certain investment products mentioned in this document may not be eligible for sale in some jurisdictions, and they may not be suitable for all types of investors. The information and opinions contained in this publication is provided for informational purposes only and have not been prepared with any regard to the objectives, financial situation and particular needs of any specific person, wherever situated. If you wish to rely on or use the information contained in this publication, you should carefully consider whether any investment views and investment products mentioned herein are appropriate in view of your investment experience, objectives, financial resources and relevant circumstances. You should also independently verify and check the accuracy, completeness, reliability and suitability of the information and should obtain independent and specific advice from appropriate professional advisers or experts.

Confidentiality

This publication may be provided to you upon request (and not for distribution to the general public), on a confidential basis for informational purposes only, and is not intended for trading purposes or to be passed on or disclosed to any other person and/or to any jurisdiction that would render the distribution illegal.

Solicitation

None of the content in this publication constitutes a solicitation, offer, recommendation or opinion by Emirates NBD to buy, sell or trade in any security or to avail of any service in any jurisdiction. This document is not intended to serve as authoritative legal, tax, accounting, or investment advice regarding any security or investment, including the profitability or suitability thereof and further does not provide any fiduciary or financial advice. This document should also not be used in substitution for the exercise of the prospective investor's judgment.

Third Party

This publication is not intended for use by, or distribution to, any person or entity in any jurisdiction or country where such use or distribution would be contrary to law or regulation. It is the responsibility of any person in possession of this publication to investigate and observe all applicable laws and regulations of the relevant jurisdiction. This publication may not be conveyed to or used by a third party without the express consent of Emirates NBD or its affiliates, subsidiaries or group entities distributing this document. You should not use the data in this publication in any way to improve the quality of any data sold or contributed by you to any third party.

Liability

Notwithstanding anything to the contrary set forth herein, Emirates NBD, its suppliers, agents, directors, officers, employees, representatives, successors, assigns, affiliates or subsidiaries shall not, directly or indirectly, be liable, in any way, to you or any other person for any: (a) inaccuracies or errors in or omissions from this publication including, but not limited to, quotes and financial data; or (b) loss or damage arising from the use of this publication, including, but not limited to any investment decision occasioned thereby. Under no circumstances, including but not limited to negligence, shall Emirates NBD, its suppliers, agents, directors, officers, employees, representatives, successors, assigns, affiliates or subsidiaries be liable to you for direct, indirect, incidental, consequential, special, punitive, or exemplary damages even if Emirates NBD has been advised specifically of the possibility of such damages, arising from the use of this publication, including but not limited to, loss of revenue, opportunity, or anticipated profits or lost business.

This publication does not provide individually tailored investment advice and is prepared without regard to the individual financial circumstances and objectives of person who receive it. The appropriateness of an investment activity or strategy will depend on the person's individual circumstances and objectives and these activities may not be suitable for all persons. In addition, before entering into any transaction, prospective investors should: (i) ensure that they fully understand the potential risks and rewards of that transaction; (ii) determine independently whether that transaction is appropriate given an investor's investment objectives, experience, financial and operational resources, and other relevant circumstances; (iii) understand that any rates of tax and zakat or any relief in relation thereto, as may be referred to in this publication may be subject to change over time; (iv) consult their advisers on the legal, regulatory, tax, business, investment, financial and accounting implications of the investment; (v) understand the nature of the investment and the related contract (and contractual relationship) including, without limitation, the nature and extent of their exposure to risk; and (vi) understand any regulatory requirements and restrictions applicable to the prospective investor. Where this publication provides any information about Shariah compliant products, the Bank will not have engaged a Shariah board (or similar body) to determine independently whether or not such products are compliant with Shariah principles. The Bank accepts no liability with respect to the fairness, correctness, accuracy, reasonableness or completeness of any such determination or guidance by any Shariah board that has certified or otherwise approved such products as Shariah compliant. Nothing contained in this publication shall be construed as a recommendation by the Bank to invest in such product. In deciding whether to invest in Shariah compliant products, you should satisfy yourself that investing in such products will not contravene Shariah principles. You should consult your own Shariah advisors as to whether investing in such products is compliant or not with Shariah principles.

DISCLAIMER

Looking

Past performance is not necessarily a guide to future performance and should not be seen as an indication of future performance of any investment activity. The information contained in this publication does not purport to contain all matters relevant to any particular investment or financial instrument and all statements as to future matters are not guaranteed to be accurate. Certain matters in this publication about the future performance of Emirates NBD or members of its group (the Group), including without limitation, future revenues, earnings, strategies, prospects and all other statements that are not purely historical, constitute "forward-looking statements". Such forward-looking statements are based on current expectations or beliefs, as well as assumptions about future events, made from information currently available. Forward-looking statements often use words such as "anticipate", "target", "expect", "estimate", "intend", "plan", "goal", "seek", "believe", "will", "may", "should", "would", "could" or other words of similar meaning. Reliance should not be placed on any such statements in making an investment decision, as forward-looking statements, by their nature, are subject to known and unknown risks and uncertainties that could cause actual results, as well as the Group's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements. Estimates of future performance are based on assumptions that may not be realized.

Risk

Data included in this publication may rely on models that do not reflect or take into account all potentially significant factors such as market risk, liquidity risk, and credit risk. Emirates NBD may use different models, make valuation adjustments, or use different methodologies when determining prices at which Emirates NBD is willing to trade financial instruments and/or when valuing its own inventory positions for its books and records. The use of this publication is at the sole risk of the investor and this publication, and anything contained herein, is provided "as is" and "as available." Emirates NBD makes no warranty of any kind, express or implied, as to this publication, including, but not limited to, merchantability, non-infringement, title, or fitness for a particular purpose or use. Investment in financial instruments involves risks and returns may vary. The value of investment products mentioned in this document may neither be capital protected nor guaranteed and the value of the investment product and the income derived therefrom can fall as well as rise and an investor may lose the principal amount invested. Investment products are subject to several risks factors, including without limitation, market risk, high volatility, credit and default risk, illiquidity, currency risk and interest rate risk. It should be noted that the value, price or income of securities denominated in a foreign currency may be adversely affected by changes in the currency rates. It may be difficult for the investor to sell or realise the security and to obtain reliable information about its value or the extent of the risks to which it is exposed. Furthermore, the investor will not have the right to cancel a subscription for securities once such subscription has been made. Prospective investors are hereby informed that the applicable regulations in certain jurisdictions may place certain restrictions on secondary market activities with respect to securities.

Before making an investment, investors should consult their advisers on the legal, regulatory, tax, business, investment, financial and accounting implications of the investment. In receiving this publication, the investor acknowledges it is fully aware that there are risks associated with investment activities. Moreover, the responsibility to obtain and carefully read and understand the content of documents relating to any investment activity described in this publication and to seek separate, independent financial advice if required to assess whether a particular investment activity described herein is suitable, lies exclusively with the investor.

Intellectual property

This publication has been developed, compiled, prepared, revised, selected, and arranged by Emirates NBD and others (including certain other information sources) through the application of methods and standards of judgment developed and applied through the expenditure of substantial time, effort, and money and constitutes valuable intellectual property of Emirates NBD and such others. All present and future rights in and to trade secrets, patents, copyrights, trademarks, service marks, know-how, and other proprietary rights of any type under the laws of any governmental authority, domestic or foreign, shall, as between the investor and Emirates NBD, at all times be and remain the sole and exclusive property of Emirates NBD and/or other lawful parties.

Except as specifically permitted in writing, you should not copy or make any use of the content of this publication or any portion thereof or publish, circulate, reproduce, distribute or offer this publication for sale in whole or in part to any other person over any medium including but not limited to over-the-air television or radio broadcast, a computer network or hyperlink framing on the internet or construct a database of any kind. Except as specifically permitted in writing, you shall not use the intellectual property rights connected with this publication, or the names of any individual participant in, or contributor to, the content of this publication, or any variations or derivatives thereof, for any purpose. This publication is intended solely for non-commercial use and benefit, and not for resale or other transfer or disposition to, or use by or for the benefit of, any other person or entity. By accepting this publication, you agree not to use, transfer, distribute, copy, reproduce, publish, display, modify, create, or dispose of any information contained in this publication in any manner that could compete with the business interests of Emirates NBD. Furthermore, you should not use any of the trademarks, trade names, service marks, copyrights, or logos of Emirates NBD or its subsidiaries in any manner which creates the impression that such items belong to or are associated with you, except as otherwise provided with Emirates NBD's prior written consent. You shall have no ownership rights in and to any of such items.

بنك الإمارات دبي الوطني
Emirates NBD

DISCLAIMER

Important information about United Kingdom

This publication was prepared by Emirates NBD Bank (P.J.S.C) in the United Arab Emirates. It has been issued and approved for distribution to clients by the London branch of Emirates NBD Bank (P.J.S.C) which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority in the UK. Some investments and services are not available to clients of the London Branch. Any services provided by Emirates NBD Bank (P.J.S.C) outside the UK will not be regulated by the FCA and you will not receive all the protections afforded to retail customers under the FCA regime, such as the Financial Ombudsman Service and the Financial Services Compensation Scheme. Changes in foreign exchange rates may affect any of the returns or income set out within this publication.

Important information about Singapore

This publication was prepared by Emirates NBD Bank (P.J.S.C) in the United Arab Emirates. It has been issued and approved for distribution to clients by the Singapore branch of Emirates NBD Bank (P.J.S.C) which is licensed by the Monetary Authority of Singapore (MAS) and subject to applicable laws (including the Financial Advisers Act (FAA) and the Securities and Futures Act (SFA). Any services provided by Emirates NBD Bank (P.J.S.C) outside Singapore will not be regulated by the MAS or subject to the provisions of the FAA and/or SFA, and you will not receive all the protections afforded to retail customers under the FAA and/or SFA. Changes in foreign exchange rates may affect any of the returns or income set out within this publication. Please contact your Relationship Manager for further details or for clarification of the contents, where appropriate. For contact information, please visit www.emiratesnbd.com.

Important information about Emirates NBD Capital KSA CJSC

Emirates NBD Capital KSA CJSC (“ENBD Capital”), whose registered office is at P.O. Box 341777, Riyadh 11333, Kingdom of Saudi Arabia, is a Saudi closed joint stock company licensed by the Saudi Arabian Capital Market Authority (“CMA”) under License number 37-07086 dated 29/08/2007G (corresponding to 16/08/1428H) to deliver a full range of quality investment products and related support services to individuals and institutions in the Kingdom of Saudi Arabia. ENBD Capital is subject to Capital Market Law, and Implementing Regulations in the Kingdom of Saudi Arabia
ENBD Capital’s contact details are T +966 (11) 299 3900 and F +966 (11) 299 3955.
This document may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Investment Funds Regulations issued by the Capital Market Authority.
The Capital Market Authority does not make any representation as to the accuracy or completeness of this document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. Prospective subscribers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities offered. If you do not understand the contents of this document, you should consult an authorised financial adviser.