CIO OFFICE MORNING MARKET WRAP

16th July 2025

Global equities softened Monday as macro data and corporate results brought a more nuanced tone to the recent rally. The MSCI ACWI fell 0.4%, with developed markets down 0.5% and emerging markets up 1.0%, supported by strong gains in Chinese tech. Markets began the week cautiously, testing the durability of recent strength amid a wave of earnings and inflation signals. In the U.S., banks kicked off the earnings season. Citigroup outperformed, rising more than 3% after delivering a strong trading quarter and announcing a $10 billion buyback. JPMorgan posted firm capital markets revenue but lost steam late in the session as conservative guidance on net interest income raised questions around margin sustainability. Wells Fargo dropped over 5% after cutting its full-year net interest income outlook, citing deposit cost pressure and signs of softer consumer demand. BlackRock, still absorbing the impact of Friday's report, extended losses, down 6% after disclosing a $52 billion redemption from a single client. Despite record assets under management, revenue and long-term inflows disappointed. Early results have pointed to operational resilience, but tight spreads, shifting flows, and emerging cost pressures are beginning to challenge the broader outlook. June's inflation report added to the complexity. Headline CPI rose 0.3% in line with expectations, while core inflation came in at 0.2%, slightly below forecast. On an annual basis, headline printed at 2.7% and core eased to 2.9%. It marked the fifth straight month of softer-than-expected core inflation. Tariff-sensitive categories including toys and appliances posted their largest monthly gains in years, suggesting companies are starting to pass higher costs to consumers. However, the impact was tempered by continued declines in vehicle prices, which helped offset broader pressures. The report offered a bit of everything for policymakers split on the persistence of trade-driven inflation. Markets still expect the Fed to hold steady at the July meeting as attention shifts to data in the second half.

Within Europe, the MSCI Europe Index declined 0.4% as housing and retail sectors weighed on sentiment. UK homebuilders including Barratt and Persimmon extended declines on soft demand signals. In France, consumer names fell after muted forward guidance. The Bank of England confirmed it will delay Basel 3.1 trading book rules until 2028 while keeping its 2027 timeline for broader capital adjustments. The move reinforced post-Brexit regulatory divergence and drew fresh attention from European regulators. China delivered the session's strongest gains. The MSCI China Index rose 1.9%, driven by sharp rallies in semiconductors and platform tech. Nvidia's confirmation that it received approval to resume H20 chip exports to China lifted the Hang Seng Tech Index by 3%. Meituan, Tencent, and Alibaba led the advance, narrowing valuation gaps with onshore peers. Mainland markets posted more subdued gains, with policy-linked sectors like biotech and advanced manufacturing drawing fresh flows. Japan was quieter. The TOPIX rose 0.1% as markets awaited fiscal guidance and regional elections. Industrials and defensives performed well while tech names followed strength from the broader semiconductor complex. Taiwan and Korea also gained, supported by global chip demand and improved sentiment around the cycle.

In commodities, Brent crude fell 0.7% to $68.7 per barrel as supply pressures. Gold slipped 0.6% to $3,325 an ounce. The Bloomberg Dollar Spot Index climbed 0.4%, and the yield on 10-year Treasuries rose five basis points to 4.48% as markets reassessed inflation and policy implications.

Markets this morning:

Today, Asia opened mixed. Hong Kong's Hang Seng rose 1%, building on chip-led momentum. Onshore Chinese equities were more restrained, with modest moves across sectors. Japan traded flat, while broader sentiment in Asia leaned constructive with selective strength in semiconductors.

Upcoming key events/data:

The remainder of the week brings a full slate of signals. Today brings PPI and industrial production from the US, UK CPI, and results from Goldman Sachs and Morgan Stanley. On Thursday, TSMC reports earnings in a closely watched readout on the semiconductor cycle, alongside US retail sales and jobless claims. Eurozone CPI and UK labor data are also on deck. Friday rounds out with US housing starts and the University of Michigan consumer sentiment index. The calendar will test how well markets can hold their footing with both inflation and earnings pressure building.

Have a great day!

Chief Investment Office
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