Emirates NBD

A good start to June, with big questions for H2

- **Last week was eventful in terms of data and US politics, but returns were positive for most asset classes**
- **Global PMIs and US job report have confirmed fundamental resilience so far in 2025**
- **We will hold our investment committee this week and look at the US May CPI inflation report**

The UAE working week was shorter due to the Eid Al Adha holiday, though global markets didn't take a break.

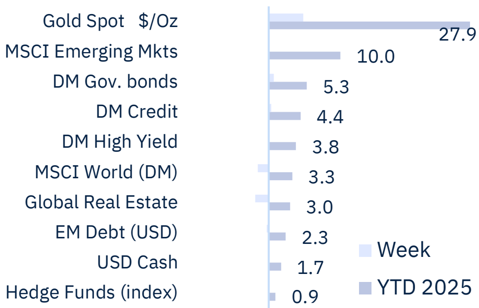
The week was rich in terms of top-down data, starting with the final monthly PMIs for all regions. The big picture didn't reveal a massive surprise. The world is gently slowing down but resilience is the key word, as most composite measures are either in expansion territory or close to neutrality (China, the Eurozone). The boost from tariffs front-loading remains visible in manufacturing activity but has started to fade.

The other key release was the US monthly NFP jobs report. Numbers from previous months were revised lower, but May was robust with 139,000 jobs being created and a stable unemployment rate at 4.2%. With the revisions, the average monthly job creations in 2025 stand at 124,000 which is very far from recessionary levels. This only confirms that the Fed is in no hurry to cut interest rates, and Fed funds future markets are now not even pricing in 2x25bps cuts for 2025.

Finally, last week saw a clash between Elon Musk and President Trump, which started when the former vehemently criticized the current budget bill, before escalating to various personal allegations. This may be much more than a matter of persons and egos. There are many nuances in the Republican party, from conservative values on one end, to libertarianism on the other, i.e. minimal government intervention. Elon Musk has proven to be very sensitive to the latter, and he brings back the topic to the centre of the political stage, with potential consequences on the congressional approval and on markets' perception of US government debt.

Our three profiles are delivering great returns so far this year, and we will hold our monthly committee this Tuesday. We will of course look at the US CPI Inflation report this Wednesday. Have a great week.

Asset Classes USD % total. Return, Week and YTD 2025



MAURICE GRAVIER
CGroup 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

NAWAF ALNAQBI
Head of Equity Strategy
NawafALNA@EmiratesNBD.com

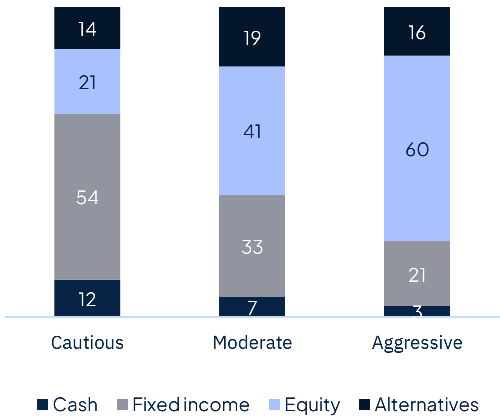
Cross-asset Update

The current strong market rally has seen a striking divergence between concerns about the effect of tariffs on the world economy and the remarkable absence thereof in hard data. The United States is a case in point, as it should have been hit hardest by the trade war via imported inflation, though it has so far been left unscathed. Indeed, US equities have underperformed their global peers year-to-date but still managed to climb in positive territory. Fed officials didn't mention anything that would hint to any change in policy during the week, while two governors noted that tariffs had yet to impact economic data. This is not a bad place to be for equities, as investors will push them higher by climbing a wall of worry that prevents excessive optimism. And looking ahead focus will be shifting to the more positive catalysts of tax cuts, and the easing of policy by the Federal Reserve, that should provide further support for the rally. Indeed, looming tariff deadlines are likely to generate bouts of volatility, while at the same time we suspect those deadlines may be extended to allow more room for long-lasting negotiations. Eventually, it will be resilience in fundamentals to provide the foundations for further upside.

Past week's data gives reason to believe the US economy remains healthy. The jobs report showed some solid numbers, and the ISM survey's employment subindices pointed to steady future payrolls releases. Wage growth annualised well above the inflation rate remains the best guarantee for strong consumption patterns, though not for continued disinflation. And the rising employment subindices in the business confidence survey suggest the labour market should continue to do well in the near future. Also, the easing of financial conditions due to a weaker dollar and lower crude prices should pose further tailwinds for risk assets. Equities well received the employment report, with the economy-sensitive smaller companies (+3.2%) outperforming larger caps (+1.5%). On a more global scale, copper has been hovering close to all-time highs, a sign that investors see improving industrial activity ahead. And for the same reason gold has lost its mojo of late, possibly pointing to further positive economic surprises ahead. The flip side of resilient fundamentals should be a shift higher in longer-dated Treasury yields. The yield on the 10-year note has consolidated around 4.5% as Fed officials continued to push back on impending rate cuts. Improving economic surprises should push it towards the upper end of its yearly range.

Overall, equities should continue to edge higher, with ex-US stocks outperforming against the backdrop of lower trade volatility. Not a bad outcome in the face of a stagflationary outlook that will however take some time to materialise.

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		=	

Fixed Income Update

The US Treasury curve bear flattened post the strong Jobs report released last Friday. In the US, both factory orders and durable goods were weak in April, but job openings from the JOLTS survey surprised to the upside. US labour market strength was reinforced by the robust NFP data released last Friday. Change in NFP came in at +139k which was higher than estimates of +126k. However, two-month revisions cut 95k jobs, again signalling that initial strength is often overstated. Unemployment figures remained steady at 4.2% while wage growth increased to +3.9%. The 30-year bonds touched 4.97%. 5 to 10-year treasuries increased by 10 bps. Rate cut expectations were slashed to 46 bps for the year. The litmus test for the US treasuries would be the upcoming $22 Bn 30-year notes auctions due this Thursday.

European May preliminary CPI report showed the inflation rose +1.9% year-over-year for the headline measure and +2.3% for the core allowing ECB to cut rates by 25 bps as expected. However, Christine Lagarde's assertion that the ECB is reaching the end of its rate cut cycle led to a sell-off in the European Govvies. Germany 10-year Bund yields jumped 6 bps. From a pure rates perspective, we would avoid long-duration Bunds at the moment until more clarity emerges on the growth and fiscal stimulus front.

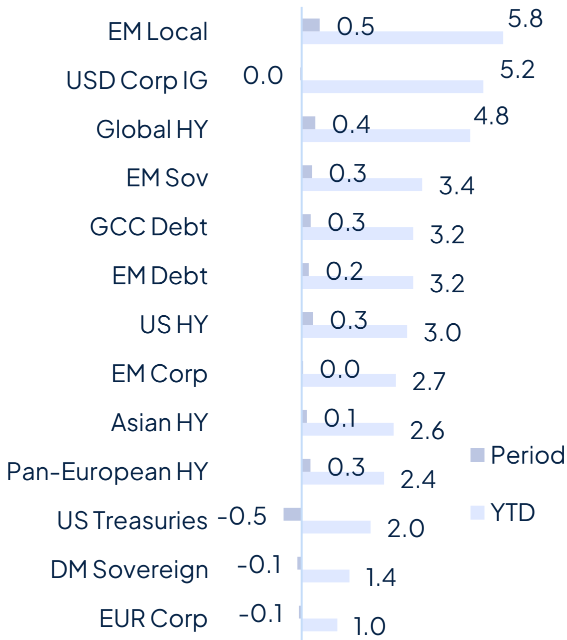
Credit spreads have remained rangebound for the second week in a row with a bias towards tightening. Investment Grade spreads have tightened to 83 bps. This is the tightest level in the last three months. Quarter-end balancing from yield buyers such as Pension funds should support the tight spread given the large underperformance of US IG credit (0.09%) Vs S&P 500 (+6.9%). Bloomberg HY index spreads also tightened to 336 levels. Three factors currently drive tight HY spreads. Firstly, the secured portion of bonds has increased to 35% from 20% in 2020. Next, BB rated issuers now account for 50% of the outstanding amount and finally the maturity distribution for the segment is quite benign. The current 12-month default rate is 1.3% vs the 25 year average of 3.4% and post GFC average of 2.5%.

There is a lot of discussion on Section 899 of the One Big Beautiful Bill. The policy would impose an additional tax for residents in "discriminatory foreign countries" (DFCs) on many forms of passive income and active business income. This incremental tax would be 5% in the first year but could potentially rise to 50% after 10 years. As per a recent GS report, the act should not impact direct bond holders materially. Currently, the portfolio interest exception, which Congress established in 1984, exempts withholding of tax on interest payments on debt in "registered form" which covers interest from Treasury bonds, agency bonds, MBS, and corporate bonds.

Fixed Income Key Convictions (2025)

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)



Equity Update

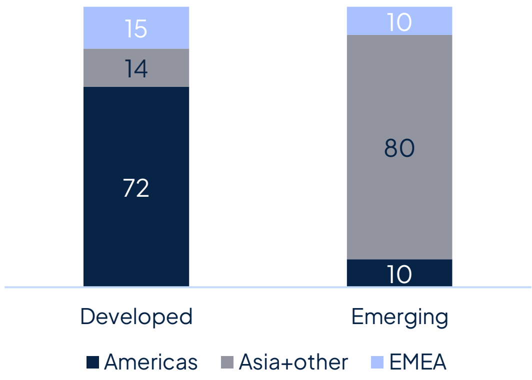
Global equities pushed higher last week, extending their climb as markets leaned into signs of macro stability and policy flexibility. The MSCI ACWI rose 1.4%, with emerging markets leading the way, up 2.3%, and developed markets close behind at 1.4%. The S&P 500 gained 1.5%, breaking back above 6,000 for the first time since February. The rally had the look of steady rather than euphoric, a market reassured by decent economic data, but increasingly selective in where it wants to allocate risk.

In the US, equity markets opened the week with momentum and held it. Payroll numbers showed growth but without the kind of wage pressure that might spook the Fed. Investors took that as a green light. Big tech stayed in charge, though the action narrowed. Tesla fell 15% for the week on a politically charged selloff. Semiconductors climbed on the back of AI enthusiasm. But under the surface, not everything was moving in sync. Close to 60% of S&P names are above their 200-day moving average. This is not a broad-based melt-up, it is more of a steady rotation into leaders with earnings visibility. Europe participated also in the rally for the week. The MSCI Europe Index added 1.1%, with insurers and cyclicals leading. Earnings in the region continue to surprise modestly to the upside, and with positioning still cautious, the path of least resistance remains upward. Weak data points in retail and industrial prints were largely ignored. The market's focus remains on earnings and margin guidance, not macro noise.

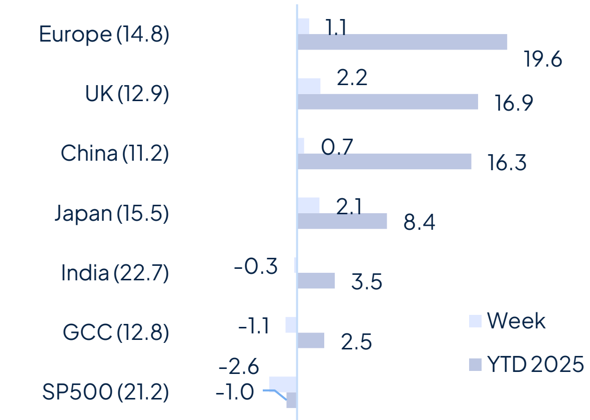
China stood out. The MSCI China Index rose 2.5%, helped by targeted policy support and a shift in tone from local traders. AI names advanced as Beijing reiterated support for industrial applications. Rare earths rallied on fresh export controls. A new infrastructure financing package fueled momentum in materials and construction stocks. Investors also began returning to the H-share futures market in size, a sign that speculative energy is returning after months on the sidelines. The much-anticipated Trump-Xi call added little. Markets shrugged; becoming numb to headline diplomacy, waiting instead for concrete changes in trade policy or capital market access. For now, the status quo prevails, uncomfortable but not market-breaking. Across the broader region, Asia continued to climb. The MSCI Asia Pacific Index moved toward its highest level since 2021. Korea's rally stood out on optimism around governance reform and renewed foreign buying. Indian equities stayed strong after the RBI surprised with a rate cut and CRR reduction, a dovish pivot that lifted banks and housing stocks. Local flows remained robust and the market continues to digest gains without showing signs of strain. Japan by contrast lost ground. The TOPIX fell 1.2%, hit by a firmer yen and rising expectations for Bank of Japan tightening. Exporters came under pressure and weak bond auction demand added to the cautious mood.

This rally is holding but it is evolving. Investors are no longer buying everything, they are buying what makes sense. Earnings, visibility and positioning are driving flows. The tone is not euphoric. It is selective, more measured. The narrative has shifted from macro fear to micro conviction. The market still wants to go higher but it is asking harder questions along the way.

Equity Recommended Regional Positioning

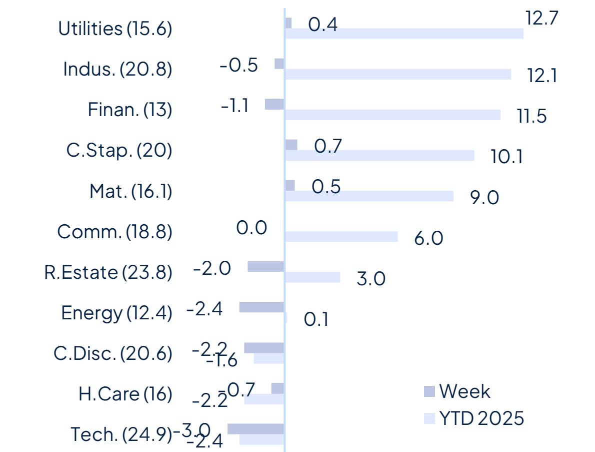


Major Indices Performance (TR, US$), P/E in brackets



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$.

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.