The Winds of Change of 2025

- **Our 2025 Global Investment Outlook highlights the emerging changes that will impact the medium-term**
- **Meanwhile, last week was positive for all asset classes, despite a negative surprise on US inflation**
- **We haven't changed our positioning in February and remain fully invested for now**

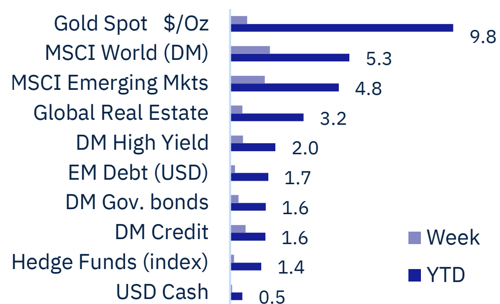
Our 2025 Global Investment Outlook is titled "Winds of Change", following 2024's "The Year of Answers". We indeed believe that markets this year will not be driven by immediate answers to critical questions on the current situation, rather by the medium-term impact of emerging changes. New leaders implement new policies, national and regional agendas take a lead over global topics, with deep potential economic and geopolitical consequences.

Last week was an interesting case in point. The most important economic data, the monthly US CPI report, was a negative surprise as both headline and core inflation came in faster than forecast. Still, after an initial negative reaction, markets recovered. Stocks ended higher in both developed and emerging regions, US Treasury yields slipped, and the dollar weakened. The perspective of reciprocal tariffs being imposed by the US didn't break the positive trend: many market participants believe that the announcement is the first step of negotiations that will not necessarily deliver a brutal outcome. Finally, there is hope for a resolution of the situation in Ukraine, which helped European stocks.

The future is uncertain, but 2025 starts with sound fundamentals. Inflation is sticky, while growth remains solid, and markets have decided that the worst is now shrouded in uncertainty. This is why we started the year fully invested and decided to remain so in our last committee. Our 3 profiles are already up 2.5%, 3.5% and 4.2% in 2025. Still, we are prepared to be active. Macro uncertainty is higher than market action suggests. We will closely watch US policy moves, international responses, stimulus measures in China and of course AI developments.

https://www.emiratesnbd.com/en/campaigns/global-investment-outlook-2025

ASSET CLASSES USD % TOT.RETURN, LAST WEEK AND YTD 2025



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

NAWAF ALNAQBI
Head of Equity Strategy
NawafALNA@EmiratesNBD.com

ANITA GUPTA
Equity Strategy
AnitaG@EmiratesNBD.com

بنك الإمارات دبي الوطني
Emirates NBD

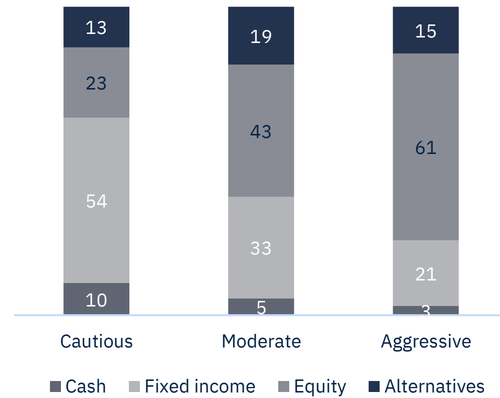
Cross-asset Update

Trump's tariffs and the related concerns still dominate the headlines, as the US president recently announced reciprocal tariffs after planning 25% levies on steel and aluminum imports. Despite the risk to growth and inflation - after all levies are like a tax and cause a hike in prices - markets have been quite ebullient. Equities closed well in the green for the week, all the more so the overseas markets, and commodities advanced. As the same time, traders seem to be somewhat cautious, as investor sentiment surveys are leaning bearish, though this contrarian signal could only partially account for the observed price resilience. Another explanation could be that reciprocal tariffs could actually spur a run to the bottom, with countries subject to Trump's threats preferring to lower their levies to avoid being hit by additional ones. Also, Donald Trump instructed the administration to propose new country-specific levies for the purpose of rebalancing trade relations, a process that would take weeks or months and pose no immediate market risk. Latin America and India would stand to lose most as against Europe and China, though it is difficult to see Europe lower VAT, considered by Washington a form of tax, to accommodate the reciprocal principle. In the end, investors may well have been confused and decided to move on taking the newsflow in their stride.

The past week showed that one of the pillars of US exceptionalism is starting to crack. Retail sales recorded the largest decline in nearly two years, following a downshift in the labor market as per the previous week's jobs report. The US economy is indeed slowing down, and markets are taking this seriously. The dollar has been weakening and the yield on the 10-year Treasury note on Friday closed below 4.5%. There is a case to be made that Fed's policy could be too tight, as indicated by rising delinquencies and the more difficult conditions in the housing market. The Fed is actually in a predicament, having to manage lingering inflationary pressures that run counter the need for lower rates. With tariffs drawing closer but not yet implemented, the status quo will prevail for a while, until their depressing effect on growth one day will force the Fed into action, hoping that by that time is not going to be too late.

Gold seems unstoppable and recorded yet again a new all-time high. It reached our year-end fair value of $2,900/oz for 2025 well ahead of time, rising almost in a straight line from its December lows. Though technically odds of a pullback are rising, we do not see the longer-term catalysts in jeopardy. Central banks have continued to buy, and excess debt in the West remains an issue leading to currency debasement. Weakness would still be a buying opportunity.

TACTICAL ASSET ALLOCATION: SIMPLIFIED POSITIONING

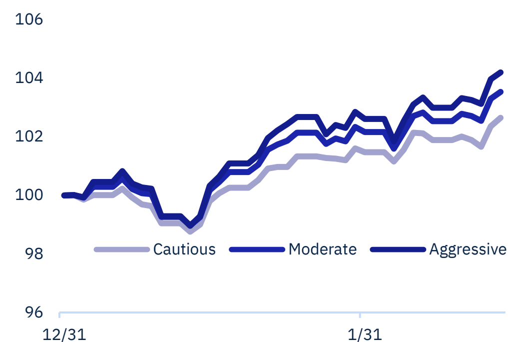


TAA – RELATIVE POSITIONING – MODERATE PROFILE

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 – 2025 INDICATIVE PERFORMANCE



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

Emirates NBD

Fixed Income Update

We had a host of key data releases last week. US consumer prices rose more than expected in January, triggering a bear steepening in the US Treasury yield curve. Both Headline and Core numbers surprised on the upside at 3% and 3.3% respectively. Core PPI numbers came in line with expectations. However, Retail Sales data released last Friday was awful declining 0.9% vs an estimate of 0.2% decrease. This triggered a rally in the US Treasury yields as the longer-dated yields dropped 5 to 7 bps. Across the Atlantic, UK GDP grew by only 0.1% in Q4 2024 boosted by an increase in Government Spending of +0.8%. Eurozone Industrial Production was negative. This should support lower UK Gilts. Increased defense spending in Europe should push European yields up.

Chairman Powell in his Senate testimony reiterated the main message from two weeks ago, when the Fed kept its benchmark rate unchanged after 1 percentage point of cumulative cuts late last year. He said that after those actions, policy is “significantly less restrictive,” and policymakers “do not need to be in a hurry to adjust” rates further at this point. He also gave ammunition to fiscal hawks by telling lawmakers there’s "no time like the present" to start putting the US budget onto a sustainable path.

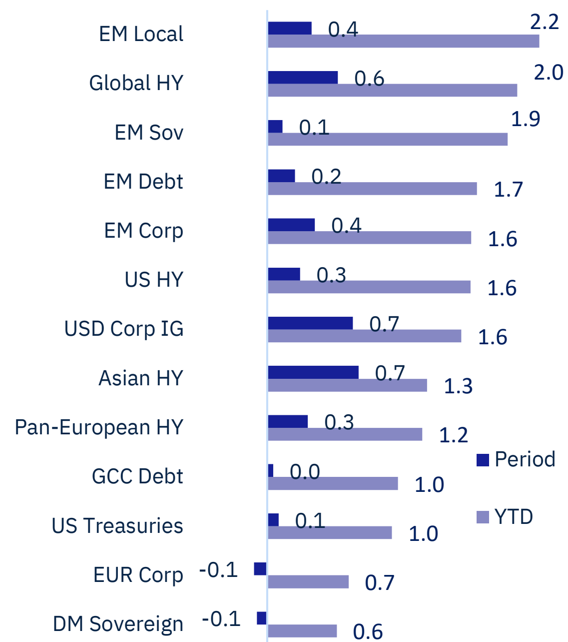
Credit markets continue unbridled optimism with spreads tight despite policy uncertainties. Though tariffs are now viewed more as rhetoric than reality, a growth shock could widen spreads. Banks should outperform non-financials as rates remain high providing tailwinds to earnings. Last week IG credit was the best performer as both yields went down and spreads compressed. HY spreads are near the tightest level for the year and lead the YTD returns chart. January saw a welcome moderation with just three and four defaults for US loan and bond issuers, respectively, according to a GS report. Fund flows remain strong as none of the USD credit categories have experienced net outflows for any week so far this year according to the same report.

The GCC region continues to see a strong pace of primary issuances, with year-to-date (YTD) issuances crossing $28 billion, out of which 80% of the issuances were from Saudi Arabia. From the KSA, we have seen inaugural issuances from Saudi Arabian Mining company (65.2% owned by PIF) issuing a 5-year and 10-year sukuk. Additionally, Saudi Real Estate Refinance Company (rated A1/A-/A+ by M/S/F and wholly owned by PIF) issued announcement for its inaugural 3 and 10-year sukuk. While from UAE, Emirates NBD announced mandate for a perpetual non-callable for 6-year AT1 bond. Sharjah Islamic Bank (rated -/A-/BBB+ by M/S/F) announced mandate for its 5-year senior unsecured sukuk and Damac (rated Ba2/BB/- by M/S/F) for its 3.5-year senior unsecured sukuk.

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

Global equities climbed for most of the week, with strong earnings and renewed optimism in China keeping momentum intact. The S&P 500 gained 1.5%, closing in on another record, while Europe rose 1.8%, extending its rally. China was the standout, surging 7.3% as tech stocks led the biggest rebound in months. But India moved sharply in the other direction, with stocks falling 6.2% as capital rotated out of the market at the fastest pace in years. Japan slipped 0.9%, pressured by a stronger yen that weighed on exporters. US markets are closed Monday for Presidents' Day, setting up a quieter start to the week before trading resumes.

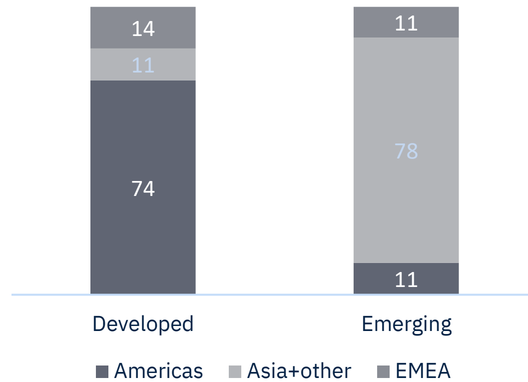
Earnings remained a major driver. With 77% of S&P 500 companies having reported Q4 results, both earnings and revenue beats continued to run above historical averages. Tech and consumer stocks stood out, Nvidia extended its gains and Apple drew attention ahead of the launch of new products which are expected to be a key driver of growth. A major product battle is also taking shape as Apple and Meta are planning to develop humanoid robots, setting up a competition that could define the next decade of consumer technology. Meta is focusing on building a software platform that other manufacturers can use, while Apple is working on a more tightly integrated product that combines hardware and software under its control. These efforts remain in their early stages, they are already drawing comparisons to previous tech battles over smartphones and mixed reality.

Europe gained 1.8%, extending its streak of weekly advances. Energy, industrials, and financials led the gains, with additional support coming from hopes of progress in Ukraine peace talks. Some signs of overheating emerged, as valuations in key sectors expanded.

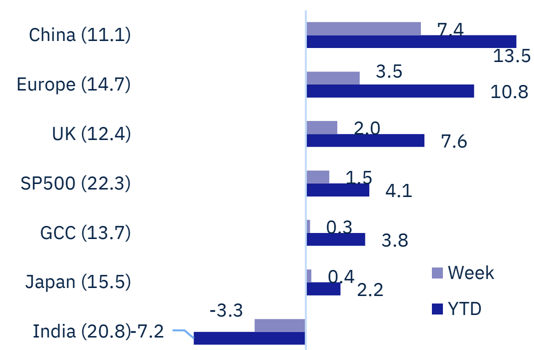
China's sudden resurgence shifted global flows. After months of underperformance, Chinese equities roared back, gaining $1.3 trillion in market value. The rally was fueled by a surge in AI-linked stocks after DeepSeek's latest breakthrough positioned the country as a key player in the global AI race. Tech names dominated, with Alibaba, JD.com, and Tencent jumping sharply as funds that had been avoiding the market rushed back in. Hopes for additional government stimulus and a more supportive stance on private business added to the momentum. Hedge funds increased their exposure at the fastest pace in months, marking a significant shift in sentiment. While capital flowed into China, India saw a sharp reversal. Foreign funds pulled out nearly $12 billion from Indian equities since the start of the year, with outflows accelerating in February. The rapid selling was driven by concerns over slowing growth, expensive valuations, and stronger opportunities in other markets. For years, India had been the preferred market in Asia, benefiting from global investment inflows. That trend appears to be shifting in the short term, with markets now reconsidering the balance between growth and risk. Domestic institutional investors have stepped in to absorb some of the selling pressure, but the sudden reversal has left markets on edge.

Japan lagged, with stocks falling 0.9% as the yen strengthened, dragging down exporters. Sony was a bright spot, rising 9% after raising its earnings outlook, while the broader market faced some pressure. The country also saw its biggest IPO since 2018, as JX Advanced Metals raised $3 billion, reinforcing demand for semiconductor-linked stocks.

EQUITY RECOMMENDED REGIONAL POSITIONING

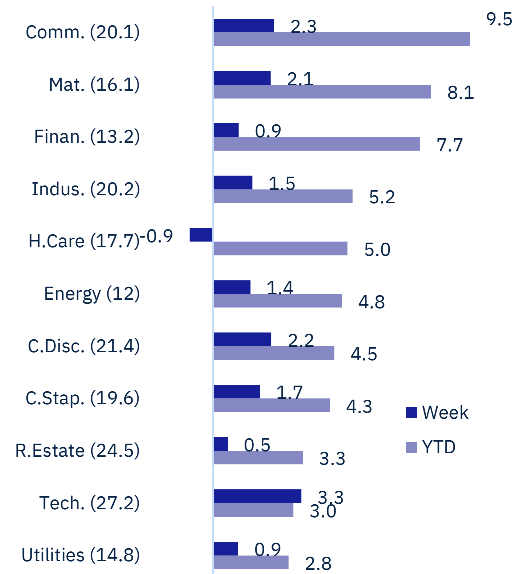


MAJOR INDICES PERFORMANCE (TR, US$), P/E in brackets



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.

بنك الإمارات دبي الوطني
Emirates NBD

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.

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.