Did **2025 just start** last week?

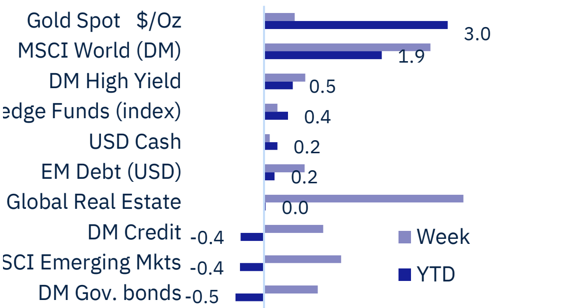
- **A perfect positive storm supported all asset classes last week...**
- **With good news from top-down data on US inflation and China growth, to big banks' quarterly earnings**
- **The week ahead is all about the first policy moves from the new US administration**

Last week was positive for all major asset classes, under the influence of three positive factors. First, core CPI inflation in the US grew less than forecast in December, leading to the first year-on-year drop since July. Long-dated US Treasury yields fell by double digits, the dollar weakened, and stocks rallied, even more so as the second good news was a strong start to the Q4 earnings season from US financials. Big banks and Blackrock had a record Q4, materially beating analysts' expectations. Finally, China had a strong growth in Q4, which allowed them to match their initial 5% growth target for the year. Retail sales were encouraging, and industrial production was strong in December. Chinese stocks rallied, though are still in negative territory in 2025 for one single reason: tariffs, which are both an uncertainty on the future and a potential boost to Q4 exports as some clients may have rushed their orders.

This is the transition to the week ahead, which starts with the inauguration of President Trump today. We can expect a wave of executive orders to kick-start many items of the Republican platform, from taxes to immigration, energy, and of course tariffs. The announcement of a constructive conversation with President Xi gives hopes of a future good working relation, and the actual start of the ceasefire in Gaza is one more reason to be hopeful. Still, US politics will be the most important area to watch in the week ahead. We will see an acceleration of the corporate earnings season, interesting developments in Davos, and several policy meetings from central banks. We will pay particular attention to Turkey, and Japan, where the BoJ is expected to hike at the end of the week.

We are fully invested to start the year, with an overweight on government bonds of reasonably long duration funded by an underweight in hedge funds. Our 2025 Global Investment Outlook will be released soon, followed by our roadshow in February where we can't wait to meet you. Have a great week.

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

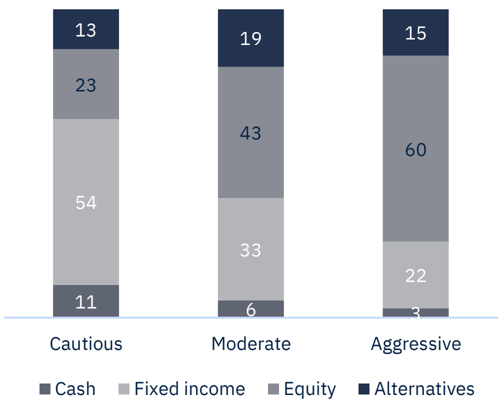
Cross-asset Update

Although consensus for 2025 extrapolated US exceptionalism to see yet another year dominated by US markets, Europe is starting out with a bang, comfortably outperforming the other major benchmarks in local currency. Year-to-date MSCI Eurozone is up over 4% in local currency, alongside the UK, while the S&P 500 has so far eked out returns half that size. That Europe beats the US has not happened often historically, and is usually due to valuations differential, as well as its earnings beating both expectations and peers. The latter in turn would require strong global growth, as the common area is an open economy, in particular towards China. Its valuations are indeed at a historical discount versus the US, though for a reason, with the more subdued growth profile often being cited as the main one. The prospect for Trump's tariffs also further curbed investor enthusiasm, offering one more rationale accounting for European equities' discount. Yet, the more pronounced the negative bias, the higher the odds for upside at the slightest turn of the tide. And this turn may be represented by Trump's more measured stance on the trade tariffs he is planning to impose on other countries. Rumours persist that the new president's approach would be to favour the clinching of deals, rather than being outright confrontational. While there is a good chance that in today's inauguration speech blustering rhetoric will be upheld, it will be equally important for Mr. Trump to score some early successes in his presidency.

Without China's participation, a strong rally in non-US markets would soon be failing, so investors will be looking forward to possible new stimulus announcements at the National People's Congress to be held in early March. It seems that the latest pro-growth measures adopted by Beijing are starting to feed through to the economy, and that new and larger ones would be necessary to keep the traction going. The YTD performance across asset classes could already be pointing to some scenario of this sort playing out, with commodities (+5%) outperforming global equities (+1.7%), and US equities being led higher by energy (+9.2%) and materials (+5%).

While we see some scope for temporary outperformance of non-US markets, Trump's tariffs, however lenient and deal-prone the new president's approach will prove to be, do not bode well. They could disrupt global supply chains due to changes in relative pricing and economic agents adjusting by reshuffling procurement processes. The end-result could be inflation, not so much on tariffs' first round-effects, rather on their second-round ones. In a year that we expect to be marked by more subdued gains, the interplay between US and overseas equity leadership will be one more factor adding to market's volatility.

TACTICAL ASSET ALLOCATION: SIMPLIFIED POSITIONING

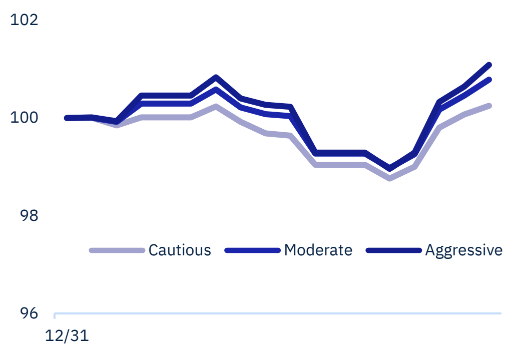


TAA – RELATIVE POSITIONING – MODERATE PROFILE

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.

Fixed Income Update

Favourable macro data fuelled a relief rally in bonds last week. US core CPI eased to 0.2% MoM, declining for the first time since July last year. US retail sales increased by 0.4% after the scorching 0.8% print in November. Bonds rallied with the belly of the curve outperforming. The 7-year decreased by 14bps while both the 2- and 30-year yields dropped by 9 bps. The benchmark 10-year traded close to 4.62%. Across the Atlantic, UK assets also got a breather as the UK CPI clocked below estimates coming in at 0.3% vs expectations of 0.4%. The 10-year UK gilts dropped 20 bps providing Chancellor Reeves some relief.

However, investors will be on the edge of their seats in the first few weeks of the Trump administration. President-Elect Trump will take oath today and has promised executive orders for swift Day-1 action remaking the federal government, shifting federal priorities at breakneck speed. Our view is that the first point of action will be tariffs. Mr. Trump would like to capitalize on a strong US economy, weak global conditions, and the distant midterm elections. We could see a burst of volatility with long-end yields moving higher if more than 10% global tariff are implemented or targeted measures against China, Mexico, and Canada around Inauguration Day exceed the broad expectations.

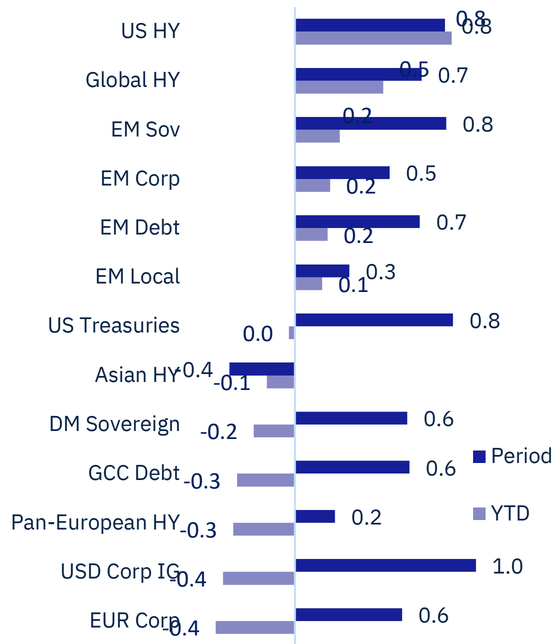
YTD returns for various segments look very similar to last year. US High Yield has topped the returns charts, while EM Debt is in the middle, and DM sovereigns and USD IG credit rank towards the end. Last week's rally did benefit long-duration asset classes. USD IG credit and EM sovereigns claimed the top 2 spots. Debt capital market conditions remain benign with supportive macro fundamentals. Any policy shifts which are less-growth supportive will risk some widening in spreads and increase in volatility.

GCC Debt performed in line with the broader EM Debt last week. This year we have added nine GCC bonds to our recommended list. The average coupon of these bonds is 5.684. Median YTD returns are around 0.2%, however with yields stabilizing we expect better carry. KSA bonds have been the best performing ones for this year. We believe the capital bonds issued by banks will also do well as holding periods increase. Egypt fiscal deficit doubled to almost $5.9bn, however we don't expect further widening in spreads in the front end of the curve. On Thursday, Turkey's central bank is expected to cut its policy rate by 2.5%, reducing the attractiveness of the local currency carry trade.

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

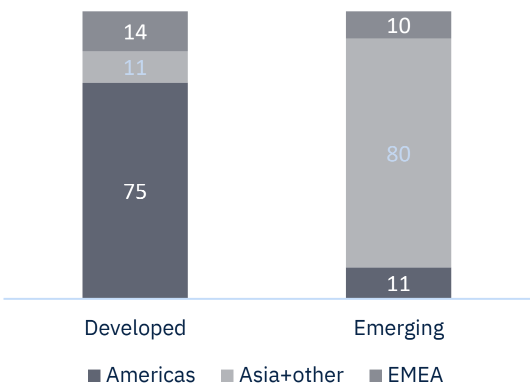
Last week markets demonstrated remarkable strength, with global equities rallying on the back of easing inflation, robust bank earnings, and growing optimism about central bank policy. DMs rose 2.7%, reflecting strong performance across the major economies, while EMs also pushed higher by 1.3%, as gains in China offset softness in India and other regions. Markets face a dual focus: the onset of the earnings season and President Trump's inauguration speech, which could provide more clarity on the scale and targeting of policy actions. Last week's rally in global equities was mirrored by an equally upbeat tone in the earnings season, particularly for U.S. banks, with exceptional results driven by strong trading revenues, surging dealmaking, and resilient credit markets. In the U.S., the S&P 500 gained 2.9%, while the S&P equal-weighted Index outpaced it with a 3.9% gain, highlighting improved market breadth. Tech also played a pivotal role, supported by TSMC's upbeat guidance on AI-related spending.

The S&P 500's Q4 earnings season is off to a promising start, with upbeat results from major banks. JPMorgan Chase set an industry record with $58.5bn in annual profit, driven by a 21% rise in trading revenue during Q4. Morgan Stanley's profit more than doubled, with its equities division posting a record-breaking 51% revenue increase as post-election volatility boosted trading. Goldman Sachs delivered its strongest-ever year in equities, with Q4 net income surging to $4.1bn, supported by dealmaking and equity investment gains. Bank of America joined the trend, reporting a 43% increase in investment banking fees and robust loan growth.

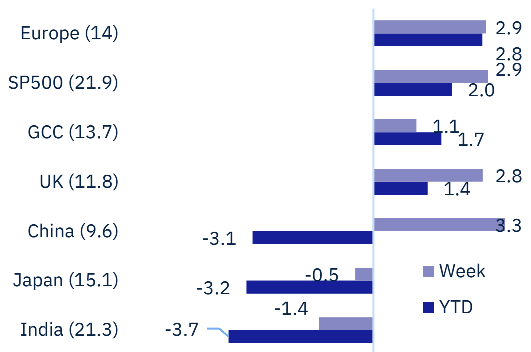
European equities joined the rally, with the MSCI Europe climbing 2.4%. Luxury stocks led the way, as Richemont's stellar sales figures and an upgrade for LVMH boosted confidence in the sector's recovery. Energy stocks also posted strong gains as oil prices rose amidst geopolitical tensions. Novo Nordisk faced a challenging week losing 4.3%, dethroning it as Europe's largest company by market capitalization as its obesity drug Wegovy underperformed in a trial comparing higher doses, falling short of results achieved by Eli Lilly's competing drugs. Compounding the setback, U.S. Medicare plans to cut prices for Wegovy and similar treatments.

Chinese equities led the way, with the MSCI China Index advancing 3.3%, as stimulus measures aided in achieving the government's growth target for 2024. Japan's TOPIX fell 1.3% with a stronger yen and caution ahead of the Bank of Japan's meeting. Indian markets dipped 0.6%, reflecting profit-taking in financials and consumer stocks after a stellar run in 2024. Asian equity markets are bracing for heightened volatility as Pres. Trump's trade policies threaten supply chains and escalate tensions with China. While tech and EV sectors are particularly vulnerable to disruptions from tariffs and export controls, the uncertainty has also driven strong performance in local semiconductor stocks as China accelerates its push for self-sufficiency. The USD stays strong, tariffs remain a worry and this leads to a neutral stance for EM equities as we start the year. China valuations are attractive, but we would await US policy direction before going overweight. Netflix and Johnson & Johnson are among the 43 S&P 500 companies scheduled to post their quarterly results this week.

EQUITY RECOMMENDED REGIONAL POSITIONING

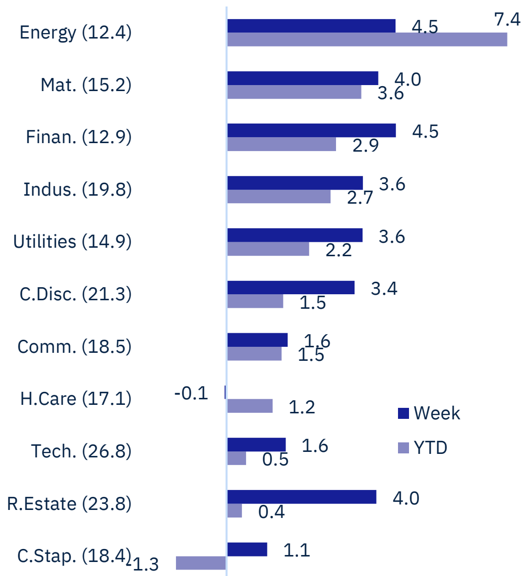


MAJOR INDICES PERFORMANCE (TR, US$), P/E in brackets



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.

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.