

Tug of war over inflation cues

US

- ▶ The high-stakes summit between President Donald Trump and President Vladimir Putin in Alaska concluded without a formal agreement to end the Ukraine war. While both sides acknowledged progress, no ceasefire or peace agreement was reached. US special envoy Witkoff said that both Presidents agreed that the US could offer Ukraine security guarantees.
- ▶ The US and China have agreed to extend their trade truce by 90 days, pushing the deadline to November 10—just ahead of planned tariff hikes. President Trump formalized the extension with an executive order.
- ▶ US Treasury secretary has said that the Fed's interest rate should be 150 to 175bp lower. He also indicated that a substantial 50bp interest rate cut may be warranted, citing recent Bureau of Labor Statistics revisions which revealed significantly slower job growth than previously estimated for May, June, and July. Earlier projections had reflected stronger employment gains, supporting Federal Reserve officials' assertions that the labor market remained robust.
- ▶ US headline inflation rose 0.2% MoM in July, matching expectations, as grocery and energy prices declined. Annual inflation held at 2.7%, below forecasts. Core CPI rose 0.3% MoM and 3.1% YoY, slightly above estimates and the highest since February, driven by higher costs in services like airfares, dental care, and medical services.
- ▶ US producer price index rose 0.9% MoM in July, the fastest pace since June 2022 and 3.3% YoY. Service costs jumped 1.1% MoM, the highest since March 2022. Core PPI (excluding food and energy) increased 0.9% MoM.
- ▶ US retail sales rose 0.5% MoM in July, matching forecasts, after a revised 0.9% MoM gain in June. On a YoY basis, sales were up 3.9%. Auto dealership sales led the increase, rising 1.6%, while online sales grew 0.8%. However, spending at restaurants and bars fell 0.4%, a potential sign of household financial strain.
- ▶ US consumer sentiment fell unexpectedly in August to 58.6 from 61.7, according to preliminary data from the University of Michigan—its first decline since April. Inflation expectations also rose, with consumers anticipating a 4.9% increase over the next year and 3.9% over the next five to ten years. Both figures came in worse than economists had projected, reflecting concerns about tariffs.
- ▶ In the week ending August 9, seasonally adjusted initial jobless claims fell by 3,000 to 224,000, while continued claims for the week ending August 2 declined by 15,000 to 1.953 million, with both prior weeks' figures slightly revised.

Europe and UK

- ▶ The UK economy grew 0.3% QoQ in Q2'25, beating expectations of 0.1%. Growth was driven by services. Monthly GDP data showed a rebound of 0.4% MoM in June after a 0.1% dip in May.
- ▶ UK unemployment held steady at 4.7% in June, as expected. July's Claimant Count fell to 1.695mn, down both monthly and annually. Weekly earnings (excluding bonuses) came in at 5.0% YoY (consensus: 5.0%, previous: 5.0%) in April to June 2025 period.
- ▶ Eurozone economy grew 0.1% QoQ in Q2'25, with annual GDP up 1.4%, matching initial estimates and market expectations. Separately, Industrial production fell 1.3% MoM but rose 0.2% YoY in June.
- ▶ Germany's ZEW Economic Sentiment Index dropped in August to 34.7, down 18 points, while the current conditions gauge fell to -68.6. Outlooks worsened for the chemical and pharma sectors. The Eurozone ZEW index also slid from 36.1 to 25.1, reflecting disappointment over the EU-US trade deal.
- ▶ Germany's CPI remained at 2% YoY in July, unchanged from June and marking the lowest since last October. Earlier figures were 2.1% YoY in May and April, and 2.2% YoY in March.
- ▶ Norges Bank kept its key interest rate at 4.25%, as expected, having lowered it in June for the first time in five years.

Asia

- ▶ China's fixed asset investments grew 1.6% YoY in July (consensus: 2.7%, previous: 2.8%). Industrial production increased 5.7% YoY (consensus: 6.0%, previous: 6.8%). Retail sales grew 3.7% YoY during July (consensus: 4.6%, previous: 4.8%).
- ▶ China July new yuan loans decreased for the first time in two decades, with figures coming in below analysts' expectations. Broader credit growth showed improvement, which indicates that the central bank may not be inclined to adjust its policy imminently.
- ▶ Chinese unemployment rate rose more than expected to 5.2% in July from 5.0% in June. China's house prices fell 2.8% YoY during July continuing the trend of slowing price declines.
- ▶ Japan's economy expanded 0.3% QoQ in Q2'25, surpassing market expectations of 0.1% growth despite headwinds from US tariffs. The improvement from Q1's revised 0.1% gain was largely driven by a rebound in exports. On an annualized basis, growth reached 1%, QoQ outperforming the 0.4% forecast, while year-over-year GDP rose 1.2%, though slower than the previous quarter's 1.8%.
- ▶ Japan's machine tool orders rose 3.6% YoY in July, led by a 5.3% jump in foreign demand, while domestic orders dipped 0.7%. Orders fell 3.6% MoM, reversing June's 3.5% gain.

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The Weekly Market View

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- ▶ The Reserve Bank of Australia lowered its key rate to 3.6%, in line with market expectations. This is the third time the central bank has trimmed its key interest rate.
- ▶ Japan's M2 money stock rose 1.0% YoY in July, up from 0.9% YoY in June. M3 money stock also climbed 0.6% YoY in July, from June's 0.4% YoY growth.

Rates

- ▶ Bond yields rose in the US, Germany, UK and Japan led by long-term rates. Short-term rates jumped in Japan, UK and Germany but fell in the US.
- ▶ The bond market experienced heightened volatility amid mixed economic data with conflicting reports on retail sales, consumer sentiment, and inflation, along with White House calls for rate cuts, contributing to investor unease. 2Y UST yields edged lower with markets pricing in c92% probability of 25bp Fed rate at the September meeting (CME FedWatch Tool). 10Y US Treasury yields ended the week slightly higher with a notable curve steepening. In fact, the spread between 5- and 30-year yields reached its widest since 2021, reflecting shifting rate expectations.
- ▶ European government bonds tracked the rise in long-term UST yields, with 30Y German bund yield reaching a 14-year high. The European bond selloff also intensified by thin August liquidity due to public holidays, increased fiscal spending, and falling demand for long-dated assets following Dutch pension reforms.

FX

- ▶ The US dollar continued its downward trend, with the Dollar Index (DXY) slipping to a two-week low below 98.00 level on Fed rate cut expectations.
- ▶ The EURUSD ended the week above the 1.17 level on the back of broad USD weakness.
- ▶ The GBP strengthened versus the USD, supported by the recent UK GDP data which topped estimates, reducing expectations of future BoE rate cuts.
- ▶ The JPY strengthened versus the US dollar, buoyed by stronger-than-expected Japan Q2 GDP data and remarks from US Treasury Secretary Scott Bessent criticizing the Bank of Japan's slow response to inflation and cautious approach to rate hikes.

Commodities

- ▶ Commodity price indices posted marginal declines, dragged lower by precious metals and energy.
- ▶ Oil prices declined over 1% for the week, pressured by easing supply concerns as US and Russian leaders met in Alaska to discuss ending the Ukraine war. The IEA slashed its global oil demand growth forecast for this year and next, citing lacklustre demand across major economies.
- ▶ Gold prices steadied Friday but posted a weekly decline as strong inflation data reduced rate-cut expectations and attention turned to the Trump-Putin talks.
- ▶ Industrial metal prices ended the week mostly unchanged.

Equities

- ▶ Global stock indices finished the week higher supported by favourable economic data that strengthened expectations of a Federal Reserve rate cut in September.
- ▶ All key regions registered gains last week with GCC and Canada being the exception. In DM, Japan outperformed peers with Nikkei 225 reaching new record highs, driven by robust Q2 economic growth, solid corporate earnings, and easing US-China trade tensions.
- ▶ In the US, the S&P 500 and Nasdaq rose approximately 1%, marking their second consecutive weekly advance and sixth positive week out of the past eight. Both indexes reached record highs midweek before a slight pullback on Friday. The Dow gained 1.7% but remained below its record high from December. Overall, small-cap stocks led the rally, with the Russell 2000 Index outperforming the S&P 500 by the widest margin since April.
- ▶ Amongst global sectors, all sectors posted gains barring consumer staples and IT. Healthcare was the top performer.

Digital Assets

- ▶ Bitcoin posted a modest weekly gain after briefly reaching a record high.
- ▶ Ethereum led the week's performance, boosted by ETF inflows and optimism around tokenized finance.
- ▶ The Federal Reserve announced the termination of its specialized "novel activities" supervision program, originally created in 2023 to monitor banks' crypto and fintech engagement.
- ▶ Following the passage of the GENIUS Act, which formalized the first US regulatory framework for stablecoins, several major banks and corporations, including Bank of America, Citigroup, Walmart, and Amazon are actively exploring or planning to launch their own dollar-backed digital tokens.

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Global markets' performance snapshot

Performance snapshot*				
Rates	Latest	1W (bp)	3M (bp)	YTD (bp)
SOFR	4.34	-1.00	3.00	-15.00
UAE Eibor 3m	4.21	2.46	-2.53	-23.07
UAE Eibor 12m	4.04	-9.05	-14.98	-31.42
US 3m Bills	4.21	-2.58	-14.38	-10.29
US 10yr Treasury	4.32	3.31	-11.55	-25.30
German 10yr Bund	2.79	9.80	16.60	42.10
UK 10yr Gilt	4.70	9.50	3.60	12.80
Fixed Income		1W (%)	3M (%)	YTD (%)
Global Agg. Index	495	0.01	2.63	6.87
Global Treasuries	208	-0.05	2.08	6.62
Global Corporate	297	0.23	4.05	7.96
EM USD Sovereign	438	0.59	5.16	7.91
EM LCY Sovereign	159	0.04	2.48	7.14
Global High Yield	1,803	0.50	4.58	8.50
Currencies				
Dollar Index	97.85	-0.33	-3.00	-9.80
EUR USD	1.1703	0.53	4.61	13.03
GBP USD	1.3554	0.76	1.87	8.29
USD JPY	147.19	-0.37	1.04	-6.37
Equities				
S&P 500	6,450	0.94	9.01	9.66
Dow Jones	44,946	1.74	6.20	5.65
NASDAQ	21,623	0.81	13.14	11.97
STOXX 600	554	1.18	1.21	9.05
DAX	24,359	0.81	2.80	22.35
Nikkei 225	43,378	3.73	14.89	8.73
FTSE 100	9,139	0.47	5.85	11.82
SENSEX	80,598	0.93	-2.34	3.15
Hang Seng	25,270	1.65	7.75	25.97
MSCI World	4,175	1.19	8.65	12.59
MSCI EM	1,272	1.49	8.43	18.31
Regional Equities				
ADX	10,222	-0.87	6.20	8.52
DFM	6,126	-0.37	13.47	18.75
Tadawul*	10,834	-0.88	-5.67	-9.99
DSM*	11,649	2.51	10.16	10.19
MSM30*	4,930	1.66	11.79	7.72
BHSE*	1,946	0.04	1.31	-2.02
KWSE*	8,697	1.17	7.52	18.13
Commodities				
BBG Commodity Index	100.4	-0.41	-1.25	1.64
Brent USD/bbl	65.9	-1.11	2.05	-11.78
WTI USD/bbl	62.8	-1.69	1.91	-12.44
Gold USD/t oz	3,336.2	-1.81	2.97	27.12
Silver USD/t oz	38.0	-0.90	16.42	31.48
Platinum USD/t oz	1,341.6	0.76	34.94	47.82
Aluminum	2,608.7	0.08	4.82	2.85
Copper USD/MT	9,621.0	-0.06	0.88	10.51
Digital Assets				
Bitcoin	117,370.8	0.39	13.44	25.24
Ether	4,428.3	9.11	74.51	32.33
Solana	185.0	3.74	9.01	-4.03
XRP	3.1	-7.10	26.32	46.89
Volatility				
VIX	15.09	-0.40	-15.37	-13.03
MOVE	76.66	-3.21	-22.29	-22.41

Source: Bloomberg, and ADCB Asset Management

Notes: *Data as of August 15 2025 unless stated otherwise; **Data as of August 14 2025.

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Forthcoming important economic data/events

United States

Date & Time (GST)	Indicator	Period	Expected	Prior
8/18/2025 16:30	New York Fed Services Business Activity	Aug	--	-9.3
8/18/2025 18:00	NAHB Housing Market Index	Aug	34	33
8/19/2025 16:30	Housing Starts	Jul	1290k	1321k
8/19/2025 16:30	Building Permits	Jul P	1390k	1393k
8/19/2025 16:30	Housing Starts MoM	Jul	-2.40%	4.60%
8/19/2025 16:30	Building Permits MoM	Jul P	-0.20%	-0.10%
8/20/2025 15:00	MBA Mortgage Applications	15-Aug	--	10.90%
8/20/2025 22:00	FOMC Meeting Minutes	30-Jul	--	--
8/21/2025 16:30	Initial Jobless Claims	16-Aug	--	224k
8/21/2025 16:30	Initial Claims 4-Wk Moving Avg	16-Aug	--	221.75k
8/21/2025 16:30	Continuing Claims	9-Aug	--	1953k
8/21/2025 16:30	Philadelphia Fed Business Outlook	Aug	8	15.9
8/21/2025 17:45	S&P Global US Manufacturing PMI	Aug P	--	49.8
8/21/2025 17:45	S&P Global US Services PMI	Aug P	--	55.7
8/21/2025 17:45	S&P Global US Composite PMI	Aug P	--	55.1
8/21/2025 18:00	Leading Index	Jul	-0.10%	-0.30%
8/21/2025 18:00	Existing Home Sales	Jul	3.90m	3.93m
8/21/2025 18:00	Existing Home Sales MoM	Jul	-0.80%	-2.70%

Japan

Date & Time (GST)	Indicator	Period	Expected	Prior
8/20/2025 3:50	Exports YoY	Jul	-2.00%	-0.50%
8/20/2025 3:50	Imports YoY	Jul	-10.00%	0.20%
8/21/2025 4:30	S&P Global Japan PMI Composite	Aug P	--	51.6
8/21/2025 4:30	S&P Global Japan PMI Mfg	Aug P	--	48.9
8/21/2025 4:30	S&P Global Japan PMI Services	Aug P	--	53.6
8/21/2025 10:00	Machine Tool Orders YoY	Jul F	--	3.60%
8/22/2025 3:30	Natl CPI YoY	Jul	3.10%	3.30%
8/22/2025 3:30	Natl CPI Ex Fresh Food YoY	Jul	3.00%	3.30%
8/22/2025 3:30	Natl CPI Ex Fresh Food, Energy YoY	Jul	3.40%	3.40%

Eurozone

Date & Time (GST)	Indicator	Period	Expected	Prior
8/20/2025 10:00	German PPI MoM	Jul	--	0.10%
8/20/2025 10:00	German PPI YoY	Jul	--	-1.30%
8/20/2025 13:00	Eurozone CPI YoY	Jul F	--	2.00%
8/20/2025 13:00	Eurozone CPI MoM	Jul F	--	0.00%
8/20/2025 13:00	Eurozone CPI Core YoY	Jul F	--	2.30%
8/21/2025 11:30	HCOB Germany Manufacturing PMI	Aug P	--	49.1
8/21/2025 11:30	HCOB Germany Services PMI	Aug P	--	50.6
8/21/2025 11:30	HCOB Germany Composite PMI	Aug P	--	50.6
8/21/2025 12:00	HCOB Eurozone Manufacturing PMI	Aug P	--	49.8
8/21/2025 12:00	HCOB Eurozone Services PMI	Aug P	--	51
8/21/2025 12:00	HCOB Eurozone Composite PMI	Aug P	--	50.9
8/21/2025 11:15	HCOB France Manufacturing PMI	Aug P	--	48.2
8/21/2025 11:15	HCOB France Services PMI	Aug P	--	48.5
8/21/2025 11:15	HCOB France Composite PMI	Aug P	--	48.6
8/22/2025 10:00	German GDP SA QoQ	2Q F	--	-0.10%
8/22/2025 10:00	German GDP NSA YoY	2Q F	--	0.00%

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United Kingdom

Date & Time (GST)	Indicator	Period	Expected	Prior
8/20/2025 10:00	CPI MoM	Jul	--	0.30%
8/20/2025 10:00	CPI YoY	Jul	--	3.60%
8/20/2025 10:00	CPI Core YoY	Jul	--	3.70%
8/20/2025 10:00	CPI Services YoY	Jul	--	4.70%
8/20/2025 10:00	RPI MoM	Jul	--	0.40%
8/20/2025 10:00	RPI YoY	Jul	--	4.40%
8/21/2025 12:30	S&P Global UK Manufacturing PMI	Aug P	--	48
8/21/2025 12:30	S&P Global UK Services PMI	Aug P	--	51.8
8/21/2025 12:30	S&P Global UK Composite PMI	Aug P	--	51.5
8/22/2025 10:00	Retail Sales Ex Auto Fuel MoM	Jul	--	0.60%
8/22/2025 10:00	Retail Sales Ex Auto Fuel YoY	Jul	--	1.80%
8/22/2025 10:00	Retail Sales Inc Auto Fuel MoM	Jul	--	0.90%
8/22/2025 10:00	Retail Sales Inc Auto Fuel YoY	Jul	--	1.70%

China & India

Date & Time (GST)	Indicator	Period	Expected	Prior
8/20/2025 5:00	China 1-Year Loan Prime Rate	20-Aug	3.00%	3.00%
8/20/2025 5:00	China 5-Year Loan Prime Rate	20-Aug	3.50%	3.50%
8/21/2025 9:00	HSBC India PMI Composite	Aug P	--	61.1
8/21/2025 9:00	HSBC India PMI Mfg	Aug P	--	59.1
8/21/2025 9:00	HSBC India PMI Services	Aug P	--	60.5

GCC

Date & Time (GST)	Indicator	Period	Expected	Prior
8/12/2025-8/22/2025	Qatar CPI YoY	Jul	--	0.07%
8/16/2025-8/21/2025	UAE Trade Balance	Jun	--	-3413.0m
8/17/2025-8/22/2025	Kuwait CPI YoY	Jul	--	0.80%
8/20/2025-8/25/2025	Qatar Trade Balance Month	Jul	--	--

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