

## A strong start to the second half of 2025

### US

- President Donald Trump officially signed the "One Big Beautiful" bill into law after it passed through a tightly contested legislative process—clearing the Senate on Tuesday with a tie-breaking vote by the vice president and narrowly gaining House approval on Thursday with a 218–214 outcome.
- President Trump announced that the US will resume tariffs on dozens of countries, after most trade deals stalled during the 90-day negotiation pause. Duties could range from 10% to as high as 70%, with official letters to roll out from Monday, July 7 until July 10, and tariffs likely to kick in starting August 1.
- The US and Vietnam finalized a trade deal effective July 2, 2025, granting tariff-free access for US goods into Vietnam while imposing a 20% duty on Vietnamese exports and a 40% tariff on transhipped goods.
- US nonfarm payrolls increased 147K in June, exceeding market expectations, driven by a jump in state and local government employment. However, private payrolls rose 74K in June, the least since October. The unemployment rate declined to 4.1% in June from 4.2% in May. Average hourly earnings rose 0.2% MoM and 3.7% YoY in June, lower than May and market expectations.
- The ADP report showed that US private payrolls lost 33K jobs in June, marking the first decline since March 2023. Market expectations were of an increase of 98k. The May job growth figure was revised lower to 29k jobs added from 37k jobs added previously.
- US job openings—a key indicator of labour demand—rose by 374K to 7.769mn as of May's end, according to the Labor Department's Job Openings and Labor Turnover Survey (JOLTS). This exceeded economists' expectation of 7.30mn vacancies, as polled by Reuters. The ratio of available jobs to unemployed individuals increased to 1.07, up from 1.03 in April.
- US ISM Manufacturing PMI rose to 49.0 in June, up from 48.5 in May, exceeding expectations. The Prices Paid Index, which measures the cost of materials and supplies, rose to 69.7, indicating higher input costs for manufacturers.
- According to the Institute for Supply Management (ISM) survey, US services activity moved back into expansionary territory in June after stagnating in May. US ISM services rose to 50.8 in June from 49.9 in May, better than market expectations.

### Europe and UK

- UK Chancellor Rachel Reeves' potential exit sparked political drama in the UK, as welfare reform backlash and concerns over the fiscal outlook rattled investor confidence—until Prime Minister Starmer stepped in to publicly reaffirm his support, easing speculation over her future.
- Eurozone inflation rose to 2% YoY in June, reaching the ECB's target, after dipping to 1.9% YoY in May. Core inflation held steady at 2.3% YoY, while services inflation edged up to 3.3% YoY, partially reversing some of May's decline.
- The seasonally adjusted unemployment rate in the Eurozone was 6.3% in May, up from 6.2% in April and more than market expectations.
- Germany's June CPI came in at annual 2.0%, down from May's 2.1% YoY and below the 2.2% YoY forecast, while core inflation softened to 2.7% YoY, reflecting cooling energy and food prices.
- Eurozone producer prices declined for the third straight month in May, due to the sharp fall in energy prices. Producer prices decreased 0.6% MoM in May, though slower than the 2.2% MoM decline in April. On a yearly basis, producer price inflation softened to 0.3%, as expected, from 0.7% in April.
- Germany's factory orders dropped more-than-expected in May, suggesting that the country's manufacturing sector recovery lost momentum. Factory orders declined 1.4% in May over the month after increasing by a revised 1.6% in April. Data missed the estimates.
- The UK Nationwide house price index fell 0.8% MoM in June after rising 0.4% MoM in May. On a YoY basis, home prices were 2.1% higher. Nationwide said it expected prices to rise over the summer when demand for houses is usually strongest.

### Asia

- China's official manufacturing PMI came in at 49.7 in June, up 0.2 percentage points from May, showing a consecutive increase for two months, but remained in contractionary zone. The official non-manufacturing PMI, which includes services and construction, rose to 50.5 in June from 50.3 in May.
- The private Caixin S&P Global manufacturing PMI came in at 50.4 in June, beating expectations and rebounding from 48.3 in May. China Caixin services PMI fell to 50.6 in June from 51.1 in May, lower than market expectations. This also marked the lowest reading since September 2024. Caixin composite PMI rose to 51.3 in June from 49.6 in May.
- Japanese household spending surged at the fastest pace in three years in May. Consumer spending rose 4.7% YoY, better than the market forecast for a 1.2% YoY gain and rising at the fastest pace since the 5.1% increase in August 2022.
- Business sentiment among Japan's major manufacturers edged up unexpectedly in Q2'25, with the BOJ's tankan index rising to +13 from +12, beating forecasts of +10.

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## Rates

- ▶ US government bond prices declined following stronger-than-expected jobs report, pushing yields higher and eroding expectations for a July Fed rate cut. Markets now have fully ruled out a July Fed rate cut, compared to c25% odds prior to the data release. The move led to a bear flattening of the UST yield curve, with short-term yields rising more than long-term rates.
- ▶ Meanwhile, Germany saw short-term yields fall, contributing to a steepening of the yield curve. The yield curve also steepened in the UK and Japan.
- ▶ In the UK, 10Y Gilt yields jumped around 15bp midweek amid speculation over Chancellor Rachel Reeves' potential resignation, which revived fiscal concerns. However, yields subsequently retraced after Prime Minister Starmer publicly reaffirmed his support for Reeves, helping soothe market nerves.

## FX

- ▶ Despite gaining strength after Thursday's upbeat jobs data, the USD index stayed close to its lowest levels since early 2022 against a basket of major currencies. Towards the end of the week, market focus shifted to Trump's tariff letters, creating uncertainty around trade policy and dampening dollar momentum.
- ▶ The euro strengthened against the USD after ECB's Lagarde cautioned that ECB's inflation target had been reached, reacting to the June preliminary inflation reading. The currency also benefited from dollar softness and safe haven flows amid tariff risks.
- ▶ The sterling posted weekly decline, as fiscal and political jitters weighed on investor confidence in UK assets. Backlash from Labour MPs over welfare reforms fuelled uncertainty about Finance Minister Rachel Reeves' future. The GBP recorded its biggest one-week drop against the EUR since April 2<sup>nd</sup> Liberation Day.
- ▶ The JPY ended flat against the USD, despite benefitting from safe-haven demand amid rising tariff risks towards the end of last week.

## Commodities

- ▶ Aggregate commodity price index rose over the week, driven by higher oil and precious metal prices.
- ▶ Oil prices recovered and posted a weekly gain, lifted by a softer dollar and strong US jobs report, despite midweek headwinds from US inventory builds, trade tensions, and potential OPEC+ supply increases.
- ▶ Over the weekend, OPEC+, led by Saudi Arabia, decided to accelerate oil production in August to meet robust summer demand and regain market share. The eight key members agreed to boost output by 548,000 barrels per day—well above the 411,000-barrel increases seen in May, June, and July.
- ▶ Gold prices ended the week higher, supported by US fiscal uncertainty, renewed trade tensions following reports of the US rolling out tariff letters, and additional tailwinds from a weakening dollar.
- ▶ Industrial metals declined as Chinese manufacturing activity remains weak, inventories rose, and trade tensions resurfaced.

## Equities

- ▶ Global equities began the second half of 2025 with solid weekly gains (for the week ending July 4, 2025).
- ▶ DM equities outperformed EM peers. In DM, Japan and UK posted losses in USD terms and underperformed DM peers. US markets rallied during the holiday-shortened week, with the S&P 500 and NASDAQ closing at record highs for the second consecutive week. Small-cap indexes outperformed large-cap and mid-cap peers with Russell 2000 index gaining c3.5%.
- ▶ Most global sectors recorded positive returns apart from communication services. Materials, IT and financials outperformed peers.

## Digital Assets

- ▶ Bitcoin posted marginal gains over the week. XRP outperformed the broader market amid Ripple's resolved SEC lawsuit.
- ▶ The US house GOP has announced the week of July 14 as "Crypto Week" to push three key crypto bills. The lawmakers will consider the CLARITY Act, the Anti-CBDC Surveillance State Act, and the Senate's GENIUS Act, to be brought to a vote.
- ▶ The US Supreme Court has declined to review a case regarding the IRS's request for user data from Coinbase, thereby upholding a lower court's ruling. This case involved the IRS demanding records from thousands of Coinbase customers, including transaction data and account security settings, raising concerns about privacy rights under the Fourth Amendment.
- ▶ After four years of legal wrangling, Ripple has reached a long-awaited settlement with the US SEC, bringing its high-profile case to a close. The deal includes a USD50mn payment—less than half of the

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initially anticipated USD125mn—and marks a pivotal step in clearing longstanding regulatory uncertainty surrounding Ripple and its native token, XRP.

- ▶ Kazakhstan is establishing a national cryptocurrency reserve, combining seized digital assets and state-mined coins.
- ▶ South Korea's central bank, the Bank of Korea (BOK), has paused its central bank digital currency (CBDC) project, shifting focus to private, won-backed stablecoins following President Lee Jae Myung's endorsement.

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## Global markets' performance snapshot

Performance snapshot*				
Rates	Latest	1W (bp)	3M (bp)	YTD (bp)
SOFR	4.40	1.00	1.00	-9.00
UAE Eibor 3m	4.15	0.06	-12.90	-29.40
UAE Eibor 12m	4.12	-9.87	3.79	-23.05
US 3m Bills	4.35	5.70	6.32	3.68
US 10yr Treasury**	4.35	6.88	31.71	-22.33
German 10yr Bund	2.61	1.50	-4.40	24.00
UK 10yr Gilt	4.55	5.00	3.40	-1.40
Fixed Income		1W (%)	3M (%)	YTD (%)
Global Agg. Index	497	0.19	2.61	7.20
Global Treasuries	210	0.13	2.54	7.42
Global Corporate	296	0.43	3.12	7.45
EM USD Sovereign	429	0.70	3.54	5.84
EM LCY Sovereign	160	0.51	5.23	7.45
Global High Yield	1,781	0.60	5.26	7.19
Currencies				
Dollar Index**	97.18	-0.23	-4.79	-10.42
EUR USD	1.1778	0.51	6.57	13.75
GBP USD	1.3650	-0.48	4.20	9.06
USD JPY	144.47	-0.12	-1.09	-8.10
Equities				
S&P 500**	6,279	1.72	16.36	6.76
Dow Jones**	44,829	2.30	10.56	5.37
NASDAQ**	20,601	1.62	24.47	6.68
STOXX 600	541	-0.46	3.57	6.60
DAX	23,787	-1.02	9.53	19.48
Nikkei 225	39,811	-0.85	14.61	-0.21
FTSE 100	8,823	0.27	4.11	7.95
SENSEX	83,433	-0.74	9.36	6.77
Hang Seng	23,916	-1.52	4.67	19.22
MSCI World	4,061	1.31	14.97	9.54
MSCI EM	1,232	0.25	11.68	14.52
Regional Equities				
ADX	9,982	0.96	7.82	5.97
DFM	5,753	1.22	14.44	11.53
Tadawul**	11,244	1.59	-5.37	-6.58
DSM**	10,759	0.70	5.15	1.78
MSM30**	4,550	0.95	4.19	-0.58
BHSE**	1,947	1.35	0.43	-1.96
KWSE**	8,399	1.28	4.98	14.08
Commodities				
BBG Commodity Index	103.4	0.49	-0.86	4.69
Brent USD/bbl	68.3	0.78	-2.62	-8.49
WTI USD/bbl	67.0	2.26	0.07	-6.58
Gold USD/t oz	3,337.2	1.92	7.12	27.15
Silver USD/t oz	37.0	2.72	16.05	27.91
Platinum USD/t oz	1,397.9	4.20	46.88	54.03
Aluminium	2,588.3	-0.29	6.98	2.04
Copper USD/MT	9,970.5	-0.80	6.10	14.52
Digital Assets				
Bitcoin	107,741.8	0.53	30.89	14.97
Ether	2,491.3	2.64	38.56	-25.56
Solana	146.9	2.79	26.40	-23.78
XRP	2.2	5.23	8.06	6.01
Volatility				
VIX	17.48	7.11	-41.77	0.75
MOVE	86.09	-2.09	-23.13	-12.86

Source: Bloomberg, and ADCB Asset Management

Notes: \*Data as of July 04 2025 unless stated otherwise; \*\*Data as of July 03 2025.

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## Forthcoming important economic data/events

### United States



Date & Time (GST)	Indicator	Period	Expected	Prior
7/08/2025 14:00	NFIB Small Business Optimism	Jun	98.7	98.8
7/08/2025 19:00	NY Fed 1-Yr Inflation Expectations	Jun	--	3.20%
7/08/2025 23:00	Consumer Credit	May	\$10.500b	\$17.873b
7/09/2025 15:00	MBA Mortgage Applications	4-Jul	--	2.70%
7/09/2025 18:00	Wholesale Trade Sales MoM	May	0.20%	0.10%
7/09/2025 18:00	Wholesale Inventories MoM	May F	-0.30%	-0.30%
7/09/2025 22:00	FOMC Meeting Minutes	18-Jun	--	--
7/10/2025 16:30	Initial Jobless Claims	5-Jul	--	233k
7/10/2025 16:30	Initial Claims 4-Wk Moving Avg	5-Jul	--	241.50k
7/10/2025 16:30	Continuing Claims	28-Jun	--	1964k
7/11/2025 22:00	Federal Budget Balance	Jun	-\$40.0b	-\$316.0b

### Japan



Date & Time (GST)	Indicator	Period	Expected	Prior
7/08/2025 3:50	BoP Current Account Balance	May	¥2962.8b	¥2258.0b
7/08/2025 3:50	Trade Balance BoP Basis	May	-¥524.4b	-¥32.8b
7/08/2025 9:00	Eco Watchers Survey Current SA	Jun	45	44.4
7/08/2025 9:00	Eco Watchers Survey Outlook SA	Jun	45.3	44.8
7/09/2025 10:00	Machine Tool Orders YoY	Jun P	--	3.40%
7/10/2025 3:50	PPI YoY	Jun	2.90%	3.20%
7/10/2025 3:50	PPI MoM	Jun	-0.10%	-0.20%

### Eurozone



Date & Time (GST)	Indicator	Period	Expected	Prior
7/07/2025 10:00	Germany Industrial Production SA MoM	May	0.30%	-1.40%
7/07/2025 10:00	Germany Industrial Production WDA YoY	May	0.70%	-1.80%
7/07/2025 12:30	Eurozone Sentix Investor Confidence	Jul	1	0.2
7/07/2025 13:00	Eurozone Retail Sales MoM	May	-0.60%	0.10%
7/07/2025 13:00	Eurozone Retail Sales YoY	May	1.40%	2.30%
7/10/2025 10:00	Germany CPI EU Harmonized MoM	Jun F	0.10%	0.10%
7/10/2025 10:00	Germany CPI EU Harmonized YoY	Jun F	2.00%	2.00%
7/11/2025 10:00	Germany Wholesale Price Index MoM	Jun	--	-0.30%
7/11/2025 10:00	Germany Wholesale Price Index YoY	Jun	--	0.40%
7/11/2025 10:45	France CPI EU Harmonized MoM	Jun F	0.40%	0.40%
7/11/2025 10:45	France CPI EU Harmonized YoY	Jun F	0.80%	0.80%
7/11/2025 10:45	France CPI MoM	Jun F	0.30%	0.30%
7/11/2025 10:45	France CPI YoY	Jun F	0.90%	0.90%

### United Kingdom



Date & Time (GST)	Indicator	Period	Expected	Prior
7/10/2025 3:01	RICS House Price Balance	Jun	-7.00%	-8.00%
7/11/2025 10:00	Monthly GDP (MoM)	May	0.10%	-0.30%
7/11/2025 10:00	Monthly GDP (3M/3M)	May	0.40%	0.70%
7/11/2025 10:00	Industrial Production MoM	May	0.00%	-0.60%
7/11/2025 10:00	Industrial Production YoY	May	0.20%	-0.30%
7/11/2025 10:00	Manufacturing Production MoM	May	-0.10%	-0.90%
7/11/2025 10:00	Manufacturing Production YoY	May	0.40%	0.40%
7/11/2025 10:00	Index of Services MoM	May	0.10%	-0.40%
7/11/2025 10:00	Index of Services 3M/3M	May	0.30%	0.60%
7/11/2025 10:00	Construction Output MoM	May	0.40%	0.90%
7/11/2025 10:00	Construction Output YoY	May	1.80%	3.30%

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## China & India



Date & Time (GST)	Indicator	Period	Expected	Prior
7/09/2025 5:30	China PPI YoY	Jun	-3.20%	-3.30%
7/09/2025 5:30	China CPI YoY	Jun	-0.10%	-0.10%
7/11/2025	India Foreign Exchange Reserves	4-Jul	--	--
7/09-7/15/2025	China New Yuan Loans CNY YTD	Jun	12732.2b	10680.0b
7/09-7/15/2025	China Aggregate Financing CNY YTD	Jun	22430.7b	18630.0b
7/09-7/15/2025	China Money Supply M2 YoY	Jun	8.20%	7.90%
7/09-7/15/2025	China Money Supply M1 YoY	Jun	2.90%	2.30%
7/09-7/15/2025	China Money Supply M0 YoY	Jun	--	12.10%
7/11-7/18/2025	China FDI YTD YoY CNY	Jun	--	-13.20%

## GCC



Date & Time (GST)	Indicator	Period	Expected	Prior
6/30-7/07/2025	Qatar Trade Balance Month	Mar	--	--
7/08-7/15/2025	UAE M3 Money Supply YoY	Apr	--	12.00%
7/10-7/15/2025	Dubai CPI YoY	Jun	--	2.37%
7/10-7/15/2025	Qatar CPI YoY	Jun	--	-0.08%

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