

Tariff drama looms, but markets stay steady

US

- ▶ The US Court of International Trade ruled that President Trump lacked the authority to enforce most of the global tariffs introduced during his second term. However, the administration swiftly appealed the decision, prompting a federal appeals court to place a temporary hold on the ruling.
- ▶ President Donald Trump signalled he planned to increase tariffs on imported steel and aluminium to 50% from 25%. In addition, Trump stated that China had violated an agreement with the US to mutually roll back tariffs and trade restrictions for critical minerals and further warned of stricter measures with China.
- ▶ The minutes from the US Federal Reserve's May 6-7 meeting revealed that officials are grappling with potential challenges with rising inflation and unemployment, alongside concerns about financial market volatility and recession risks. Policymakers acknowledged that bond market fluctuations warranted close monitoring, as they could pose risks to financial stability.
- ▶ US durable goods orders in April, fell 6.3% MoM, the largest drop since January 2024, driven by a steep decline in transportation equipment orders.
- ▶ US conference board consumer confidence rose to 98 in May, up from a revised 85.7 in April.
- ▶ US GDP shrank 0.2% QoQ last quarter, less than the initial estimated contraction of 0.3% QoQ but confirmed the first contraction in three years.
- ▶ US initial jobless claims for the (week ending May 24) rose by 14K to a seasonally adjusted 240K, exceeding expectations.
- ▶ Personal income jumped 0.8% MoM during April, exceeding the expected 0.3% increase and slightly outpacing the prior month's growth. Meanwhile, personal spending cooled significantly, rising just 0.2% MoM – matching forecasts but marking a sharp slowdown from March's 0.7% MoM gain.
- ▶ The personal consumption expenditures price (PCE) index, rose just 0.1% MoM, bringing the annual rate to 2.1%—the lowest level of 2025. The monthly increase aligned with forecasts, while the annual rate was slightly below expectations. Core PCE- Federal Reserve's preferred inflation measure, grew 0.1% MoM and 2.5% YoY, respectively, with the yearly figure coming in just below the predicted 2.6%.
- ▶ According to the University of Michigan Consumer sentiment report, the consumer sentiment remained unchanged at 52.2, compared to analyst forecast of 51.5. Current Economic Conditions came in at 58.9 in May, while Index of Consumer Expectations grew to 47.9. Year-ahead inflation expectations rose to 6.6%. Long-run inflation expectations fell to 4.2% in May, marking the first decline since December 2024.

Europe and UK

- ▶ Germany unemployment rate rose sharply in May, the number of unemployed increased by 34K in seasonally adjusted terms to 2.96mn, more than analysts' forecasts of an increase of 10K. The seasonally adjusted unemployment rate remained at 6.3%.
- ▶ France's GDP grew 0.1% QoQ in Q1'25, matching the preliminary estimates while expanded 0.6% YoY, lower than previous estimates.
- ▶ French CPI in May dropped by 0.1% MoM, falling short of 0.1% MoM expected increase and decline from the previous month's 0.6% MoM rise.
- ▶ German CPI rose 2.1% YoY in May, matching expectations and unchanged from previous month rate.

Asia

- ▶ Core inflation in Tokyo reached 3.6% YoY in May, a two-year high signalling persistent food price increases and putting pressure on the central bank to raise interest rates.
- ▶ Japan's industrial output in April fell 0.9% MoM, recording the first decline in three months, dragged down by a drop in manufacturing equipment for flat-panel displays.
- ▶ Japan's services PPI rose to 3.1% YoY in April, lower than the upwardly revised 3.3% YoY gain but above the market estimate of 3.0%.
- ▶ Japan's corporate services price index came at 3.1% YoY compared with the previous reading of 3.3% YoY and expected 3.0% YoY.
- ▶ Japan's coincident indicator for March edged lower while the leading index printed better than expected numbers.
- ▶ China industrial profits YTD rose 1.4% YoY during April as the growth remained positive for the second consecutive month.
- ▶ China Manufacturing PMI rose to 49.5 in May (prior 49.0), matching market expectation but below the 50 threshold, indicating contraction for a second month. Non-manufacturing PMI fell to 50.3 in May from 50.4 in April, coming in below market expectation.
- ▶ India's GDP grew 7.4% in Q1'25, faster than market forecast of 6.8% and up from revised 6.4% growth in Q4'24. The expansion was driven by construction and manufacturing.

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Rates

- ▶ After witnessing strong sell-off in the previous weeks, bond markets showed signs of stability. Yield curve bull flattened in the US, Germany, and Japan (long-dated bond yields fell).
- ▶ UST yields declined over the week, led by long-term rates. Following the disappointing 20yr auction in the previous week, last week's 7Y UST auction garnered strong demand.
- ▶ Long-dated JGB yields also moved lower on reports that the Japanese government could trim issuances at the long-end. Short-term bond yields, on the other hand, rose in reaction to stronger-than expected Tokyo core inflation.

FX

- ▶ The USD rebounded over the past week, helped by the positive shift in risk sentiment due to trade headlines and upbeat US economic data.
- ▶ The EUR ended the week flat against the USD. The GBP/USD declined over the week on broad USD strength.
- ▶ The JPY weakened against the USD despite stronger than expected inflation data boosting BoJ rate hike prospects, as appetite for safe-haven assets weakened while the strong USD bias prevailed.

Commodities

- ▶ Commodity aggregate prices mostly fell with stronger USD.
- ▶ Oil prices posted their second consecutive weekly decline ahead of prospects of production hike at the OPEC+ meeting over the weekend.
- ▶ Gold prices declined last week on ebbing safe-haven demand amidst positive tariff headlines and stronger USD.
- ▶ Industrial commodities had a mixed week – copper prices rose while aluminium prices dropped.

Equities

- ▶ Global equities ended higher, despite tariff headlines weighing on the sentiment. Decline in sovereign bond yields and strong tech earnings proved supportive.
- ▶ DM equities outperformed EM peers with the latter registering weekly losses.
- ▶ In DM, US equities led the performance in the holiday shortened week. The S&P finished its best May since 1990. On the other hand, UK stocks underperformed peers.
- ▶ Amongst GICS sectors, IT, healthcare and industrials outperformed peers while materials and energy posted losses and underperformed.

Digital Assets

- ▶ Bitcoin prices fell over the past week as investors took profits after the Bitcoin hit an all-time high and reports of stalled US-China trade talks negatively impacted the sentiment.
- ▶ At the Bitcoin 2025 conference, VP JD Vance reaffirmed the Trump administration's support for crypto, highlighting regulatory changes and the creation of a Strategic Bitcoin Reserve.
- ▶ Trump Media & Technology Group, the parent company of Truth Social, revealed its plans of making a major shift into cryptocurrency with a USD2.5bn investment in Bitcoin.
- ▶ The Trump administration relaxed barriers in 401(k) plans, rescinding guidance enforced by Biden-era labour department, to buying cryptocurrency and related digital assets like NFTs and meme coins.
- ▶ The SEC has initiated the review of the first Spot XRP ETF bid with WisdomTree proposal. The review process is expected to take up to 240 days. If approved, XRP could become the next crypto asset to get an ETF, following Bitcoin and Ethereum.

The Weekly Market View

Investment Strategy | June 02 2025

Global markets' performance snapshot

Performance snapshot*				
Rates	Latest	1W (bp)	3M (bp)	YTD (bp)
SOFR	4.33	7.00	-6.00	-16.00
UAE Eibor 3m	4.21	9.63	-3.29	-23.97
UAE Eibor 12m	4.22	-1.37	-8.57	-13.56
US 3m Bills	4.33	0.05	3.88	1.86
US 10yr Treasury	4.40	-11.06	19.22	-16.86
German 10yr Bund	2.50	-6.70	9.40	13.30
UK 10yr Gilt	4.65	-3.40	16.50	7.90
Fixed Income		1W (%)	3M (%)	YTD(%)
Global Agg. Index	488	0.52	3.21	5.28
Global Treasuries	206	0.40	3.64	5.68
Global Corporate	289	0.85	2.64	4.97
EM USD Sovereign	418	0.76	0.25	3.14
EM LCY Sovereign	157	-0.07	3.87	5.21
Global High Yield	1,735	0.60	2.19	4.41
Currencies				
Dollar Index	99.33	0.22	-7.70	-8.44
EUR USD	1.1347	-0.13	9.37	9.59
GBP USD	1.3459	-0.58	7.01	7.53
USD JPY	144.02	1.02	-4.39	-8.38
Equities				
S&P 500	5,912	1.88	-0.72	0.51
Dow Jones	42,270	1.60	-3.58	-0.64
NASDAQ	19,114	2.01	1.41	-1.02
STOXX 600	549	0.65	-1.53	8.09
DAX	23,997	1.56	6.41	20.53
Nikkei 225	37,965	2.17	2.18	-4.84
FTSE 100	8,772	0.62	-0.42	7.33
SENSEX	81,451	-0.33	11.27	4.24
Hang Seng	23,290	-1.32	1.52	16.10
MSCI World	3,863	1.60	1.53	4.20
MSCI EM	1,157	-1.16	5.48	7.61
Regional Equities				
ADX	9,685	0.20	1.26	2.83
DFM	5,481	0.30	3.06	6.24
Tadawul*	10,990	-1.77	-9.26	-8.69
DSM*	10,463	-2.89	0.17	-1.02
MSM30*	4,561	1.41	2.82	-0.34
BHSE*	1,921	-0.07	-2.01	-3.27
KWSE*	8,112	0.74	0.14	10.19
Commodities				
BBG Commodity Index	100.0	-2.64	-2.69	1.24
Brent USD/bbl	63.9	-1.36	-12.68	-14.39
WTI USD/bbl	60.8	-1.20	-12.86	-15.24
Gold USD/t oz	3,289.3	-2.03	15.10	25.33
Silver USD/t oz	33.0	-1.48	5.88	14.12
Platinum USD/t oz	1,057.8	-3.61	11.42	16.56
Aluminium	2,437.9	-0.84	-6.98	-3.89
Copper USD/MT	9,623.0	0.29	2.77	10.53
Digital Assets				
Bitcoin	104,597.8	-3.38	24.21	11.61
Ether	2,577.5	1.34	15.89	-22.98
Solana	159.9	-9.75	8.31	-17.01
XRP	2.2	-5.93	1.82	4.48
Volatility				
VIX	18.57	-16.69	-5.40	7.03
MOVE	92.11	-8.72	-11.82	-6.77

Source: Bloomberg, and ADCB Asset Management

Notes: *Data as of May 30 2025 unless stated otherwise; **Data as of May 29 2025.

The Weekly Market View

Investment Strategy | June 02 2025

Forthcoming important economic data/events

United States



Date & Time (GST)	Indicator	Period	Expected	Prior
6/02/2025 17:45	S&P Global US Manufacturing PMI	May F	52.2	52.3
6/02/2025 18:00	ISM Manufacturing	May	49.2	48.7
6/02/2025 18:00	ISM New Orders	May	--	47.2
6/03/2025 18:00	Factory Orders	Apr	-3.10%	4.30%
6/03/2025 18:00	Durable Goods Orders	Apr F	--	-6.30%
6/04/2025 15:00	MBA Mortgage Applications	30-May	--	-1.20%
6/04/2025 16:15	ADP Employment Change	May	110k	62k
6/04/2025 17:45	S&P Global US Services PMI	May F	--	52.3
6/04/2025 18:00	ISM Services Index	May	52	51.6
6/04/2025 22:00	Fed Releases Beige Book			
6/05/2025 16:30	Trade Balance	Apr	-\$117.3b	-\$140.5b
6/05/2025 16:30	Initial Jobless Claims	31-May	--	240K
6/05/2025 16:30	Continuing Claims	24-May	--	1919K
6/06/2025 16:30	Change in Nonfarm Payrolls	May	130k	177k
6/06/2025 16:30	Unemployment Rate	May	4.20%	4.20%
6/06/2025 16:30	Labor Force Participation Rate	May	--	62.60%
6/06/2025 16:30	Average Hourly Earnings YoY	May	--	3.80%
6/06/2025 23:00	Consumer Credit	Apr	--	\$10.172b

Japan



Date & Time (GST)	Indicator	Period	Expected	Prior
6/03/2025 3:50	Monetary Base YoY	May	--	-4.80%
6/04/2025 4:30	Jibun Bank Japan PMI Services	May F	--	50.8
6/05/2025 3:30	Labor Cash Earnings YoY	Apr	2.60%	2.10%
6/06/2025 3:30	Household Spending YoY	Apr	1.40%	2.10%
6/06/2025 9:00	Leading Index CI	Apr P	104.3	108.1
6/06/2025 9:00	Coincident Index	Apr P	115.4	115.9

Eurozone



Date & Time (GST)	Indicator	Period	Expected	Prior
6/02/2025 11:50	France HCOB Manufacturing PMI	May F	--	49.5
6/02/2025 11:55	Germany HCOB Manufacturing PMI	May F	--	48.8
6/02/2025 12:00	Eurozone HCOB Manufacturing PMI	May F	--	49.4
6/03/2025 13:00	Eurozone CPI Estimate YoY	May P	--	2.20%
6/03/2025 13:00	Eurozone CPI Core YoY	May P	--	2.70%
6/03/2025 13:00	Eurozone Unemployment Rate	Apr	--	6.20%
6/04/2025 11:50	France HCOB Services PMI	May F	--	47.4
6/04/2025 11:55	Germany HCOB Services PMI	May F	--	47.2
6/04/2025 12:00	Eurozone HCOB Services PMI	May F	--	48.9
6/05/2025 10:00	Germany Factory Orders WDA YoY	Apr	--	3.80%
6/05/2025 13:00	Eurozone PPI YoY	Apr	--	1.90%
6/05/2025 16:15	Eurozone ECB Deposit Facility Rate	5-Jun	--	2.25%
6/05/2025 16:15	Eurozone ECB Main Refinancing Rate	5-Jun	--	2.40%
6/05/2025 16:15	Eurozone ECB Marginal Lending Facility	5-Jun	--	2.65%
6/06/2025 10:00	Germany Industrial Production WDA YoY	Apr	--	-0.20%
6/06/2025 10:45	France Industrial Production YoY	Apr	--	0.20%
6/06/2025 10:45	France Manufacturing Production MoM	Apr	--	0.60%
6/06/2025 13:00	Eurozone Retail Sales YoY	Apr	--	1.50%
6/06/2025 13:00	Eurozone GDP SA QoQ	1Q T	--	0.30%
6/06/2025 13:00	Eurozone GDP SA YoY	1Q T	--	1.20%

The Weekly Market View

Investment Strategy | June 02 2025

United Kingdom

Date & Time (GST)	Indicator	Period	Expected	Prior
6/02/2025 10:00	Nationwide House Px NSA YoY	May	2.60%	3.40%
6/02/2025 12:30	Net Consumer Credit	Apr	--	0.9b
6/02/2025 12:30	Consumer Credit YoY	Apr	--	6.10%
6/02/2025 12:30	Mortgage Approvals	Apr	--	64.3k
6/02/2025 12:30	S&P Global UK Manufacturing PMI	May F	--	45.1
6/04/2025 12:30	S&P Global UK Services PMI	May F	--	50.2
6/04/2025 12:30	Official Reserves Changes	May	--	\$4115m
6/05/2025 12:00	New Car Registrations YoY	May	--	-10.40%
6/05/2025 12:30	S&P Global UK Construction PMI	May	--	46.6

China & India

Date & Time (GST)	Indicator	Period	Expected	Prior
6/03/2025 5:45	China Caixin PMI Mfg	May	50.8	50.4
6/04/2025 9:00	India HSBC PMI Services	May F	--	61.2
6/05/2025 5:45	China Caixin PMI Services	May	51.1	50.7
6/06/2025 8:30	India RBI Repurchase Rate	6-Jun	5.75%	6.00%
6/06/2025 8:30	India RBI Cash Reserve Ratio	6-Jun	4.00%	4.00%

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