

## Steady gains meet Friday's plot twist

### US

- ▶ University of Michigan's June Consumer sentiment increased by 16% from last month, though it is still 20% below December 2024 levels. Both economic conditions and consumer expectations also improved significantly. Year-ahead inflation expectations dropped to 5.1% from 6.6%, while long-run inflation expectations decreased for the second consecutive month from 4.2% in May to 4.1% in June, marking their lowest in three months.
- ▶ Producer price inflation for May came in weaker than expected. The headline PPI final demand inflation slowed to 0.1% MoM, slightly weaker than the expected 0.2% MoM. YoY headline PPI inflation came as expected at 2.6% in May. Core PPI inflation cooled to 3.0% YoY in May from 3.2% YoY in April.
- ▶ US and Iranian officials were scheduled to hold a sixth round of discussions regarding Tehran's uranium enrichment programme in Oman on Sunday, as confirmed by US and Omani officials (was later cancelled). However, early on Friday, Israel announced that it had conducted strikes on Iranian nuclear sites to prevent the development of atomic weapons by Tehran. Geopolitical risks intensified over the weekend.
- ▶ The US state department said mid-week that it would shrink the US footprint in Iraq as tensions spiked amid signs that nuclear diplomacy between the US and Iran is deadlocked. Britain's maritime trade agency has also issued a warning about increased tensions within the region.
- ▶ The US monthly federal budget statement (May) pointed to a deficit of USD316bn, slightly higher than the expected deficit of USD314.3bn and previous month's surplus of USD258bn.
- ▶ US consumer prices were up 2.4% YoY in May, hotter than April's gain of 2.3%, but less than the 2.5% YoY rise expected by consensus. Core CPI rose 2.8% YoY, same as in April but less than the expected 2.9% YoY rise. The energy index decreased 3.5% for the 12 months ending May. The food index increased 2.9% over the last year.
- ▶ US Treasury Secretary Bessent said that some countries may get extensions beyond July 9 to negotiate trade deals. However, President Trump announced his intention to send letters to trading partners within the next one to two weeks, outlining unilateral tariff rates.
- ▶ NFIB Small Business Optimism Index increased by 3 points in May to 98.8, slightly above the 51-year average of 98. This is the first time in 2025, this index increased. Of the 10 Optimism Index components, seven increased, two decreased, and one was unchanged. Expected business conditions and sales expectations contributed the greatest to the rise in the Index. The uncertainty Index rose 2 points from April to 94. The employment components continued to moderate.
- ▶ According to the US Commerce Secretary Lutnick, US and Chinese officials have agreed on a framework to restore their trade truce and address China's export restrictions on rare earth minerals and magnets after two days of negotiations in London.
- ▶ The US Court of Appeals for the Federal Circuit on Tuesday approved the Trump administration's request to maintain the President's extensive tariffs temporarily while agreeing to expedite the consideration of the case this summer.
- ▶ US wholesale inventories rose 0.2% MoM and 2.3% YoY during April from revised March levels amid stockpiling of prescription medication.
- ▶ In May, the Conference Board Employment Trends Index (ETI) fell to 107.49 from April's revised 108.00. Despite concerns about tariffs, the ETI is still above the 2017-19 average, indicating a stable labor market.
- ▶ According to the NY Fed Survey of Consumer Expectations, median inflation expectations decreased at all three horizons in May: 1Y-ahead inflation expectations declined by 0.4ppt to 3.2%, 3Y-ahead inflation expectations declined by 0.2ppt to 3.0%, and 5Y-ahead inflation expectations declined by 0.1ppt to 2.6%.
- ▶ Amongst policy matters, industry groups in real estate, finance, and multinational sectors are advocating for the reduction or elimination of tax under Section 899, which imposes up to a 20% tax on foreign investors' US income as a response to what the US deems unfair taxes like digital service taxes.

### Europe and UK

- ▶ Eurozone industrial production fell 2.4% MoM in April after a strong first quarter, though it remains up 0.8% YoY. The drop followed an anticipated decline due to US pre-tariff stockpiling of eurozone goods. There are notable differences within Eurozone: Ireland saw a significant 15% drop, while Germany, France, and Spain also experienced declines. Italy, however, showed some improvement.

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# The Weekly Market View

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- ▶ In UK trade, the value of goods exports decreased by GBP2.7bn (8.8%) in April 2025, with falls in exports to both the EU and non-EU countries. Exports of goods to the US fell by GBP2.0bn in April 2025 – by most on record – likely linked to the implementation of tariffs on goods imported to the US.
- ▶ UK GDP for April fell 0.3% MoM compared to the expected 0.1% contraction and 0.2% expansion in March. 3M/3M change in GDP in April came at 0.7% as expected. Monthly services output decreased by 0.4% MoM in April 2025, following an increase of 0.4% MoM in March 2025, and was the primary contributor to the decline in GDP for the month.
- ▶ The British finance minister, Reeves, prioritised spending on health, defence, and infrastructure to stimulate economic growth. She detailed departmental budgets for the period from 2026 to 2029 and set out investment plans extending to 2030, with a focus on the needs and interests of working individuals.
- ▶ According to the BRC-KPMG Retail Sales Monitor, in May 2025, UK total retail sales increased by a modest 1% YoY, marking the weakest growth recorded to date for this year as consumers refrained from purchasing non-essential items. Food sales experienced a growth of 3.6% YoY in May while non-food sales declined by 1.1%, as shoppers hesitated to buy fashion and high-value products.
- ▶ UK's claimant count increased 33.1k during May and was much higher compared to expectations for an increase of 9.5k and completely reversed the 21.2k decline during April. The unemployment rate edged higher to 4.6% in April from 4.5% in March, as anticipated. Average earnings including bonus rose 5.3% YoY during April, weaker than the expected 5.5% YoY growth and upwardly revised 5.6% YoY growth during March. When bonuses were excluded, the average earnings growth was also weaker than expected at 5.2% YoY during April.
- ▶ The Eurozone Sentix Investor Confidence Index jumped sharply to its highest level in a year of 0.2 in June following May's -8.1, and better than the consensus expected -5.3.

## Asia

- ▶ China's social financing for May fell short of expectations but showed strong momentum. Aggregate social financing was CNY18.63trn for the first five months, up CNY3.83trn year-on-year. The People's Bank of China reported outstanding aggregate social financing at CNY426.16trn at the end of May, an 8.7% increase from last year, matching April's growth rate. Broad money supply (M2) reached CNY325.78trn, a 7.9% YoY rise compared to 8% in April.
- ▶ India's retail inflation dropped to a six-year low in May, with consumer price inflation at 2.82% YoY, down from April's 3.16% YoY and below the expected 3.0% YoY.
- ▶ According to Japan Ministry of Finance's Business Outlook Survey index, business conditions deteriorated for Apr-Jun quarter in both manufacturing and non-manufacturing sectors and across corporations of all sizes (by capital). Domestic economic conditions have also deteriorated for the current quarter compared to the previous one.
- ▶ Japan producer price inflation fell to 3.2% YoY in May from 4.1% YoY during April and compared to the consensus expectations of 3.5% YoY.
- ▶ In Japan, Economy Watchers Current index for May surprised on the upside. Printing at 44.4, the index was better than the expected 43.8 and April's 42.6. Strength in household activity was in part offset by weakness in corporate activity and employment. However, the future conditions index, helped by improvement across the board, also registered a strong gain in May.
- ▶ Total exports from China rose 4.8% YoY in value terms during May, slowing from the 8.1% YoY jump in April and missing the 5.0% growth expectations. China's exports to the US plunged 34.5% YoY in May in value terms, the sharpest drop since February 2020, when the outbreak of the COVID-19 pandemic upended global trade. Imports fell 3.4% YoY during May, also weaker than the expected fall of 0.9% YoY and a 0.2% YoY fall in April. As a result, the trade balance increased to USD103.2bn during May from USD96.1bn in April.
- ▶ Japan is considering buying back super-long government bonds issued at low interest rates to manage bond yield rises.
- ▶ Japan's economy contracted by 0.2% annualized in Q1'25, better than the initially estimated 0.7%, thanks to revised consumption figures released today.
- ▶ China inflation data showed deflation in both consumer and factory-gate prices. CPI for May fell 0.2% MoM and 0.1% YoY. PPI declined 3.3% YoY – the sharpest decline since August 2023.

## Rates

- ▶ Sovereign bond yields were largely lower across the board with 10Y2Y yield curves bull flattening at the margin. Better than expected auctions and progress in US-China trade talks pulled down the long-end of the yield spectrum while softer than expected inflation and deepening weakness in labour markets helped in the fall on short-term bonds.

- ▶ However, US Treasury yields rose Friday afternoon, snapping a four-day losing streak after Israel's strike on Iran shocked markets, pushing oil prices higher and pressuring stocks. The breakeven rate on 5Y US Treasury Inflation-Protected Securities (TIPS) edged higher.
- ▶ Eurozone benchmark Bund yields edged up on Friday after briefly hitting three-month lows. Bund yields, however, closed the week with a decline, erasing most of previous week's rise.
- ▶ Rates markets await a central bank policy announcement-heavy week to decide on the future path.

## FX

- ▶ The broader USD index registered its second consecutive week of losses. The EUR, the GBP, and the JPY all gained against the greenback over the past week. However, the USD rose against major currencies like the EUR and the JPY on Friday due to markets seeking safe-haven assets amid Middle East geopolitical tensions after Israel's attack on Iran.
- ▶ Even with Friday's gains, the USD index is still close to its lowest level since March 2022, which it hit earlier this week, after the US-China trade truce offered little clarity and US President Trump said he would outline unilateral terms of trade with other economies in the days to come.
- ▶ The pound has been influenced by recent UK data on manufacturing activity, employment, and economic growth. Additionally, finance minister Reeves announced her spending review, which indicated potential tax increases later this year without significantly impacting the growth forecast.
- ▶ China's yuan eased against the USD on Friday, retreating from a more than two-week high reached overnight, as the greenback rebounded after Israel launched strikes on Iran. China's trade-weighted CFETS yuan basket index fell to the lowest since July 2023.

## Commodities

- ▶ The commodity price index posted strong gains for a second consecutive week as prices of most commodities rose.
- ▶ Oil prices surged 7% on Friday as Israel and Iran exchanged airstrikes, raising fears of disruptions in Middle East oil exports. Brent crude futures hit an intraday high of USD78.50, the highest since January 27. Brent prices gained c12% higher over the past week.
- ▶ Precious metal prices rose on demand for safe havens. Platinum, gold, and silver all registered solid rise in prices with platinum outperforming over the past week.
- ▶ Amongst industrial metals, copper prices edged lower while aluminium price rose over the past week. This price action was exactly opposite to the year-to-date moves which saw copper prices rise significantly while aluminium prices fell.

## Equities

- ▶ Global equity indices registered marginal loss after posting gains over the previous two weeks. Even last week, global equities posted significant gains through Thursday. However, a sharp leg down on Friday due to the rise in geopolitical tensions left equity market indices in losses for the week.
- ▶ Global equity funds saw net inflows of USD3.19bn in the week through June 11, following a favourable US inflation report and US-China trade progress, despite ongoing Middle East tensions, according to LSEG Lipper data.
- ▶ EM equities outperformed DM last week. Within EM, commodity-oriented LatAm markets outperformed with gains while EM EMEA (including GCC) underperformed after recording losses.
- ▶ Amongst global sectors, energy, healthcare, and utilities outperformed while financials, industrials, and consumer staples underperformed the most.

## Digital Assets

- ▶ Most digital assets came under pressure last week as risk-off sentiment took hold towards the end of the week.
- ▶ Bitcoin prices fell sharply between Thursday and Friday to test key technical levels before bouncing sharply.
- ▶ Ether prices fell sharply on Friday to register their largest one-day percentage loss since April 6. This sharp drop in prices has pulled down ether's market cap to USD306bn. For the context at its highest Ether's market cap was around USD570bn.
- ▶ Walmart and Amazon are mulling issuing their own stable coins, according to the Wall Street Journal.

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## Global markets' performance snapshot

Performance snapshot*				
Rates	Latest	1W (bp)	3M (bp)	YTD (bp)
SOFR	4.28	-1.00	-2.00	-21.00
UAE Eibor 3m	4.12	-12.35	-15.36	-32.39
UAE Eibor 12m	4.28	10.32	-9.17	-7.48
US 3m Bills	4.33	1.30	5.28	3.42
US 10yr Treasury	4.42	-10.69	13.05	-17.03
German 10yr Bund	2.54	-4.10	-32.00	16.80
UK 10yr Gilt	4.55	-9.40	-12.70	-1.80
Fixed Income		1W (%)	3M (%)	YTD (%)
Global Agg. Index	491	0.81	3.53	6.05
Global Treasuries	208	0.78	3.86	6.46
Global Corporate	292	0.87	3.26	5.82
EM USD Sovereign	422	0.50	1.61	3.97
EM LCY Sovereign	158	0.14	4.01	5.90
Global High Yield	1,750	0.44	3.22	5.28
Currencies				
Dollar Index	98.18	-1.01	-5.44	-9.50
EUR USD	1.1556	1.33	6.39	11.60
GBP USD	1.3569	0.32	4.88	8.40
USD JPY	144.08	-0.54	-2.41	-8.45
Equities				
S&P 500	5,977	-0.39	8.25	1.62
Dow Jones	42,198	-1.32	3.39	-0.81
NASDAQ	19,407	-0.63	12.16	0.50
STOXX 600	545	-1.57	0.83	7.35
DAX	23,516	-3.24	4.21	18.12
Nikkei 225	38,286	0.25	2.84	-5.16
FTSE 100	8,851	0.14	3.61	8.29
SENSEX	81,572	-1.30	9.87	3.81
Hang Seng	23,921	0.42	1.83	19.11
MSCI World	3,901	-0.35	8.37	5.21
MSCI EM	1,190	0.60	7.59	10.65
Regional Equities				
ADX	9,564	-1.76	1.63	1.54
DFM	5,365	-3.09	3.47	3.99
Tadawul*	10,732	-1.49	-7.55	-9.93
DSM*	10,287	0.65	1.95	0.52
MSM30*	4,504	-0.78	3.55	-0.73
BHSE*	1,902	-0.29	-2.78	-3.44
KWSE*	7,843	-0.04	3.14	10.78
Commodities				
BBG Commodity Index	105.9	1.93	0.35	6.63
Brent USD/bbl	74.8	11.67	6.22	-0.55
WTI USD/bbl	73.7	13.01	9.66	1.76
Gold USD/t oz	3,427.6	3.68	15.20	30.79
Silver USD/t oz	36.4	0.90	7.19	25.61
Platinum USD/t oz	1,240.2	5.11	22.90	35.37
Aluminium	2,503.0	2.51	-8.06	-1.32
Copper USD/MT	9,658.0	-1.40	-0.46	10.93
Digital Assets				
Bitcoin	106,685.5	0.86	31.31	12.55
Ether	2,596.5	1.84	38.32	-23.87
Solana	157.4	-1.41	21.34	-23.55
XRP	2.2	-1.66	-3.54	2.24
Volatility				
VIX	20.82	24.15	-15.57	20.00
MOVE	95.31	6.31	-10.25	-3.53

Source: Bloomberg, and ADCB Asset Management

Notes: \*Data as of June 13 2025 unless stated otherwise; \*\*Data as of June 12 2025.



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## Forthcoming important economic data/events

### United States



Date & Time (GST)	Indicator	Period	Expected	Prior
6/16/2025 16:30	Empire Manufacturing	Jun	-7	-9.2
6/17/2025 16:30	Retail Sales Advance MoM	May	-0.70%	0.10%
6/17/2025 16:30	Import Price Index MoM	May	-0.30%	0.10%
6/17/2025 17:15	Industrial Production MoM	May	0.00%	0.00%
6/17/2025 18:00	NAHB Housing Market Index	Jun	36	34
6/18/2025 15:00	MBA Mortgage Applications	13-Jun	--	12.50%
6/18/2025 16:30	Housing Starts	May	1360k	1361k
6/18/2025 16:30	Building Permits	May P	1430k	1422k
6/18/2025 16:30	Initial Jobless Claims	14-Jun	--	248k
6/18/2025 16:30	Continuing Claims	7-Jun	--	1956k
6/18/2025 22:00	FOMC Rate Decision (Upper Bound)	18-Jun	4.50%	4.50%
6/18/2025 22:00	FOMC Rate Decision (Lower Bound)	18-Jun	4.25%	4.25%
6/18/2025 22:00	Fed Interest on Reserve Balances Rate	19-Jun	--	4.40%
6/20/2025 16:30	Philadelphia Fed Business Outlook	Jun	0	-4
6/20/2025 18:00	Leading Index	May	-0.10%	-1.00%

### Japan



Date & Time (GST)	Indicator	Period	Expected	Prior
6/17/2025	BOJ Target Rate	17-Jun	0.50%	0.50%
6/18/2025 3:50	Trade Balance	May	-¥897.8b	-¥115.8b
6/18/2025 3:50	Core Machine Orders MoM	Apr	-9.50%	13.00%
6/20/2025 3:30	Natl CPI YoY	May	3.50%	3.60%
6/20/2025 3:30	Natl CPI Ex Fresh Food YoY	May	3.60%	3.50%

### Eurozone



Date & Time (GST)	Indicator	Period	Expected	Prior
6/17/2025 13:00	Eurozone ZEW Survey Expectations	Jun	--	11.6
6/17/2025 13:00	Germany ZEW Survey Expectations	Jun	30.5	25.2
6/18/2025 12:00	Eurozone ECB Current Account SA	Apr	--	50.9b
6/18/2025 13:00	Eurozone CPI YoY	May F	1.90%	1.90%
6/18/2025 13:00	Eurozone CPI Core YoY	May F	2.30%	2.30%
6/20/2025 10:00	Germany PPI YoY	May	-1.10%	-0.90%
6/20/2025 10:45	France Manufacturing Confidence	Jun	98	97
6/20/2025 18:00	Eurozone Consumer Confidence	Jun P	-14.9	-15.2

### United Kingdom



Date & Time (GST)	Indicator	Period	Expected	Prior
6/18/2025 10:00	CPI MoM	May	--	1.20%
6/18/2025 10:00	CPI YoY	May	--	3.50%
6/18/2025 10:00	CPI Core YoY	May	--	3.80%
6/18/2025 10:00	Retail Price Index	May	--	402.2
6/18/2025 10:00	RPI YoY	May	--	4.50%
6/19/2025 15:00	Bank of England Bank Rate	19-Jun	4.25%	4.25%
6/20/2025 3:01	GfK Consumer Confidence	Jun	--	-20
6/20/2025 10:00	Retail Sales Ex Auto Fuel MoM	May	--	1.30%
6/20/2025 10:00	Retail Sales Inc Auto Fuel MoM	May	--	1.20%

### China & India



Date & Time (GST)	Indicator	Period	Expected	Prior
6/16/2025 10:30	India Wholesale Prices YoY	May	0.70%	0.85%
6/16/2025-6/17/2025	India Exports YoY	May	--	9.00%
6/16/2025-6/17/2025	India Imports YoY	May	--	19.10%
6/20/2025 5:00	China 1-Year Loan Prime Rate	20-Jun	3.00%	3.00%
6/20/2025 5:00	China 5-Year Loan Prime Rate	20-Jun	3.50%	3.50%

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## GCC



Date & Time (GST)	Indicator	Period	Expected	Prior
6/15/2025-6/30/2025	Qatar GDP Constant Prices YoY	1Q	--	--
<b>6/15/2025-6/22/2025</b>	<b>Oman CPI YoY</b>	<b>May</b>	--	<b>0.90%</b>
6/15/2025-6/30/2025	Bahrain GDP Constant Prices YoY	1Q	--	3.40%
<b>6/17/2025-6/24/2025</b>	<b>Kuwait CPI YoY</b>	<b>May</b>	--	--
<b>6/18/2025-6/20/2025</b>	<b>Qatar CPI YoY</b>	<b>May</b>	--	<b>2.25%</b>

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