

Risk-on rally as geopolitical tensions ease

US

- ▶ President Donald Trump announced a cease-fire between Iran and Israel after a period of intense conflict.
- ▶ US S&P Global composite PMI edged down to 52.8 in June from 53.0 in May, signalling moderate growth. Manufacturing PMI held at 52.0, while services PMI edged lower to 53.1 amid rising input costs and strong new orders.
- ▶ US Conference Board Consumer Confidence fell to 93.0 in June from 98.4 in May, a decline of 5.4 points as households grew more pessimistic about job availability and the economic outlook.
- ▶ US new home sales declined 13.7% in May compared with April to 623,000 units on a seasonally adjusted, annualized basis, a seven-month low and below market expectations. The sales total was 6.3% lower than May 2024 and well below both the six-month average of 671,000 and the one-year average of 676,000.
- ▶ US final building permits fell 2.0% MoM in May, in line with preliminary figure but better than the previous month's decline of 4% MoM.
- ▶ At the semi-annual congressional testimony, Federal Reserve Chair Jerome Powell told Congress that the Fed is in no rush to cut interest rates, citing uncertainty over the inflationary impact of new tariffs. While inflation has moderated, Powell emphasized that upcoming data—especially from June and July—will be key to determining whether price pressures resurface. He reiterated that the Fed remains “well positioned to wait” before adjusting policy, though rate cuts remain on the table if inflation stays contained.
- ▶ President Donald Trump signalled his intent to replace Federal Reserve Chair Jerome Powell before the end of his term, criticizing Powell's resistance to aggressive rate cuts and hinting at a shortlist of potential successors, fuelling speculation and concerns about the Fed's independence.
- ▶ Trump's “One Big Beautiful Bill” Act—his sweeping tax-cut and spending proposal—cleared its first Senate hurdle in a narrow 51–49 vote after intense late-night negotiations, setting the stage for further debate and amendments as he pushes to sign it into law by July 4.
- ▶ The United States and China finalized a trade agreement to expedite rare earth shipments, aiming to restore disrupted supply chains critical to industries like automotive, defence, and tech, after months of export curbs and trade tensions.
- ▶ The US halted trade talks with Canada after President Trump objected to Canada's new digital services tax targeting major American tech firms—but just hours before the tax were set to take effect, Canada rescinded it in a bid to revive negotiations and avoid retaliatory tariffs.
- ▶ Personal income declined 0.4% MoM in nominal terms, driven by a drop in government social benefits and farm proprietors' income, despite a rise in private sector wages. Personal spending unexpectedly declined in May, dropping 0.1% MoM after an unrevised 0.2% gain in April. This is the second decline in consumer spending this year.
- ▶ The personal consumption expenditures (PCE) price index rose a seasonally adjusted 0.1% MoM in May, putting the annual inflation rate at 2.3%. Excluding food and energy, Fed's preferred inflation measure- core inflation rose 0.2% MoM and 2.7% YoY, higher than market estimates.
- ▶ Final numbers of University of Michigan Consumer survey showed that sentiment in June rose sharply from May's 52.2, marking the first increase in six months. Consumers reported improved views on personal finances and business conditions, though overall sentiment remains below late-2024 levels. Short-term inflation expectations fell, reflecting easing concerns over tariffs and price shocks. Long-run expectations declined for a second month, suggesting growing confidence that inflation will moderate over time.

Europe and UK

- ▶ Eurozone manufacturing PMI remained unchanged at 49.4 in June, while services PMI rose to 50 in June. The composite PMI stayed at 50.2 in June.
- ▶ UK manufacturing PMI rose to 47.7 in June from 46.4 in May, while UK services activity index advanced to 51.3 in June.
- ▶ Germany Ifo Business Climate Index rose to 88.4 in June from 87.5 in May. Expectations have brightened, though current business performance remains less favourable.
- ▶ The UK Confederation of British Industry's monthly balance for manufacturing new orders fell in June to -33 from -30 in May (and vs. the expected -28). This was the sharpest contraction in orders since January and expectations for selling prices cooled.

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- ▶ In June 2025, France's CPI rose 0.9% YoY, driven by stronger services and food inflation, despite a continued energy drag. On a MoM basis, CPI increased 0.3%, bouncing back from May's dip thanks to rising transport and petroleum prices.

Asia

- ▶ Japan's manufacturing PMI registered at 50.4 in June, surpassing the forecasted 49.5 and improving from the previous month's figure of 49.4. Services PMI also improved to 51.5 in June.
- ▶ India flash PMI surged to 61.0, a 14-month high and showing robust expansion. Manufacturing PMI came in at 58.4 and services PMI at 60.7, the highest services reading since August 2024.
- ▶ Tokyo's headline CPI rose 3.1% YoY in June, easing from 3.4% in May, while core CPI (ex-fresh food) also slowed to 3.1% in June from 3.6% in May. The deceleration was driven by resumed energy subsidies and softer consumer demand, though inflation remains well above the Bank of Japan's 2% target.
- ▶ China industrial profits plunged 9.1% YoY, snapping a two-month recovery streak. The decline reflects weak domestic demand, falling factory-gate prices, and intense price competition across sectors. Cumulative profits for Jan–May fell 1.1% YoY, highlighting persistent deflationary pressures.

Rates

- ▶ 10Y sovereign bond yields fell in the US and UK but rose in Germany and Japan. 10Y2Y yield curve segments bull steepened in the US.
- ▶ UST yields declined over the past week on soft US economic data and dovish Fed commentary.
- ▶ While futures markets are still pricing in a high likelihood that the Fed will keep rates on hold in July, the probability of a rate cut rose from 14.5% at the end of the prior week to around 19%, according to the CME FedWatch Tool.
- ▶ European government bond yields rose as easing geopolitical tensions in the Middle East supported a mild risk-on sentiment across markets. German bund yields rose as the cabinet approved draft of higher borrowing budget.

FX

- ▶ The USD index fell over the week, declining to a three-year low. The decline intensified following President Trump's remarks suggesting he may appoint a new Federal Reserve Chair earlier than usual—potentially this summer instead of the typical timeline of three to four months before the transition. This unexpected shift, coupled with dovish Fed commentary, heightened market expectations for a more accommodative monetary policy stance.
- ▶ The euro surged to nearly four-year highs, breaking above the 1.17 level for the first time since November 2021. The move was primarily driven by dollar weakness.
- ▶ The sterling delivered an impressive performance, breaking through the 1.3760 level to reach four-year highs, benefiting from broad dollar weakness and optimism about UK economic resilience.
- ▶ The yen posted strong gains against the dollar after a brief period of weakness earlier in the week. The USD/JPY pair initially jumped 1% on Monday to reach the 147.60 following US airstrikes on Iran. However, the move quickly reversed as risk sentiment stabilized and the dollar came under broader pressure.

Commodities

- ▶ Aggregate commodity price index declined as energy prices fell with de-escalation in Middle east tensions.
- ▶ Gold prices posted their second consecutive weekly loss, as global investors increasingly shifted focus away from traditional safe-haven assets with ease in Middle east tensions.
- ▶ Crude oil prices recorded weekly loss as reduced geopolitical tensions in the Middle East eased supply disruption concerns.

Equities

- ▶ Global equities staged a strong rally, driven by ease in geopolitical tensions, dovish Fed commentary and progress in US trade talks with its trading partners.
- ▶ All equity regions recorded gains over the past week with GCC, EM EMEA, Japan and Europe-ex-outperforming the most. The S&P 500 surged past its previous record set four months ago, while the NASDAQ surpassed the peak it reached last December. The Dow Jones registered gains but remained c3% below its historic peak.
- ▶ Amongst global sectors, barring energy, all sectors registered positive gains. Communication services and IT outperformed the most.

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Digital Assets

- ▶ Bitcoin rebounded strongly, joining the risk-on rally as the Middle east conflict de-escalated.
- ▶ US Senator Cynthia Lummis renewed calls for Congress to pass both the GENIUS Act and a broader crypto market structure bill this year, emphasizing the need for legal clarity around stablecoins and digital asset oversight.
- ▶ GOP lawmakers introduced foundational principles for crypto regulation, aiming to unify fragmented oversight and support innovation while ensuring consumer protection.
- ▶ The Financial Action Task Force (FATF) issued a stern warning about enforcement gaps in global crypto regulation, especially concerning the misuse of stablecoins by illicit actors like North Korean hackers.

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Global markets' performance snapshot

Performance snapshot*				
Rates	Latest	1W (bp)	3M (bp)	YTD (bp)
SOFR	4.40	11.00	4.00	-9.00
UAE Eibor 3m	4.15	-8.54	-11.28	-29.46
UAE Eibor 12m	4.22	-13.51	3.46	-13.18
US 3m Bills	4.29	-0.52	0.10	-2.02
US 10yr Treasury	4.28	-9.82	-8.26	-29.21
German 10yr Bund	2.59	7.50	-18.10	22.50
UK 10yr Gilt	4.50	-3.30	-27.90	-6.40
Fixed Income		1W (%)	3M (%)	YTD (%)
Global Agg. Index	496	0.98	4.84	6.99
Global Treasuries	209	0.99	5.26	7.29
Global Corporate	295	1.01	4.51	6.99
EM USD Sovereign	426	1.07	3.12	5.11
EM LCY Sovereign	159	0.78	5.30	6.90
Global High Yield	1,771	1.10	4.30	6.55
Currencies				
Dollar Index	97.40	-1.32	-6.65	-10.22
EUR USD	1.1718	1.69	8.49	13.17
GBP USD	1.3716	1.97	5.92	9.59
USD JPY	144.65	-0.99	-4.24	-7.98
Equities				
S&P 500	6,173	3.44	8.43	4.96
Dow Jones	43,819	3.82	3.59	3.00
NASDAQ	20,273	4.25	13.87	4.99
STOXX 600	544	1.32	-0.49	7.09
DAX	24,033	2.92	5.97	20.71
Nikkei 225	40,151	4.55	6.22	0.64
FTSE 100	8,799	0.28	1.53	7.66
SENSEX	84,059	2.00	8.31	7.58
Hang Seng	24,284	3.20	2.99	21.06
MSCI World	4,009	3.28	8.47	8.12
MSCI EM	1,229	3.25	8.67	14.23
Regional Equities				
ADX**	9,886	3.92	5.28	4.96
DFM**	5,684	6.21	11.00	10.18
Tadawul**	11,068	4.31	-7.96	-8.04
DSM**	10,685	4.13	4.41	1.07
MSM30**	4,507	0.01	3.21	-1.52
BHSE**	1,921	2.47	-1.56	-3.27
KWSE**	8,293	4.30	2.72	12.64
Commodities				
BBG Commodity Index	102.9	-3.61	-2.51	4.18
Brent USD/bbl	67.8	-12.00	-8.46	-9.20
WTI USD/bbl	65.5	-12.56	-6.29	-8.64
Gold USD/t oz	3,274.3	-2.79	7.10	24.76
Silver USD/t oz	36.0	-0.05	4.59	24.53
Platinum USD/t oz	1,341.6	5.74	35.62	47.83
Aluminium	2,595.7	1.52	1.91	2.33
Copper USD/MT	10,051.0	1.07	2.70	15.45
Digital Assets				
Bitcoin	107,169.8	3.32	22.75	14.36
Ether	2,427.2	-0.03	20.92	-27.47
Solana	142.9	1.35	2.72	-25.85
XRP	2.1	-1.10	-9.78	0.74
Volatility				
VIX	16.32	-20.85	-12.68	-5.94
MOVE	87.93	-2.41	-3.41	-11.00

Source: Bloomberg, and ADCB Asset Management

Notes: *Data as of June 27 2025 unless stated otherwise; **Data as of June 26 2025.

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Forthcoming important economic data/events

United States



Date & Time (GST)	Indicator	Period	Expected	Prior
6/30/2025 17:45	MNI Chicago PMI	Jun	42.9	40.5
6/30/2025 18:30	Dallas Fed Manf. Activity	Jun	-12	-15.3
7/01/2025 17:45	S&P Global US Manufacturing PMI	Jun F	52	52
7/01/2025 18:00	ISM Manufacturing	Jun	48.7	48.5
7/01/2025 18:00	ISM New Orders	Jun	--	47.6
7/01/2025 18:00	Construction Spending MoM	May	-0.20%	-0.40%
7/01/2025 18:00	JOLTS Job Openings	May	7300k	7391k
7/01/2025 18:30	Dallas Fed Services Activity	Jun	--	-10.1
7/02/2025 15:00	MBA Mortgage Applications	27-Jun	--	1.10%
7/02/2025 16:15	ADP Employment Change	Jun	90k	37k
7/03/2025 16:30	Trade Balance	May	-\$71.1b	-\$61.6b
7/03/2025 16:30	Change in Nonfarm Payrolls	Jun	113k	139k
7/03/2025 16:30	Unemployment Rate	Jun	4.30%	4.20%
7/03/2025 16:30	Labor Force Participation Rate	Jun	62.50%	62.40%
7/03/2025 16:30	Average Hourly Earnings YoY	Jun	3.80%	3.90%
7/03/2025 16:30	Initial Jobless Claims	28-Jun	241k	236k
7/03/2025 16:30	Continuing Claims	21-Jun	1950k	1974k
7/03/2025 17:45	S&P Global US Services PMI	Jun F	53.1	53.1
7/03/2025 18:00	Factory Orders	May	8.10%	-3.70%
7/03/2025 18:00	ISM Services Index	Jun	50.6	49.9
7/03/2025 18:00	Durable Goods Orders	May F	16.40%	16.40%

Japan



Date & Time (GST)	Indicator	Period	Expected	Prior
6/30/2025 3:50	Industrial Production MoM	May P	3.50%	-1.10%
6/30/2025 9:00	Housing Starts YoY	May	-14.60%	-26.60%
6/30/2025 9:00	Annualized Housing Starts	May	0.723m	0.626m
7/01/2025 4:30	S&P Global Japan PMI Mfg	Jun F	--	50.4
7/01/2025 9:00	Consumer Confidence Index	Jun	33.5	32.8
7/02/2025 3:50	Monetary Base YoY	Jun	--	-3.40%
7/03/2025 4:30	S&P Global Japan PMI Services	Jun F	--	51.5
7/04/2025 3:30	Household Spending YoY	May	1.20%	-0.10%

Eurozone



Date & Time (GST)	Indicator	Period	Expected	Prior
6/30/2025 10:00	Germany Retail Sales NSA YoY	May	3.60%	4.00%
6/30/2025 12:00	Eurozone M3 Money Supply YoY	May	4.00%	3.90%
6/30/2025 16:00	Germany CPI YoY	Jun P	2.20%	2.10%
6/30/2025 16:00	Germany CPI EU Harmonized YoY	Jun P	2.20%	2.10%
7/01/2025 11:50	France HCOB Manufacturing PMI	Jun F	47.8	47.8
7/01/2025 11:55	Germany Unemployment Change (000's)	Jun	16.5k	34.0k
7/01/2025 11:55	Germany HCOB Manufacturing PMI	Jun F	49	49
7/01/2025 12:00	Eurozone HCOB Manufacturing PMI	Jun F	49.4	49.4
7/01/2025 13:00	Eurozone CPI Estimate YoY	Jun P	2.00%	--
7/01/2025 13:00	Eurozone CPI Core YoY	Jun P	2.30%	2.30%
7/02/2025 13:00	Eurozone Unemployment Rate	May	6.20%	6.20%
7/03/2025 11:50	France HCOB Services PMI	Jun F	48.7	48.7
7/03/2025 11:55	Germany HCOB Germany Services PMI	Jun F	49.4	49.4
7/03/2025 12:00	Eurozone HCOB Eurozone Services PMI	Jun F	50	50
7/04/2025 13:00	Eurozone PPI YoY	May	0.30%	0.70%
7/04/2025 10:00	Germany Factory Orders WDA YoY	May	5.70%	4.80%
7/04/2025 10:45	France Industrial Production MoM	May	0.30%	-1.40%

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United Kingdom

Date & Time (GST)	Indicator	Period	Expected	Prior
6/30/2025 10:00	GDP QoQ	1Q F	0.70%	0.70%
6/30/2025 10:00	GDP YoY	1Q F	1.30%	1.30%
6/30/2025 12:30	Mortgage Approvals	May	60.8k	60.5k
7/01/2025 10:00	Nationwide House Px NSA YoY	Jun	3.10%	3.50%
7/01/2025 12:30	S&P Global UK Manufacturing PMI	Jun F	47.7	47.7
7/03/2025 12:30	Bank of England Liabilities/Credit Conditions Surveys			
7/03/2025 12:30	S&P Global UK Services PMI	Jun F	51.3	51.3
7/04/2025 12:30	S&P Global UK Construction PMI	Jun	48.5	47.9

China & India

Date & Time (GST)	Indicator	Period	Expected	Prior
6/30/2025 14:30	India Industrial Production YoY	May	2.30%	2.70%
7/01/2025 5:45	China Caixin PMI Mfg	Jun	49.3	48.3
7/01/2025 9:00	India HSBC PMI Mfg	Jun F	--	58.4
7/03/2025 9:00	India HSBC PMI Services	Jun F	--	60.7

GCC

Date & Time (GST)	Indicator	Period	Expected	Prior
6/15/2025-6/30/2025	Bahrain GDP Constant Prices YoY	1Q	--	3.40%
6/26/2025-7/03/2025	Qatar CPI YoY	May	--	0.48%
7/03/2025 8:15	S&P Global United Arab Emirates PMI	Jun	--	53.3
7/03/2025 8:15	S&P Global Dubai PMI	Jun	--	52.9
7/03/2025 8:15	S&P Global Saudi Arabia PMI	Jun	--	55.8

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