The Weekly Market View

Investment Strategy | May 12 2025

بنك أبوظبي التجاري ADCB

ASSET MANAGEMENT LIMITED

Bridges of trade, beacons of hope

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US

- US President Trump and UK PM Starmer announced the outline of a US-UK trade deal with more details to be worked out in the coming weeks. According to PM Starmer, tariffs on UK cars are cut to 10% while the levies on UK steel will be eliminated.
- On Friday, Trump suggested an 80% tariff on Chinese goods as a potential alternative to the current 145% levies imposed on China.
- US S&P global services PMI for April was 50.8, revised down from the preliminary 51.4, indicating the slowest expansion in 17 months.
- US ISM non-manufacturing PMI rose to 51.6 in April from 50.8 in March, surpassing expectations and marking the 10th consecutive month of expansion.
- The sentix index showed that the assessment of the current situation in the US dropped by 10.3 points, the lowest since January 2021. Despite some recovery in economic expectations, they remain negative at -25.8 points, the second lowest this year.
- US exports rose by 0.2% to a record USD278.5bn, driven by higher shipments of industrial supplies and materials. US imports also rose by 4.4% to a record USD419.0bn contributing to wider trade deficits.
- Federal Reserve maintained the funds rate at 4.25%–4.50%, citing rising risks of inflation and unemployment amid economic uncertainties.
- US initial jobless claims for the week ending May 3rd came at 228k, lower than the previous week's 241k, and lower than the expected 231k. Continuing jobless claims for the week ending April 26th were also lower than expected.
- Preliminary reading of unit labor costs in the US for Q1 came at 5.7% QoQ, the highest rate in almost two and a half years. Consequently, non-farm productivity contracted for the first time in almost three years.
- IBD/TIPP economic optimism, while weaker than expected, remained elevated despite the moderation in recent months.
- Atlanta Fed GDPNow for Q2'25 came at 2.2% – one of the highest readings observed in the last three months.

Europe and UK

- Eurozone PPI fell 1.6% MoM in March 2025, the steepest drop since May 2023, thanks to a 5.8% decline in energy prices. Additionally, PPI rose 1.9% YoY, indicating easing inflationary pressures.
- Eurozone final services PMI was revised higher in April to 50.1 from a preliminary of 49.7, but still down from March's 51.0. This marks the weakest expansion for 5 months, indicating near-stagnation in the services sector.
- Eurozone retail sales growth for March was weaker than expected at 1.5% YoY while the previous month's number was lowered to 1.9% YoY.
- UK final services PMI dropped from 52.5 in March to 49.0 in April, the first contraction since October 2023, although it was marginally above a preliminary reading for April of 48.9.
- German factory orders surged by 3.6% MoM, surpassing expectations of 1.3%, driven by strong demand in the pharmaceutical, machinery, and transport sectors.
- UK S&P Global construction PMI rose slightly from 46.4 in March to 46.6 in April, marking the fourth consecutive month of contraction, though residential construction showed signs of resilience.
- The Bank of England (BoE) delivered its fourth 25bp rate cut, taking the bank rate to 4.25% in a split 2:5:2 (hold: 25bp cut: 50bp cut) vote from its members. The BoE statement said that the risks to growth are to the downside but risks to inflation are two-sided while the central bank also adjusted its inflation expectations lower.
- The UK Halifax house price index grew by 0.3% MoM and 3.2% YoY in April, with the average price reaching GBP297,781.
- German industrial production output increased by 3.0% MoM, marking the strongest monthly gain since early 2022.
- Central banks in both Sweden and Norway kept their interest rates unchanged as expected.
- German Christian Democrat leader Merz has won a second-round parliamentary vote to become Germany's chancellor after a surprise failure earlier on Tuesday which was the first in country's post-war history.

Asia

- In China, headline Consumer Price Index (CPI) remained subdued in April, influenced by declining oil prices, although the negative impact from food items diminished. Core CPI remained steady at 0.5% year-on-year.
- China's PPI declined further due to lower commodity prices, with overcapacity persisting in some sectors. Measures to increase demand and reduce inefficient capacity are expected to be beneficial.
- China's export growth exceeded expectations due to increased exports to non-US and some tariff exemptions, despite high US tariffs. Despite retaliatory tariffs on US goods, imports saw a much narrower decline of 0.2% y-o-y in April, thanks to the surge in processing imports.
- China cut its reserve requirement ratio by 50bp to 9% and cut the benchmark interest rates (the seven-day reverse repo rate and LPR) by 10bp as a part of broader stimulus to their economy. On Wednesday, China's central bank governor Gongsheng announced across the board rate cuts alongside other steps that could pump CNY2.1trn into the economy.
- In India, the final print of the services PMI for April rose less than expected but remained firmly in the expansionary territory. Eurozone's final release of services PMI for April was better than expected and sustained growth, also helping the composite PMI which fell less than expected.

Rates

- Yields on 10Y sovereign bonds rose across most major markets with Japan leading. 10Y2Y yield curves bear-steepened across most major markets with Italy as the only exception.
- US Treasury Secretary Bessent on Friday advised Congress to raise the federal government's debt limit by mid-July to prevent a default that could impact global markets. Spreads on US credit default swaps, which are market-based measures of the risk of a sovereign default, have widened to their highest levels since the debt ceiling issue of 2023 in recent weeks.
- The yield on Japan's 10Y government bond approached a one-month high as optimism regarding global trade talks increased demand for risk-friendly assets, leading investors to divest from safe-haven bonds.
- German Bund prices decreased, leading to higher yields, as investors shifted from safe-haven assets following a US-UK trade deal, which raised expectations for similar tariff agreements elsewhere. Germany's 10Y yield increased to 2.588%, the highest level since April 11.
- This week, Indian government bond yields increased, interrupting a seven-week downward trend due to the India-Pakistan conflict negatively impacting investor sentiment. Foreign banks recorded unprecedented sales of Indian government bonds on Thursday and throughout the week, while primary dealers reported their highest weekly sales since September 2024.

FX

- The US dollar posted a weekly gain against major currencies, including the CHF, JPY, and EUR on Friday, after a US-UK trade deal increased optimism about upcoming US-China talks.
- China's yuan declined against the dollar on Friday. Investors are cautiously awaiting important tariff discussions with the United States over the weekend, seeking indicators of a de-escalation in the trade dispute between the world's two largest economies.
- The EUR faced a third straight week of losses against the USD. The USD had its third consecutive week of gains against the JPY. The GBP posted a weekly gain against the USD after losing ground on Thursday following the announcement of the US-UK trade deal.
- Compared to other G10 currencies, the USD decreased against several Asian currencies this week following a significant rise in the Taiwan dollar.

Commodities

- The aggregate commodity price index posted gains last week after having fallen over the previous week as trade deal optimism improved the demand outlook.
- Oil prices settled nearly 2% higher on Friday and notched their first weekly gains since mid-April on US-UK trade deal and on the hope of a potential deal between US and China.
- Gold prices rose on Friday and posted a weekly gain, supported by lingering geopolitical tensions, while focus remained on US trade deals. Other precious metal prices increased too.
- Industrial metal prices increased over the past week on the optimism surrounding US-China trade talks encouraged by the trade deal between the US and the UK.

Equities

- Global equities posted their first loss last week after four consecutive weeks of gains. According to the LSEG Lipper Data, global equity funds attracted the smallest weekly inflows in four weeks in the week through May 7, amid concerns about the impact of tariffs on the global economy and as investors awaited anticipated US-China trade talks for more clues.
- Over the past week EM equities outperformed their DM counterparts. Amongst DMs, Japan outperformed while Europe-ex-UK and UK underperformed.
- Germany's DAX index closed at a record high, following indications of a de-escalation in the global trade conflict.
- By global sectors, industrial and financials posted gains and outperformed while healthcare, communication services, and consumer staples posted losses and underperformed the most.
- By size, mid, and small caps outperformed large caps. By style, value outperformed growth.

Digital Assets

- Crypto assets posted strong gains over the past week as risk appetite improved on increasing chances of the US striking a trade deal with its trading partners.
- Bitcoin headed back to its all-time high while ether posted extraordinarily strong gains over the past week.
- Bhutan partnered with Binance pay and DK bank to launch the world's first national crypto based tourism system. This initiative would allow travellers with Binance accounts to pay for services like hotels and tickets using over 100 crypto assets.
- A bill intended to establish a regulatory framework for US dollar-pegged cryptocurrency tokens, known as stablecoins, encountered an obstacle on Thursday. The legislation did not pass a significant hurdle in the US Senate, affecting the progress of the crypto industry.

Global markets' performance snapshot

Performance snapshot*				
Rates	**Latest**	**1W (bp)**	**3M (bp)**	**YTD(bp)**
SOFR	4.29	-7.00	-6.00	-20.00
UAE Eibor 3m	4.16	-9.44	-13.58	-28.18
UAE Eibor 12m	4.11	0.65	-25.77	-23.91
US 3m Bills	4.32	0.78	-0.78	0.57
US 10yr Treasury	4.38	7.02	-11.62	-19.05
German 10yr Bund	2.56	2.90	19.00	19.50
UK 10yr Gilt	4.57	5.90	9.10	-0.10
Fixed Income		**1W (%)**	**3M (%)**	**YTD(%)**
Global Agg. Index	485	-0.46	3.58	4.66
Global Treasuries	205	-0.62	3.90	5.14
Global Corporate	286	-0.28	3.05	3.97
EM USD Sovereign	414	0.17	0.36	2.16
EM LCY Sovereign	156	0.13	2.65	4.52
Global High Yield	1,713	0.18	1.63	3.08
Currencies				
Dollar Index	100.34	0.31	-7.13	-7.51
EUR USD	1.1250	-0.42	8.93	8.65
GBP USD	1.3306	0.26	7.29	6.31
USD JPY	145.37	0.28	-3.99	-7.53
Equities				
S&P 500	5,660	-0.47	-6.08	-3.77
Dow Jones	41,249	-0.16	-6.89	-3.04
NASDAQ	17,929	-0.27	-8.17	-7.16
STOXX 600	538	0.29	-0.88	5.98
DAX	23,499	1.79	7.86	18.03
Nikkei 225	37,503	1.83	-3.31	-5.99
FTSE 100	8,555	-0.48	-1.67	4.67
SENSEX	79,454	-1.30	2.05	1.68
Hang Seng	22,868	1.61	8.21	14.00
MSCI World	3,712	-0.35	-3.16	0.10
MSCI EM	1,138	0.45	2.70	5.85
Regional Equities				
ADX	9,626	0.49	0.42	2.20
DFM	5,313	0.40	1.42	2.98
Tadawul*	11,364	-1.56	-8.60	-5.59
DSM*	10,520	0.69	-0.90	-0.48
MSM30*	4,352	0.51	-4.66	-4.91
BHSE*	1,917	0.26	1.88	-3.46
KWSE*	8,011	0.77	1.46	8.80
Commodities				
BBG Commodity Index	102.8	1.29	-1.40	4.05
Brent USD/bbl	63.9	4.27	-14.40	-14.38
WTI USD/bbl	61.0	4.68	-14.06	-14.92
Gold USD/t oz	3,325.0	2.61	16.21	26.69
Silver USD/t oz	32.7	2.23	2.86	13.22
Platinum USD/t oz	1,001.3	3.72	2.33	10.33
Aluminium	2,411.4	-0.34	-8.48	-4.93
Copper USD/MT	9,485.5	1.17	2.13	8.95
Digital Assets				
Bitcoin	103,195.8	6.32	7.47	10.12
Ether	2,340.4	26.68	-9.57	-30.06
Solana	173.0	16.60	-8.73	-10.25
XRP	2.4	6.50	-0.55	12.63
Volatility				
VIX	21.90	-3.44	32.41	26.22
MOVE	100.40	-0.99	7.81	1.62

Source: Bloomberg, and ADCB Asset Management
Notes: *Data as of May 09 2025 unless stated otherwise; **Data as of May 08 2025.

Forthcoming important economic data/events

United States

Date & Time (GST)	Indicator	Period	Expected	Prior
5/12/2025 22:00	**Federal Budget Balance**	**Apr**	**--**	**-$160.5b**
5/13/2025 14:00	NFIB Small Business Optimism	Apr	94.3	97.4
5/13/2025 16:30	**CPI YoY**	**Apr**	**2.40%**	**2.40%**
5/13/2025 16:30	**CPI Ex Food and Energy YoY**	**Apr**	**2.80%**	**2.80%**
5/14/2025 15:00	**MBA Mortgage Applications**	**9-May**	**--**	**11.00%**
5/15/2025 16:30	Retail Sales Advance MoM	Apr	0.00%	1.40%
5/15/2025 16:30	**PPI Final Demand MoM**	**Apr**	**0.20%**	**-0.40%**
5/15/2025 16:30	Empire Manufacturing	May	-8	-8.1
5/15/2025 16:30	**PPI Ex Food and Energy MoM**	**Apr**	**0.20%**	**-0.10%**
5/15/2025 16:30	Philadelphia Fed Business Outlook	May	-9.6	-26.4
5/15/2025 16:30	**Initial Jobless Claims**	**10-May**	**--**	**--**
5/15/2025 16:30	**Continuing Claims**	**3-May**	**--**	**--**
5/15/2025 17:15	**Industrial Production MoM**	**Apr**	**0.20%**	**-0.30%**
5/15/2025 17:15	Capacity Utilization	Apr	77.90%	77.80%
5/15/2025 18:00	NAHB Housing Market Index	May	--	40
5/16/2025 16:30	**Housing Starts**	**Apr**	**1368k**	**1324k**
5/16/2025 16:30	Building Permits	Apr P	1450k	1467k
5/16/2025 18:00	**U. of Mich. Sentiment**	**May P**	**53**	**52.2**
5/16/2025 18:00	U. of Mich. Expectations	May P	--	47.3
5/16/2025 18:00	U. of Mich. 1 Yr Inflation	May P	--	6.50%
5/16/2025 18:00	U. of Mich. 5-10 Yr Inflation	May P	--	4.40%

Japan

Date & Time (GST)	Indicator	Period	Expected	Prior
5/14/2025 3:50	**PPI YoY**	**Apr**	**3.90%**	**4.20%**
5/15/2025 10:00	Machine Tool Orders YoY	Apr P	--	11.40%
5/16/2025 3:50	**GDP SA QoQ**	**1Q P**	**-0.10%**	**0.60%**
5/16/2025 3:50	**GDP Annualized SA QoQ**	**1Q P**	**-0.30%**	**2.20%**
5/16/2025 3:50	GDP Deflator YoY	1Q P	3.20%	2.90%
5/16/2025 8:30	**Industrial Production MoM**	**Mar F**	**--**	**-1.10%**
5/16/2025 8:30	Capacity Utilization MoM	Mar	--	-1.10%

Eurozone

Date & Time (GST)	Indicator	Period	Expected	Prior
5/13/2025 13:00	Germany ZEW Survey Expectations	May	--	-14
5/13/2025 13:00	Eurozone ZEW Survey Expectations	May	--	-18.5
5/14/2025 10:00	**Germany CPI MoM**	**Apr F**	**--**	**0.40%**
5/14/2025 10:00	**Germany CPI YoY**	**Apr F**	**--**	**2.10%**
5/14/2025 10:00	**Germany CPI EU Harmonized MoM**	**Apr F**	**--**	**0.50%**
5/15/2025 10:45	**France CPI MoM**	**Apr F**	**--**	**0.50%**
5/15/2025 10:45	**France CPI YoY**	**Apr F**	**--**	**0.80%**
5/15/2025 13:00	**Eurozone GDP SA YoY**	**1Q S**	**--**	**1.20%**
5/15/2025 13:00	**Eurozone GDP SA QoQ**	**1Q S**	**--**	**0.40%**
5/15/2025 13:00	Eurozone Industrial Production WDA YoY	Mar	--	1.20%

United Kingdom

Date & Time (GST)	Indicator	Period	Expected	Prior
5/13/2025 10:00	Average Weekly Earnings 3M/YoY	Mar	--	5.60%
5/13/2025 10:00	ILO Unemployment Rate 3Mths	Mar	--	4.40%
5/13/2025 10:00	**Claimant Count Rate**	**Apr**	**--**	**4.60%**
5/13/2025 10:00	**Jobless Claims Change**	**Apr**	**--**	**18.7k**
5/15/2025 10:00	**GDP QoQ**	**1Q P**	**--**	**0.10%**
5/15/2025 10:00	**GDP YoY**	**1Q P**	**--**	**1.50%**
5/15/2025 10:00	**Industrial Production MoM**	**Mar**	**--**	**1.50%**
5/15/2025 10:00	**Manufacturing Production MoM**	**Mar**	**--**	**2.20%**

China & India

Date & Time (GST)	Indicator	Period	Expected	Prior
5/09/2025-5/15/2025	China New Yuan Loans CNY YTD	Apr	10474.6b	9780.0b
5/09/2025-5/15/2025	China Aggregate Financing CNY YTD	Apr	16550.0b	15180.0b
5/09/2025-5/15/2025	**China Money Supply M2 YoY**	**Apr**	**7.20%**	**7.00%**
5/13/2025 14:30	**India CPI YoY**	**Apr**	**3.20%**	**3.34%**
5/14/2025 10:30	**India Wholesale Prices YoY**	**Apr**	**1.48%**	**2.05%**
5/15/2025	India Exports YoY	Apr	--	0.70%
5/15/2025	India Imports YoY	Apr	--	11.40%

ADCB ASSET MANAGEMENT LIMITED

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