

## From trade pessimism to trade optimism

### US

- ▶ The US and China agreed to de-escalate trade war, unwinding most tariffs imposed since April. Both countries will lower reciprocal tariffs for 90 days to allow trade talks. The US slashed duties on Chinese products to 30% from 145% for a 90-day period, while China dropped its levy on most US goods to 10% from 125%.
- ▶ US President Donald Trump completed a four-day trip to the Middle East, securing major business deals, including a USD1.4tn AI investment from the UAE and USD600bn commitment from Saudi Arabia. Trump also lifted sanctions on Syria and discussed potential nuclear negotiations with Iran.
- ▶ Moody's rating agency has downgraded the Government of US long-term issuer and senior unsecured ratings to Aa1 from Aaa and changed the outlook to stable from negative, warning about the rising levels of government debt and widening budget deficit.
- ▶ US federal budget balance showed a significant surplus of USD258bn for April, surpassing the forecast of USD256.4bn. Previously, it had a deficit of USD161bn. During the month of April, total receipts came at USD850bn, and total outlays came to USD592bn. The US has collected record USD16.3bn in customs duties in April as tariffs on imported goods increased sharply.
- ▶ US consumer price index (CPI) rose 0.2% MoM in April, in line with market estimates. On a YoY basis, CPI rose 2.3%, the lowest annual rate since February 2021 and below market estimates of 2.4%. The core CPI increased 0.2% MoM and 2.8% YoY. The market estimates were 0.3% MoM and 2.8% YoY respectively.
- ▶ US NFIB Small Business Optimism Index dropped by 1.6pts to 95.8 in April, staying below the 51Y average of 98 for the second month.
- ▶ US retail sales growth slowed in April, rising 0.1% MoM after an upwardly revised 1.7% surge in March, compared with the market expectation of no change (0% MoM). The control-group sales, which feed into GDP calculation, fell 0.2% MoM in April.
- ▶ US producer price index (PPI) for final demand dropped 0.5% MoM in April, lower than market expectation of 0.2% MoM growth. This marked the sharpest decline in wholesale inflation since 2020.
- ▶ US industrial output was flat in April as tariff stress ratcheted up.
- ▶ The Philadelphia Fed manufacturing index improved more than expected during the month of May but remained in the negative territory for the second consecutive month.
- ▶ The New York Empire State manufacturing index fell slightly more than expected during May.
- ▶ Initial jobless claims for the week ending May 10th were unchanged from the previous week at 229k as expected. Continuing jobless claims for the week ending May 3rd rose less than expected.
- ▶ The National Association of Home Builders (NAHB) housing market index (HMI), unexpectedly fell during May to its lowest level since late 2023.
- ▶ According to the US Mortgage Bankers Association, mortgage applications increased 1.1% WoW while the 30Y mortgage rate moved higher to 6.86%.
- ▶ The University of Michigan consumer sentiment index dropped to 50.8 in May, down from 52.2 in April, the second lowest reading on record. Year-ahead inflation expectations rose to 7.3% from 6.5% in April, while long-term inflation expectations rose to 4.6% from 4.4% in April.

### Europe and UK

- ▶ UK's economy grew 0.7% QoQ in Q1'25, slightly better than expectations and higher than 0.1% QoQ recorded in Q4'24 as business investments grew at the fastest pace in almost four years. UK's March GDP data was also better than expected – thanks to growth in the services and construction sectors as manufacturing production disappointed.
- ▶ Germany CPI (Apr, final) grew 2.1% YoY as expected, and was slower than the 2.2% growth seen during March.
- ▶ In the UK, average earnings growth in March slowed less than expected to 5.5% from 5.7% in February. Unemployment rate edged higher to 4.5% in March.
- ▶ In ZEW economic survey, current conditions in Germany unexpectedly deteriorated during May while the economic sentiment rose sharply into the positive territory.

### Asia

- ▶ Japan's economy contracted by 0.7% annualized QoQ in Q1'25, more than the 0.3% QoQ contraction expected by markets. Weaker trade figures and stalling consumer spending were the main drivers.
- ▶ China's new yuan loans during April not only declined from March but also came much weaker than expected. The outstanding loan growth during April also came in weaker than expected and slowed from the month of March. All this translated into Total Social Financing (TSF) weakening materially to its lowest level since August 2024.

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- ▶ In India, consumer price inflation during April came in at 3.16%YoY down from 3.34% in March. India April wholesale price inflation was also much weaker than expected with food and fuel contributing to a significant slowdown in price growth.

## Rates

- ▶ Yields on 10Y sovereign bonds edged higher across most major markets, with Japan leading the surge. Investors moved away from risk-free assets as optimism around trade negotiations grew.
- ▶ 10Y2Y yield curves bear- flattened in the US, Germany and the UK while the 10Y2Y yield curves bear steepened in Japan.
- ▶ US credit default swaps, which are market-based measures of the risk of a sovereign default, widened on debt ceiling uncertainty and on reports of Moody's rating agency downgrading US sovereign rating.

## FX

- ▶ The US dollar recorded its fourth consecutive weekly gain, helped by the trade optimism post the US-China trade truce.
- ▶ The EUR weakened against the USD. The GBP also fell versus the greenback despite strong UK data. The GBP posted its fifth weekly rise versus the EUR ahead of the UK-European Union meeting.
- ▶ The JPY ended lower versus the USD on the back of US-China trade de-escalation and weak Japan GDP data.

## Commodities

- ▶ The aggregate commodity price index recorded losses last week, dragged by the precious metals.
- ▶ Oil prices posted second straight week of gains as ease in US-China trade tensions more than offset the supply hike expectations with improved prospects of US-Iran nuclear deal.
- ▶ Gold prices fell over the last week, recording the steepest weekly decline in six months, driven by stronger USD and ease in trade tensions.
- ▶ Industrial metal prices posted strong gains over the past week on US-China temporary trade truce.

## Equities

- ▶ Global equities recorded strong returns over the last week fuelled by optimism surrounding US-China trade negotiations. Major US equity indexes rebounded from the previous week's declines. Nasdaq composite led the gains and entered bull market territory.
- ▶ DM equities outperformed EM peers. Amongst DMs, US were the best performers while Japan posted losses in USD terms.
- ▶ All global sectors posted gains. IT, consumer discretionary and communication services outperformed the most.
- ▶ By size, large caps outperformed mid-cap and small-cap. By style, growth outperformed value.

## Digital Assets

- ▶ Crypto assets posted gains over the past week, participating in the risk-on rally after the US-China trade truce.
- ▶ Bitcoin jumped above USD100k level, hitting its highest level since January 2025. However, Ether outperformed Bitcoin, recording strong gains over the past week, on successful implementation of the Pectra upgrade.
- ▶ The SEC withdrew a joint statement previously issued with FINRA regarding broker-dealer custody of digital asset securities. Separately, US SEC chair indicated that the agency plans to create new rules for crypto tokens.
- ▶ UK regulator announced it would require UK crypto firms to report customer transactions on their platforms from 2026 onward as part of an initiative to strengthen crypto tax reporting practices.

# The Weekly Market View

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## Global markets' performance snapshot

Performance snapshot*				
Rates	Latest	1W (bp)	3M (bp)	YTD(bp)
SOFR	4.31	3.00	-2.00	-18.00
UAE Eibor 3m	4.35	19.08	-1.92	-9.10
UAE Eibor 12m	4.16	4.86	-28.80	-19.06
US 3m Bills	4.34	1.55	2.38	2.12
US 10yr Treasury	4.48	9.85	0.08	-9.20
German 10yr Bund	2.59	2.80	15.90	22.30
UK 10yr Gilt	4.65	8.20	14.90	8.10
Fixed Income		1W (%)	3M (%)	YTD(%)
Global Agg. Index	483	-0.45	2.64	4.19
Global Treasuries	204	-0.60	2.89	4.51
Global Corporate	286	-0.14	2.19	3.82
EM USD Sovereign	417	0.59	0.83	2.77
EM LCY Sovereign	156	0.13	2.42	4.65
Global High Yield	1,725	0.70	1.77	3.81
Currencies				
Dollar Index	101.09	0.75	-5.26	-6.82
EUR USD	1.1163	-0.77	6.40	7.81
GBP USD	1.3283	-0.17	5.54	6.13
USD JPY	145.70	0.23	-4.34	-7.32
Equities				
S&P 500	5,958	5.27	-2.56	1.30
Dow Jones	42,655	3.41	-4.25	0.26
NASDAQ	19,211	7.15	-4.07	-0.52
STOXX 600	549	2.10	-0.57	8.20
DAX	23,767	1.14	5.57	19.38
Nikkei 225	37,754	0.67	-3.57	-5.37
FTSE 100	8,685	1.52	-0.55	6.26
SENSEX	82,331	3.62	8.42	5.36
Hang Seng	23,345	2.09	3.20	16.38
MSCI World	3,863	4.08	-0.91	4.19
MSCI EM	1,172	2.98	4.19	9.01
Regional Equities				
ADX	9,654	0.29	0.30	2.50
DFM	5,455	2.69	1.74	5.75
Tadawul*	11,485	1.06	-7.27	-4.58
DSM*	10,575	0.52	-0.42	0.03
MSM30*	4,410	1.34	-1.52	-3.64
BHSE*	1,921	0.19	1.54	-3.28
KWSE*	8,089	0.97	0.87	9.86
Commodities				
BBG Commodity Index	101.0	-1.76	-4.65	2.22
Brent USD/bbl	65.4	2.35	-12.48	-12.37
WTI USD/bbl	62.5	2.41	-11.66	-12.87
Gold USD/t oz	3,203.7	-3.65	11.14	22.07
Silver USD/t oz	32.3	-1.31	0.60	11.74
Platinum USD/t oz	991.4	-0.98	0.76	9.24
Aluminium	2,486.8	3.13	-6.58	-1.96
Copper USD/MT	9,534.0	0.51	-2.83	9.51
Digital Assets				
Bitcoin	103,712.3	0.50	6.37	10.67
Ether	2,571.1	9.86	-6.33	-23.17
Solana	169.6	-1.94	-15.83	-11.99
XRP	2.4	2.00	-12.42	14.87
Volatility				
VIX	17.24	-21.28	16.72	-0.63
MOVE	96.70	-3.69	14.21	-2.13

Source: Bloomberg, and ADCB Asset Management

Notes: \*Data as of May 16 2025 unless stated otherwise; \*\*Data as of May 15 2025.

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## Forthcoming important economic data/events

### United States



Date & Time (GST)	Indicator	Period	Expected	Prior
5/19/2025	Leading Index	Apr	-0.80%	-0.70%
5/20/2025	Philadelphia Fed Non-Manufacturing Activity	May	--	-42.7
<b>5/21/2025</b>	<b>MBA Mortgage Applications</b>	<b>16-May</b>	<b>--</b>	<b>1.10%</b>
5/22/2025	Chicago Fed Nat Activity Index	Apr	--	-0.03
<b>5/22/2025</b>	<b>Initial Jobless Claims</b>	<b>17-May</b>	<b>--</b>	<b>--</b>
<b>5/22/2025</b>	<b>Continuing Claims</b>	<b>10-May</b>	<b>--</b>	<b>--</b>
<b>5/22/2025</b>	<b>S&amp;P Global US Manufacturing PMI</b>	<b>May P</b>	<b>--</b>	<b>50.2</b>
<b>5/22/2025</b>	<b>S&amp;P Global US Services PMI</b>	<b>May P</b>	<b>--</b>	<b>50.8</b>
<b>5/22/2025</b>	<b>Existing Home Sales</b>	<b>Apr</b>	<b>4.15m</b>	<b>4.02m</b>
5/22/2025	Kansas City Fed Manf. Activity	May	--	-4
<b>5/23/2025</b>	<b>New Home Sales</b>	<b>Apr</b>	<b>698k</b>	<b>724k</b>
5/23/2025	Kansas City Fed Services Activity	May	--	3
<b>5/23/2025</b>	<b>Building Permits</b>	<b>Apr F</b>	<b>--</b>	<b>--</b>

### Japan



Date & Time (GST)	Indicator	Period	Expected	Prior
5/19/2025	Tertiary Industry Index MoM	Mar	-0.20%	0.00%
5/21/2025	Trade Balance	Apr	¥194.8b	¥544.1b
5/21/2025	Exports YoY	Apr	2.30%	3.90%
5/21/2025	Imports YoY	Apr	-4.30%	2.00%
5/21/2025	Trade Balance Adjusted	Apr	-¥368.6b	-¥233.6b
5/22/2025	Core Machine Orders YoY	Mar	-2.30%	1.50%
<b>5/22/2025</b>	<b>Jibun Bank Japan PMI Mfg</b>	<b>May P</b>	<b>--</b>	<b>48.7</b>
<b>5/22/2025</b>	<b>Jibun Bank Japan PMI Services</b>	<b>May P</b>	<b>--</b>	<b>52.4</b>
5/22/2025	Machine Tool Orders YoY	Apr F	--	7.70%
<b>5/23/2025</b>	<b>Natl CPI YoY</b>	<b>Apr</b>	<b>3.60%</b>	<b>3.60%</b>
<b>5/23/2025</b>	<b>Natl CPI Ex Fresh Food, Energy YoY</b>	<b>Apr</b>	<b>3.00%</b>	<b>2.90%</b>
5/23/2025	Nationwide Dept Sales YoY	Apr	--	-2.80%
5/23/2025	Tokyo Dept Store Sales YoY	Apr	--	-4.20%

### Eurozone



Date & Time (GST)	Indicator	Period	Expected	Prior
<b>5/19/2025</b>	<b>Eurozone CPI YoY</b>	<b>Apr F</b>	<b>2.20%</b>	<b>2.20%</b>
<b>5/19/2025</b>	<b>Eurozone CPI Core YoY</b>	<b>Apr F</b>	<b>2.70%</b>	<b>2.70%</b>
5/20/2025	Eurozone ECB Current Account SA	Mar	--	34.3b
5/20/2025	Eurozone Consumer Confidence	May P	-15.5	-16.7
<b>5/20/2025</b>	<b>Germany PPI YoY</b>	<b>Apr</b>	<b>-0.50%</b>	<b>-0.20%</b>
<b>5/22/2025</b>	<b>Eurozone HCOB Manufacturing PMI</b>	<b>May P</b>	<b>49.4</b>	<b>49</b>
<b>5/22/2025</b>	<b>Eurozone HCOB Services PMI</b>	<b>May P</b>	<b>50.6</b>	<b>50.1</b>
<b>5/22/2025</b>	<b>Germany HCOB Manufacturing PMI</b>	<b>May P</b>	<b>49</b>	<b>48.4</b>
<b>5/22/2025</b>	<b>Germany HCOB Services PMI</b>	<b>May P</b>	<b>50</b>	<b>49</b>
<b>5/22/2025</b>	<b>France HCOB Manufacturing PMI</b>	<b>May P</b>	<b>--</b>	<b>48.7</b>
<b>5/22/2025</b>	<b>France HCOB Services PMI</b>	<b>May P</b>	<b>--</b>	<b>47.3</b>
5/22/2025	France Manufacturing Confidence	May	99	99
5/22/2025	France Retail Sales SA YoY	Apr	--	-0.80%
5/22/2025	Germany IFO Business Climate	May	87.5	86.9
5/22/2025	Germany IFO Current Assessment	May	86.8	86.4
5/22/2025	Germany IFO Expectations	May	88	87.4
<b>5/23/2025</b>	<b>Germany GDP WDA YoY</b>	<b>1Q F</b>	<b>-0.20%</b>	<b>-0.20%</b>

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## United Kingdom

Date & Time (GST)	Indicator	Period	Expected	Prior
5/19/2025	Rightmove House Prices YoY	May	--	1.30%
5/21/2025	CPI YoY	Apr	--	2.60%
5/21/2025	CPI Core YoY	Apr	--	3.40%
5/21/2025	RPI YoY	Apr	--	3.20%
5/21/2025	House Price Index YoY	Mar	--	5.40%
5/22/2025	S&P Global UK Manufacturing PMI	May P	--	45.4
5/22/2025	S&P Global UK Services PMI	May P	--	49
5/23/2025	GfK Consumer Confidence	May	--	-23
5/23/2025	Retail Sales Ex Auto Fuel YoY	Apr	--	3.30%
5/23/2025	Retail Sales Inc Auto Fuel MoM	Apr	--	0.40%

## China & India

Date & Time (GST)	Indicator	Period	Expected	Prior
5/20/2025	China 1-Year Loan Prime Rate	20-May	3.00%	3.10%
5/20/2025	China 5-Year Loan Prime Rate	20-May	3.50%	3.60%
5/22/2025	India HSBC PMI Mfg	May P	--	58.2
5/22/2025	India HSBC PMI Services	May P	--	58.7



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