

Fresh tariff threats spice up global trade uncertainty mix

US

- ▶ On May 23, President Trump announced plans to impose 50% tariffs on goods from the European Union starting June 1 (which was on Sunday delayed to July 9). President Trump declined EU proposals to mutually eliminate tariffs on industrial goods, increase access for certain US agricultural products, and collaborate on the development of AI data centers. President Trump also proposed to impose tariffs of 25% on foreign made iPhones and said that the Samsung and other device makers would be subject to the same tariffs he has threatened against Apple.
- ▶ For the week ending May 17, seasonally adjusted initial claims dropped by 2k to 227k. Continuing jobless claims for the week ending May 10 rose by 36k to 1.903m, with the previous week's level revised down by 14k to 1.867m.
- ▶ Existing US home sales during April unexpectedly fell to 4m from the previous reading of 4.02m and compared to the forecast of 4.15m.
- ▶ The S&P Global US PMI Composite Output Index rose from 50.6 in April to 52.1 in May, indicating faster activity growth since March. The service sector recorded the strongest expansion, recovering from April's low but still below March's pace. Manufacturing output returned to slight growth after declining in March and April.
- ▶ The US house narrowly passed President Trump's tax and spending bill after last minute changes united Republican factions despite unified Democratic opposition. This came after President Trump visited Capitol Hill on Tuesday and urged Republican lawmakers to come to an agreement on a comprehensive tax-cut bill. This bill includes tax cuts enacted during Trump's first term as well as additional tax breaks on income from tips and overtime pay, which were part of his campaign promises for his second term.
- ▶ The US Treasury Department observed tepid demand for a USD16bn issuance of 20Y bonds on Wednesday. Investors are concerned about the nation's escalating debt burden, as Congress debates a tax and spending bill that is anticipated to exacerbate the fiscal outlook.
- ▶ The army of Fed speakers on Tuesday labored the point that higher prices are coming on the back of rising US import tariffs and suggested patience before making any interest rate decisions before it is clear whether the inflation shock will be fleeting or more persistent. US Federal Reserve officials discussed the implications of the recent downgrade of the US government's credit rating and the volatile market conditions. They maintained a cautious approach as they continued to manage an uncertain economic environment.
- ▶ Moody's Ratings placed 212 Aaa-rated bonds from 119 Federal Family Education Loan Program (FFELP) student loan deals on review for downgrade.

Europe and UK

- ▶ In the UK, GfK consumer confidence for May came in at -20 slightly higher than April's -23 and better than the consensus expectations for -22.
- ▶ Sentiment among German companies has shown signs of improvement – with the Ifo Business Climate Index rising to 87.5 in May, up from 86.9 in April. This rise is attributed to less pessimistic expectations. However, companies have assessed their current business situation as slightly less favorable. Yet, the recent significant increase in uncertainty among companies has subsided.
- ▶ In the UK, the seasonally adjusted S&P Global Flash UK PMI Composite Output Index rose to 49.4 in May from 48.5 in April, although it remained the second lowest since October 2023. The downturn was due to a sharper decline in manufacturing production, in contrast with a slight increase in the service sector's output. Reduced business activity was attributed to subdued order books and client caution amid rising business uncertainty.
- ▶ In the Eurozone, the HCOB Flash Eurozone Composite PMI Output Index fell to 49.5 in May from 50.4 in April, dipping below the 50.0 no-change mark for the first time in five months, indicating a slight reduction in private sector output. This was due to a modest drop in the services sector activity, which declined for the first time since last November at the fastest rate in 16 months. Meanwhile, manufacturing production continued to rise for the third consecutive month, maintaining the expansion pace seen in April.
- ▶ The UK consumer price inflation rate rose to 3.5% YoY, higher than expected. Core consumer price inflation also increased more than expected during April. Retail price inflation came at 4.5% YoY also higher than expected. In April, there were increases in gas, electricity, and water prices, as well as higher taxes on employers. These factors were expected to contribute to an overall rise in prices. Nevertheless, the underlying inflation remained well-behaved.

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- ▶ In May 2025, the European Commission's flash estimate indicated a rise in the consumer confidence indicator by 1.4ppt in both the EU and the euro area. This partially recovered the substantial declines experienced in the previous month. Nonetheless, consumer confidence remains significantly below its long-term average.
- ▶ Germany's producer price inflation for the month of April pointed to stronger than expected deflation.
- ▶ Eurozone's final release of April CPI came in line with the previous flash release with the headline at 2.2% YoY and the core at 2.7% YoY.
- ▶ German economy grew significantly more during Q1'25 than previously estimated, expanding by 0.4% QoQ, ahead of the preliminary reading of 0.2% QoQ growth. This marked the fastest growth since Q3'22.

Asia

- ▶ In Japan, national core CPI rose more than expected during April to 3.5% YoY from 3.2% YoY in March while the headline CPI growth remained unchanged at 3.6% YoY.
- ▶ According to the latest au Jibun Bank Flash PMI data, Japan's private sector experienced a contraction in May for the second time in the past three months. The slight reduction in overall output was attributed to a more significant decline in manufacturing output, coupled with a less robust expansion in service sector activity.
- ▶ Japanese exports rose for the seventh straight month in April but shipments to the US fell. April exports rise 2% YoY in line with estimates. Exports to the US fell 1.8% YoY on drop in automobile shipments. Japan's trade surplus with US rose for fourth straight month.
- ▶ Australia's central bank RBA cut its cash target rate for a second time this year by 25bp to 3.85% as widely anticipated. RBA Governor Bullock pointed to lingering uncertainty around the final scope of the tariffs and policy responses in other countries.
- ▶ China cut its 1Y and 5Y loan prime rates by 10bp each to 3.00% and 3.50%, respectively for the first time in seven months.
- ▶ Official data from China showed that the house price falls abated further to 4.0% YoY during April from a fall of 4.5% YoY in March. Industrial production growth during April was slightly better than expected while growth in fixed asset investment and retail sales disappointed. Nevertheless, all three key economic drivers of Chinese economy (construction, production, and consumer) registered growth during April. China's unemployment rate for April came at 5.1% slightly below the expected 5.2%.

Rates

- ▶ While the yield movements were mixed across major developed markets, steepening of the 10Y2Y yield curve segments was noticed across the board.
- ▶ UST yields edged higher for the fourth consecutive week. Last week saw longer-dated yields rise on concerns about the deteriorating US fiscal outlook. 30Y bonds have taken the brunt of the selloff and recorded their largest weekly yield increase since April 7.
- ▶ Germany's 10Y bund yield, considered the Euro area's benchmark, was down on Friday following US import tariff announcement on European Union products, and recorded its first weekly drop in over a month.
- ▶ In Japan, the auction of 20Y JGBs on Tuesday showed a reduced capacity of the market to absorb new government debt needed to finance the fiscal deficit. Yields on 20Y, 30Y, and 40Y JGBs have been increasing due to concerns about the country's fiscal situation, as some political parties propose consumption tax cuts in response to rising prices. BoJ Governor Ueda said on Thursday that the central bank will closely monitor market developments after the surge in yields on super-long debt.

FX

- ▶ The USD weakened over the past week more than offsetting the gains made over the previous four weeks. The dollar index fell to a new low for May on Friday after President Trump threatened tariffs on goods imports from the EU (which was later delayed till early July) and on foreign-made iPhones.
- ▶ The yuan gained after China reduced its deposit rate ceiling and introduced new regulations for Chinese companies listed overseas. Additionally, Chinese President Jinping had spoken with German Chancellor Merz about enhancing cooperation.
- ▶ EUR/USD rose to a two-week high on general dollar weakness. EUR has also benefited from several factors including an upward revision to Germany's Q1'25 growth and a prisoner exchange between Russia and Ukraine.
- ▶ GBP/USD rose above the 1.35 level for the first time in three years. UK gilt yields firmed after upbeat UK retail sales data and hotter-than-expected inflation.

- ▶ The yen's haven appeal has become more prominent as concerns over US tariffs once again unsettled markets. JPY strengthened against the currencies of several of Japan's trading partners. EUR/JPY fell to a two-month low.

Commodities

- ▶ Commodity aggregate prices rose as USD weakened, reversing the previous week's decline.
- ▶ Reuters reported that OPEC+ members are discussing another super-sized production increase ahead of their meeting on June 1st causing crude oil prices to fall by more than 1% over the past week. Limiting the downside on oil prices was the news that US energy firms cut the number of oil and natural gas rigs operating for a fourth week in a row, bringing the count to the lowest since November 2021.
- ▶ Gold prices rose sharply last week after having posted sharp declines over the previous week as concerns on US debt and tariffs resurfaced.
- ▶ Price action in industrial commodities was mixed with copper prices rising and aluminium prices declining. Helped by a consecutive four-week drop in inventories and the weakening USD, copper prices increased over the past week taking the year-to-date gains to over 11%.

Equities

- ▶ Global equities posted losses last week after having registered strong gains during the previous week as sovereign bond yields rose sharply and as trade war concerns returned.
- ▶ Global equity funds have seen weekly outflows for the first time in six weeks. According to LSEG Lipper, global equity funds saw USD9.4bn in net outflows, a sharp reversal from more than USD20bn in inflows the previous week.
- ▶ Across regions, the UK outperformed while the US underperformed the most. EM equities outperformed their DM counterparts.
- ▶ Amongst GICS sectors, consumer staples, materials, and utilities posted marginal gains and outperformed. IT, energy, consumer discretionary, and real estate sectors posted losses of over 2% and underperformed.

Digital Assets

- ▶ Bitcoin prices rose sharply over the past week. On Wednesday, the Texas House of Representatives passed a bill to establish a strategic bitcoin reserve. The bill is now awaiting a procedural vote before making its way to the Governor's desk. Earlier in May, New Hampshire Governor Ayotte signed a bill into law to allow a portfolio of the state's public funds to be invested in digital assets. All these efforts mirror President Trump's executive order in March to create a federal bitcoin reserve.
- ▶ Bill on stable coin and President Trump's gala dinner to the holders of Trump memecoin also helped the sentiment in the digital assets space. The GENIUS act, which was voted in the US Senate 66-32, set regulatory standards for stable coins requiring issuers to back their tokens with results of assets like US dollars or treasuries to reduce volatility and protect consumers.
- ▶ Wall Street Journal reported that major US banks are exploring a joint stablecoin to compete with the crypto industry.
- ▶ Ethereum layer 2 network Blast has announced the launch of its official mainnet, allowing users to withdraw their previously locked funds on the network. This would unlock USD2.3bn in staked crypto.

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Global markets' performance snapshot

Performance snapshot*				
Rates	Latest	1W (bp)	3M (bp)	YTD (bp)
SOFR	4.26	-4.00	-8.00	-23.00
UAE Eibor 3m	4.11	-24.50	-11.03	-33.60
UAE Eibor 12m	4.23	6.87	-16.67	-12.18
US 3m Bills	4.34	-0.31	4.39	2.06
US 10yr Treasury	4.51	3.40	11.07	-5.80
German 10yr Bund	2.60	-2.30	9.00	23.60
UK 10yr Gilt	4.68	3.20	11.70	11.30
Fixed Income		1W (%)	3M (%)	YTD(%)
Global Agg. Index	485	0.52	2.95	4.73
Global Treasuries	205	0.71	3.38	5.26
Global Corporate	287	0.26	2.20	4.09
EM USD Sovereign	415	-0.40	0.38	2.36
EM LCY Sovereign	157	0.60	3.18	5.28
Global High Yield	1,725	-0.01	1.77	3.79
Currencies				
Dollar Index	98.79	-1.96	-7.02	-8.94
EUR USD	1.1410	1.78	8.54	10.20
GBP USD	1.3572	1.91	7.22	8.44
USD JPY	142.77	-2.16	-4.78	-9.18
Equities				
S&P 500	5,803	-2.61	-3.02	-1.34
Dow Jones	41,603	-2.47	-4.28	-2.21
NASDAQ	18,737	-2.47	-2.85	-2.97
STOXX 600	545	-0.75	-1.49	7.39
DAX	23,630	-0.58	5.37	18.69
Nikkei 225	37,532	-1.57	-4.17	-5.92
FTSE 100	8,718	0.38	0.68	6.67
SENSEX	82,159	-0.74	9.76	5.14
Hang Seng	23,314	1.10	1.11	16.22
MSCI World	3,803	-1.57	-0.66	2.56
MSCI EM	1,171	-0.12	3.10	8.88
Regional Equities				
ADX	9,685	0.12	0.73	2.83
DFM	5,474	0.16	2.42	6.12
Tadawul*	11,000	-2.58	-9.18	-8.61
DSM*	10,749	1.89	1.02	1.68
MSM30*	4,507	1.98	1.57	-1.52
BHSE*	1,921	0.08	-1.41	-3.25
KWSE*	8,043	-0.44	-0.60	9.24
Commodities				
BBG Commodity Index	102.7	1.73	-3.01	3.99
Brent USD/bbl	65.0	-0.96	-13.37	-12.92
WTI USD/bbl	61.7	-1.54	-12.97	-13.94
Gold USD/t oz	3,337.7	4.80	13.75	27.17
Silver USD/t oz	33.5	3.66	3.49	15.88
Platinum USD/t oz	1,094.3	10.70	13.15	20.58
Aluminium	2,458.6	-1.13	-7.70	-3.07
Copper USD/MT	9,595.0	0.64	1.11	10.21
Digital Assets				
Bitcoin	109,973.6	4.39	15.22	17.35
Ether	2,585.1	-1.08	-3.53	-22.75
Solana	178.1	4.49	18.09	-7.58
XRP	2.3	-3.32	-1.60	12.03
Volatility				
VIX	22.29	29.29	17.44	28.47
MOVE	100.91	4.35	14.10	2.14

Source: Bloomberg, and ADCB Asset Management

Notes: *Data as of May 23 2025 unless stated otherwise; **Data as of May 22 2025.

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Forthcoming important economic data/events

United States



Date & Time (GST)	Indicator	Period	Expected	Prior
5/27/2025 16:30	Durable Goods Orders	Apr P	-8.20%	9.20%
5/27/2025 17:00	FHFA House Price Index MoM	Mar	--	0.10%
5/27/2025 18:00	Conf. Board Consumer Confidence	May	87	86
5/27/2025 18:30	Dallas Fed Manf. Activity	May	--	-35.8
5/28/2025 15:00	MBA Mortgage Applications	23-May	--	-5.10%
5/28/2025 18:00	Richmond Fed Manufact. Index	May	--	-13
5/28/2025 22:00	FOMC Meeting Minutes	7-May	--	--
5/29/2025 16:30	GDP Annualized QoQ	1Q S	-0.30%	-0.30%
5/29/2025 16:30	Personal Consumption	1Q S	--	1.80%
5/29/2025 16:30	GDP Price Index	1Q S	3.70%	3.70%
5/29/2025 16:30	Core PCE Price Index QoQ	1Q S	--	3.50%
5/29/2025 16:30	Initial Jobless Claims	24-May	--	227k
5/29/2025 16:30	Continuing Claims	17-May	--	1903k
5/29/2025 18:00	Pending Home Sales NSA YoY	Apr	--	-0.10%
5/30/2025 16:30	Personal Income	Apr	0.30%	0.50%
5/30/2025 16:30	Personal Spending	Apr	0.20%	0.70%
5/30/2025 16:30	PCE Price Index YoY	Apr	2.20%	2.30%
5/30/2025 16:30	Wholesale Inventories MoM	Apr P	--	0.40%
5/30/2025 17:45	MNI Chicago PMI	May	45	44.6
5/30/2025 18:00	U. of Mich. Sentiment	May F	50.8	50.8
5/30/2025 18:00	U. of Mich. Current Conditions	May F	--	57.6
5/30/2025 18:00	U. of Mich. Expectations	May F	--	46.5
5/30/2025 18:00	U. of Mich. 1 Yr Inflation	May F	--	7.30%
5/30/2025 18:00	U. of Mich. 5-10 Yr Inflation	May F	--	4.60%

Japan



Date & Time (GST)	Indicator	Period	Expected	Prior
5/26/2025 9:00	Leading Index CI	Mar F	--	107.7
5/26/2025 9:00	Coincident Index	Mar F	--	116
5/27/2025 3:50	PPI Services YoY	Apr	--	3.10%
5/29/2025 9:00	Consumer Confidence Index	May	32	31.2
5/30/2025 3:30	Jobless Rate	Apr	2.50%	2.50%
5/30/2025 3:30	Tokyo CPI YoY	May	3.40%	3.50%
5/30/2025 3:30	Tokyo CPI Ex-Fresh Food, Energy YoY	May	3.20%	3.10%
5/30/2025 3:50	Industrial Production MoM	Apr P	-1.50%	0.20%
5/30/2025 3:50	Retail Sales YoY	Apr	3.00%	3.10%
5/30/2025 9:00	Housing Starts YoY	Apr	-18.20%	39.10%
5/30/2025 9:00	Annualized Housing Starts	Apr	0.696m	1.080m

Eurozone



Date & Time (GST)	Indicator	Period	Expected	Prior
5/27/2025 10:00	German GfK Consumer Confidence	Jun	-19	-20.6
5/27/2025-6/02/2025	German Retail Sales NSA YoY	Apr	--	0.30%
5/27/2025 10:45	France CPI EU Harmonized YoY	May P	--	0.90%
5/27/2025 10:45	France CPI YoY	May P	--	0.80%
5/27/2025 13:00	Eurozone Consumer Confidence	May F	--	-15.2
5/27/2025 13:00	Eurozone Economic Confidence	May	94.2	93.6
5/27/2025 13:00	Eurozone Industrial Confidence	May	--	-11.2
5/27/2025 13:00	Eurozone Services Confidence	May	--	1.4
5/28/2025 10:45	France GDP YoY	1Q F	--	0.80%
5/28/2025 10:45	France PPI YoY	Apr	--	-0.60%
5/30/2025 16:00	German CPI YoY	May P	2.10%	2.10%
5/30/2025 16:00	German CPI EU Harmonized YoY	May P	2.00%	2.20%

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United Kingdom

Date & Time (GST)	Indicator	Period	Expected	Prior
5/27/2025 3:01	BRC Shop Price Index YoY	May	--	-0.10%

China & India

Date & Time (GST)	Indicator	Period	Expected	Prior
5/27/2025 5:30	China Industrial Profits YTD YoY	Apr	--	0.80%
5/28/2025 14:30	India Industrial Production YoY	Apr	0.80%	3.00%
5/30/2025 14:30	India GDP YoY	1Q	6.80%	6.20%
5/30/2025	India Bank Credit YoY	Apr	--	11.00%
5/31/2025 5:30	China Manufacturing PMI	May	49.5	49
5/31/2025 5:30	China Non-manufacturing PMI	May	--	50.4

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