



بنك الإمارات دبي الوطني  
Emirates NBD

## CIO OFFICE MORNING MARKET WRAP

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In yesterday's session stocks hit all-time highs in a rally broadening to the smaller companies and dominated by energy and financials, rather than technology. Calls of heightened market volatility failed to materialize after the failed attempt to assassinate Trump, that seized the moment shortly after the shooting to further skew the odds of the campaign in his favor. All the major equity indices gained, with small caps (+1.8%) again outperforming. Investors sharpened focus on some of the so-called Trump trades, from prison and gun stocks to the energy sector, and bitcoin, that were all lifted in the wake of Trump's rising approval ratings. Tesla rallied as Elon Musk openly endorsed the tycoon, while clean-energy stocks sank as seen more supported by the Democrats. Trump Media & Technology Group soared over 30%. The 30-year Treasury yield rose above the two-year for the first time since January, on the assumption that Trump would be pursuing an expansive fiscal policy. Gold settled close to its all-time highs, while the US dollar was little changed. Despite the shocking event in the week-end investors remained focused on the economy and earnings. Indeed, as much as investor's narrow focus on the technology sector was a vote of no confidence in the business cycle, the current broadening of the equity market rally indicates a rerating of future growth. The outperformance of the smaller companies and EM stocks breaking out of their range tell us that in investor minds growth should be stronger, undoubtedly as a first-round effect of the much-awaited Fed rate cuts.

Powell spoke at the Economic Club of Washington DC, coming full circle on the pivot on rates that he initiated at the Congress testimony, further galvanizing markets. The Fed chair said second-quarter economic data provided greater confidence that inflation is headed towards the 2% goal, possibly paving the way for interest rate cuts. Also, his words marked a shift in tone regarding the risks to the labor market, when he said that officials will "be looking at both mandates", so growth on top of inflation. While odds of a cut at the forthcoming FOMC meeting in July remains low, there is now a 100% chance of a September move according to money markets.

The mood of stock investors in China remains much more depressed than elsewhere. Yesterday morning a raft of data releases, from Q2 GDP, to retail sales, and fixed-asset investments, showed continued lackluster performance in the economy, requiring that stimulus props up demand in the private sector. GDP expanded 4.7% year-over-year, well below consensus, while retail sales rose at the slowest pace since December 2022. Additional efforts to boost domestic demand will be needed, especially in case of Trump 2.0, who threatened to further raise tariffs on Chinese imports if reelected. And although all eyes will be on the outcome of the Third Plenum meeting that started yesterday, sweeping reforms aimed at creating a consumption-driven economy remain unlikely. The main Chinese benchmarks have retraced 50% since their late-May peak, with investors in wait-and-see mode seeking new catalysts.

Amidst widespread indifference of the political establishment about swelling debt levels, Blackrock's Larry Fink spoke up to offer a solution. He urged presidential candidates to overcome divisions to pursue an 'economic boom' agenda. Growing capital markets, reducing regulations, and growing the economy would be way to go, actually would be the only non-painful way to defuse the debt bomb burdening future generations.

Thank you.

Chief Investment Office  
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