A welcome string of **good news**.

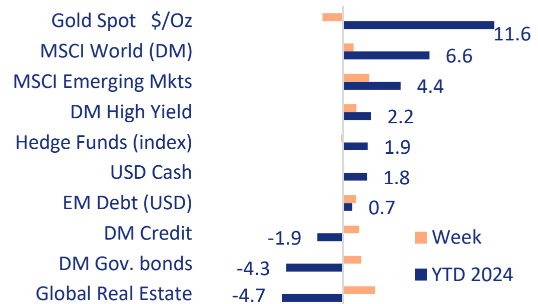
- **A relatively dovish FOMC, a cooling US job market, great earnings from Apple, reassuring PMIs…**
- **… Triggered a clear market relief last week after the trauma of US GDP and inflation**
- **Volatility is and will remain elevated, but fundamentals are not challenging yet**

Our previous weekly publication was titled "it's not as bad as it seems", and markets kindly proved us right last week – with huge volatility, but a happy end driven by unequivocally positive news.

PMI reports confirmed a broadening of growth sources, from industry to non-US regions. Then, crucially, the Fed's May FOMC was much less hawkish than many had feared. The non decision on rates was expected, but the reduction in the balance-sheet runoff (QT) was deeper than forecast, while chairman Powell, in his press conference, sounded extremely balanced: patient yet not pessimistic on inflation, and highlighting the risks of keeping a restrictive policy for too long. The next move will not be a hike, even if its timing is uncertain. Markets loved it, recalibrating their implied forecast to two rate cuts again this year (our house view), with US treasury yields falling -15/-20bps across the curve, especially helped by the monthly US job report: 175k job creations, way below the 240k median forecast, no acceleration in hourly earnings, and a slight drop in hours worked. Add a reassuring set of numbers from Apple to the mix, and it was a great week for both stocks and bonds. It's also worth noting that emerging markets outperformed, helped by a weaker dollar and falling oil prices, led by China which, in the MSCI methodology, is now 2024's best performing major country in dollars.

Overall, we are reassured in our key view that central banks have limited leeway, that keeps fundamentals in the driver seat. Q1 was buoyant, Q2 could be slower but broader. Inflation can continue to surprise, but as long as central banks can live with the current levels, this shouldn't be an issue. We haven't changed our positioning, overweight pretty much everything except alternatives, and keep on expecting high volatility. Have a great week.

ASSET CLASSES USD % TOT.RETURN, 2024 & LAST WEEK



MAURICE GRAVIER
Chief Investment Officer
MauriceG@EmiratesNBD.com

ANITA GUPTA
Head of Equity Strategy
AnitaG@EmiratesNBD.com

GIORGIO BORELLI
Head of Asset Allocation
GiorgioB@EmitatesNBD.com

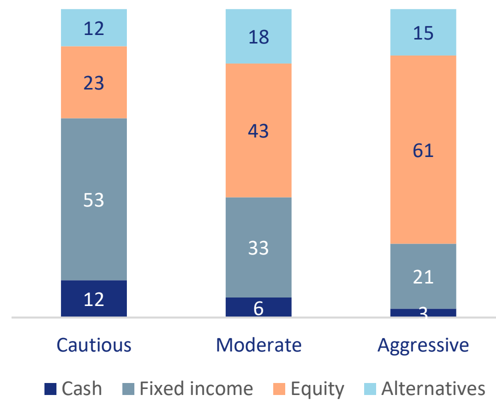
SATYAJIT SINGH, CFA
Head of Fixed Income Strategy
SatyajitSI@EmiratesNBD.com

Cross-asset Update

Last week some major macroeconomic shifts emerged, that point to a more consolidated path towards a slowing of US activity, despite seemingly conflicting signals from different datapoints. Markets closed on a positive note, interpreting the softening of data as a green light to an investor-friendlier policy from the Fed in the second half of the year. And asset-implied financial conditions eased substantially, with Brent crude, the US dollar, and the yield on the 10-year Treasury note all losing ground. At the same time, more encouraging signs emerged both in the euro area and in the Chinese economy, where positive economic surprises are overpowering inflation surprises, an emerging trend running opposite to the one in the United States. We tend to think that the new developments in the US can for now still be seen as one more iteration of the Goldilocks scenario, as the slowdown is not coming with the hallmarks of the recession, and the disinflationary process seems to continue, despite the recent uptick in price pressures. It is yet to be seen whether a growth scare will follow down the road, and how policymakers would manage to avoid the nasty impacts. For now, we can only register that Powell did all that is in his power to strike a dovish note at the late-month FOMC meeting in terms of forward guidance, and more, since planning to cut the Quantitative Tightening pace by more than half starting from June will materially add to market liquidity. Overall, the transition to a US slowdown has no dramatic traits yet, supported by a Fed more than willing to help, and earnings that are surprising to the upside. Considering that other major areas are picking up, though from a low base, we conclude that the bull market remains intact, maybe on a bumpier road ahead.

China stocks technically entered a bull market last week. The Politburo signalled that policymakers intend to support the economy with fiscal and monetary stimulus and highlighted plans to curb structural hurdles to growth. Also, manufacturing confidence improved, with the goods and services sectors both in expansion territory. Investors will be now looking forward to the third plenum in July, one of China's most important meetings focusing on long-term policies and reforms. The feared Yuan devaluation seems to be out of the question, as in the past similar measures backfired by being destabilizing. Rather, a managed and gradual weakening of the currency remains more likely, jolting financial conditions in the right direction without upsetting markets. With valuations remaining extremely favourable, the stage seems to be set for Chinese stocks to continue to surprise to the upside.

TACTICAL ASSET ALLOCATION: SIMPLIFIED POSITIONING

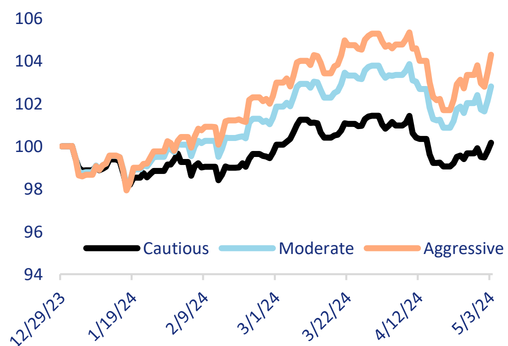


TAA – RELATIVE POSITIONING – MODERATE PROFILE

UW/N/OW: Underweight/Neutral/Overweight

	UW	N	OW
Cash			>
DM Gov.			>>>
DM Credit	<		
DM H. Yield		=	
EM Debt	<<		
DM Equity			>
EM Equity			>
Gold		=	
Hedge Funds	<<		
Real Estate	<<		

TAA – 2024 INDICATIVE PERFORMANCE



Source: Bloomberg. CIO Office calculation based on TAA applied to market indices, net total return in USD.

Fixed Income Update

Last week was very eventful and positive for the markets in general. We had a confluence of factors resulting in yields diving down by 15 to 20bps across the curve in the last two trading days. Treasury yields posted their first weekly decline in over a month. The key trigger was the more dovish than expected Q&A of Chair Powell post the conclusion of the FOMC meeting on 1st May.

Chairman Powell cheekily said he neither sees 'stag nor flation' during the post-meeting press conference. But that truly summarizes the meeting and its outcome. The FOMC kept rates unchanged for a sixth straight meeting. Chair Powell said it will take longer than expected to become confident about returning inflation to the Fed's 2% goal, essentially ruling out a rate cut in the near term. He also closed the door on the rate hike as well. The FOMC still aims for a near-mythical soft landing, saying risks to achieving employment and inflation goals "have moved toward better balance over the past year." Powell also noted that, with inflation having fallen over the year, there is now a greater focus on the full-employment mandate. The Fed announced that it would slow its pace of quantitative tightening beginning June 1, lowering the cap on the amount of Treasury securities rolling off the balance sheet by more than half, to $25bn each month from $60bn. This was more than most analyst expectations. Officials maintained the pace of runoff for mortgage-backed securities at a maximum of $35bn a month.

The bullish move in Treasuries gained pace after the weaker job report last Friday. The change in NFP came in at +175k, which was substantially lower than the previous figure of +315k. Wage increase at 0.2% MoM was lower than the estimate of 0.3%, while the unemployment rate rose to 3.9%. Yields took a nosedive, and the 2-year closed the week at 4.81%, while the 10-year traded close to 4.5%. The yield curve bull-steepened sharply.

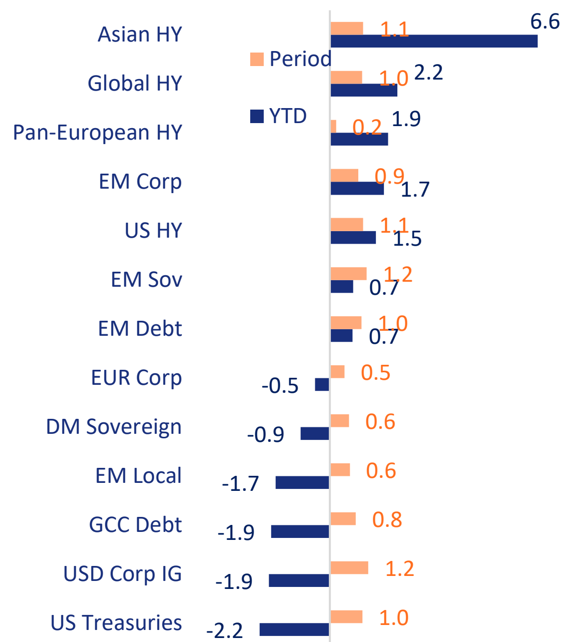
The US Treasury also announced its financing estimates, projecting $243bn in net privately held marketable borrowing in Q1 and $847bn in Q2. These estimates were higher previously communicated and imply the US budget deficit could be larger than anticipated. However, the Treasury maintained the coupon auction size unchanged, while continuing to increase TIPS sizes. We remain neutral on duration for now, as the next CPI report is still nearly two weeks away, and this week's mid-month Treasury auctions could provide a bearish impulse over the near term. According to JPM, Treasury is set to auction approximately $112bn in 10-year Treasury equivalents spread across 3-, 10-, and 30-year maturities next week, and there has been some tendency for long-end yields to move higher in the days around and after the new-issue refunding auctions.

The issuance volumes remain robust as spreads remain supportive across IG and HY. Gross IG issuance was $105bn in April, but the net was only $24bn. HY new-issue volume totals $113bn ($22bn non-refi) YTD, which compares with $59bn ($22bn ex-refi) in YTD23. The Bloomberg Barclays credit spreads remain near their lowest levels for the year.

FIXED INCOME KEY CONVICTIONS (2024)

DEVELOPED MARKETS
Overall overweight DM FI
OW Government Bonds
Neutral corporate (IG & HY)
EMERGING MARKETS
Overall UW EM Debt
Favor quality and selectivity

FIXED INCOME SUB ASSET CLASS RETURNS (YTD, LAST WEEK)



Source: Bloomberg

Emirates NBD
WEALTH MANAGEMENT

Equity Update

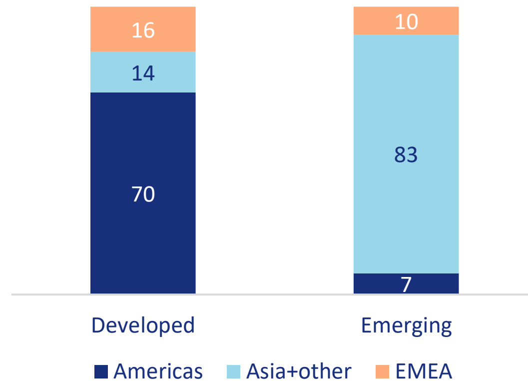
All the larger regional markets are in positive territory as we start May, even though developed markets fell in April, with tech volatility up on the rally in yields. However, Fed Chair Powell said that a rate hike might not be needed, and better-than-anticipated mega cap tech earnings are helping markets settle as May starts. The US and tech sector absolute and relative higher valuation multiples imply that for gains to be maintained earnings growth should stay buoyant. April saw EM regions gain 0.4% led by China, with India up too while DM equities fell 3.7%. The S&P 500 ended last week 0.56% higher recovering from its 4.1% drop in April. European equities ended last week flat with rate cuts still on the table starting June, though Euro area inflation printed above consensus expectations.

Whilst we are currently overweight Japan we could look to a shift to overweight Europe in May, as the first DM region to cut rates should boost sentiment and corporate earnings. We would retain a neutral outlook for the US with earnings growth improving, elections and consumer demand supportive, while valuations and rates are worrying. Within EM, performance for India has been dwarfed by China in April, which has played catch up and is at par with c.8% YTD USD returns. India remains a strategic long as corporate leverage is at 15 years low, though that should bottom out as the capex cycle revives. Domestic demand and growing investment into equities are attractive catalysts as is a diversified Index. Global companies are shifting production to India. iPhone production in India is up from <1% in 2017 to 10% in 2023.

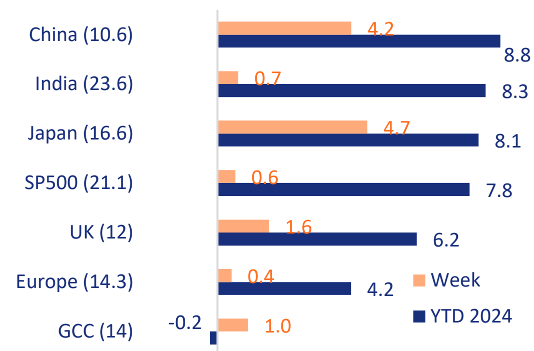
For Q1 2024 with 80% of S&P 500 companies reporting the blended (y/y) earnings growth rate for the S&P 500 is 5.0%. The blended revenue growth rate is 4.1%. The Communication Services sector is reporting the highest (y/y) earnings growth rate of all eleven sectors at 34.8% and not surprising that it is the best performing global sector YTD. EPS estimates for Q2 have been revised up. For Q2 2024, analysts are projecting earnings growth of 9.6% and revenue growth of 4.5%. S&P 500 repurchases are expected to total $925 billion in 2024 (13% y/ y) and reach $1,075 bn in 2025 (16% y/y).

The outlook for big tech remains good, with revenue growing though EPS growth is mixed, the cost savings' and layoffs narrative moving to 'capex' for Microsoft, Meta, and Apple ($150-200bn budgeted in 2025 among the big 4, Amazon, Google, Microsoft, Meta) and A.I. driven cloud, software, data initiatives growing and adding to top and bottom line. Public cloud trends are accelerating, Buybacks on the rise: GOOGL $70bn buyback + dividends. Apple $110bn buyback, higher than the $90bn buyback in each of the last 3 years and raised its dividend by $0.01 to $0.25. Its performance in China was also better-than-expected. Tesla rallied last week as Chinese officials as per reports gave Tesla approval to launch its Full Self Driving (FSD) technology in the country. China is the world's largest automotive market by new vehicle sales and electric vehicles.

EQUITY RECOMMENDED REGIONAL POSITIONING

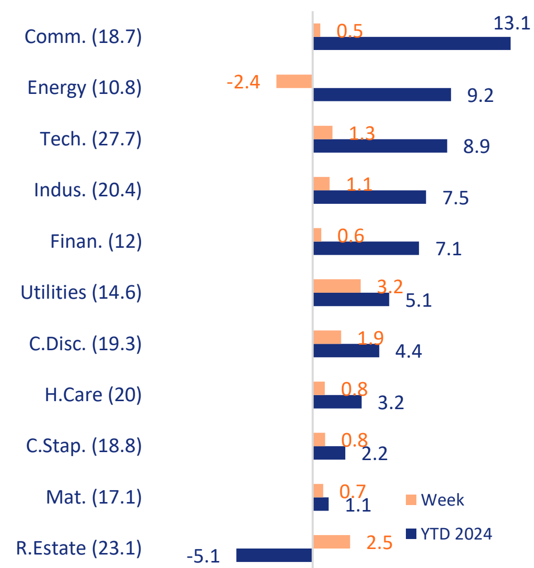


MAJOR INDICES PERFORMANCE (TR, US$), P/E in brackets



Source: Bloomberg consensus. MSCI Indices unless specified.

GLOBAL SECTOR PERFORMANCE (TR, US$), P/E in brackets



Source: Bloomberg consensus. MSCI All Country World sectors US$.

Emirates NBD
WEALTH MANAGEMENT

DISCLAIMER

IMPORTANT INFORMATION

This document is prepared by Emirates NBD Bank (P.J.S.C) ("**the Bank**" or "**Emirates NBD**"), licensed and regulated by the Central Bank of the UAE ("**Central Bank**") and the Securities and Commodities Authority of the UAE ("**SCA**") and subject to regulation, supervision and control of the Central Bank and SCA, having its head office at Baniyas Road, Deira, PO Box 777, Dubai, United Arab Emirates. This document may be distributed and/or made available by the Bank and its affiliates and subsidiaries, including Emirates NBD Capital KSA CJSC ("**ENBD Capital**") (through its website, its branches or through any other modes, whether electronically or otherwise).

Emirates NBD and its affiliates, subsidiaries and group entities, including its shareholders, directors, officers, employees and agents are collectively referred to Emirates NBD Group.

Any person (hereinafter referred to as "**you**", "**your**") who has received this document or have access to this document shall acknowledge and agree to the following terms.

Reliance

Data/information provided in this document are intended solely for information or illustrative purposes and are not designed to initiate or conclude any transaction.

This publication may include data/information taken from stock exchanges or other third-party sources from around the world, which Emirates NBD reasonably believes to be reliable, fair and not misleading, but which have not been independently verified. The provision of certain data/information in this publication may be subject to the terms and conditions of other agreements to which Emirates NBD is a party. Opinions, estimates and expressions of judgment are those of the writer and are subject to change without notice. Emirates NBD or any member of Emirates NBD Group makes no representation or warranty and accepts no responsibility or liability for the sequence, accuracy, completeness or timeliness of the information or opinions contained in this publication. Nothing contained in this publication shall be construed as an assurance by Emirates NBD that you may rely upon or act on any information or data provided herein, without further independent verification of the same by you.

The contents of this document are prepared as of a particular date and time and will not reflect subsequent changes in the market or changes in any other factors, including those relevant to the determination of whether a particular investment activity is advisable. Emirates NBD does not undertake any obligation to issue any further publications or update the contents of this document. Emirates NBD may also, at its sole discretion, update or change the contents herein without notice. Emirates NBD or any member of Emirates NBD Group does not accepts no responsibility whatsoever for any loss or damage caused by any act or omission by you as a result of the information contained in this publication (including by negligence).

References to any financial instrument or investment product in this document are not intended to imply that an actual trading market exists for such instrument or product. Certain investment products mentioned in this document may not be eligible for sale in some jurisdictions, and they may not be suitable for all types of investors. The information and opinions contained in this publication is provided for informational purposes only and have not been prepared with any regard to the objectives, financial situation and particular needs of any specific person, wherever situated. If you wish to rely on or use the information contained in this publication, you should carefully consider whether any investment views and investment products mentioned herein are appropriate in view of your investment experience, objectives, financial resources and relevant circumstances. You should also independently verify and check the accuracy, completeness, reliability and suitability of the information and should obtain independent and specific advice from appropriate professional advisers or experts.

Confidentiality

This publication may be provided to you upon request (and not for distribution to the general public), on a confidential basis for informational purposes only, and is not intended for trading purposes or to be passed on or disclosed to any other person and/or to any jurisdiction that would render the distribution illegal.

Solicitation

None of the content in this publication constitutes a solicitation, offer, recommendation or opinion by Emirates NBD to buy, sell or trade in any security or to avail of any service in any jurisdiction. This document is not intended to serve as authoritative legal, tax, accounting, or investment advice regarding any security or investment, including the profitability or suitability thereof and further does not provide any fiduciary or financial advice. This document should also not be used in substitution for the exercise of the prospective investor's judgment.

Third Party

This publication is not intended for use by, or distribution to, any person or entity in any jurisdiction or country where such use or distribution would be contrary to law or regulation. It is the responsibility of any person in possession of this publication to investigate and observe all applicable laws and regulations of the relevant jurisdiction. This publication may not be conveyed to or used by a third party without the express consent of Emirates NBD or its affiliates, subsidiaries or group entities distributing this document. You should not use the data in this publication in any way to improve the quality of any data sold or contributed by you to any third party.

Liability

Notwithstanding anything to the contrary set forth herein, Emirates NBD, its suppliers, agents, directors, officers, employees, representatives, successors, assigns, affiliates or subsidiaries shall not, directly or indirectly, be liable, in any way, to you or any other person for any: (a) inaccuracies or errors in or omissions from this publication including, but not limited to, quotes and financial data; or (b) loss or damage arising from the use of this publication, including, but not limited to any investment decision occasioned thereby. Under no circumstances, including but not limited to negligence, shall Emirates NBD, its suppliers, agents, directors, officers, employees, representatives, successors, assigns, affiliates or subsidiaries be liable to you for direct, indirect, incidental, consequential, special, punitive, or exemplary damages even if Emirates NBD has been advised specifically of the possibility of such damages, arising from the use of this publication, including but not limited to, loss of revenue, opportunity, or anticipated profits or lost business.

DISCLAIMER

This publication does not provide individually tailored investment advice and is prepared without regard to the individual financial circumstances and objectives of person who receive it. The appropriateness of an investment activity or strategy will depend on the person's individual circumstances and objectives and these activities may not be suitable for all persons. In addition, before entering into any transaction, prospective investors should: (i) ensure that they fully understand the potential risks and rewards of that transaction; (ii) determine independently whether that transaction is appropriate given an investor's investment objectives, experience, financial and operational resources, and other relevant circumstances; (iii) understand that any rates of tax and zakat or any relief in relation thereto, as may be referred to in this publication may be subject to change over time; (iv) consult their advisers on the legal, regulatory, tax, business, investment, financial and accounting implications of the investment; (v) understand the nature of the investment and the related contract (and contractual relationship) including, without limitation, the nature and extent of their exposure to risk; and (vi) understand any regulatory requirements and restrictions applicable to the prospective investor

Forward Looking

Past performance is not necessarily a guide to future performance and should not be seen as an indication of future performance of any investment activity. The information contained in this publication does not purport to contain all matters relevant to any particular investment or financial instrument and all statements as to future matters are not guaranteed to be accurate. Certain matters in this publication about the future performance of Emirates NBD or members of its group (the Group), including without limitation, future revenues, earnings, strategies, prospects and all other statements that are not purely historical, constitute "forward-looking statements". Such forward-looking statements are based on current expectations or beliefs, as well as assumptions about future events, made from information currently available. Forward-looking statements often use words such as "anticipate", "target", "expect", "estimate", "intend", "plan", "goal", "seek", "believe", "will", "may", "should", "would", "could" or other words of similar meaning. Reliance should not be placed on any such statements in making an investment decision, as forward-looking statements, by their nature, are subject to known and unknown risks and uncertainties that could cause actual results, as well as the Group's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements. Estimates of future performance are based on assumptions that may not be realized.

Risk

Data included in this publication may rely on models that do not reflect or take into account all potentially significant factors such as market risk, liquidity risk, and credit risk. Emirates NBD may use different models, make valuation adjustments, or use different methodologies when determining prices at which Emirates NBD is willing to trade financial instruments and/or when valuing its own inventory positions for its books and records. The use of this publication is at the sole risk of the investor and this publication, and anything contained herein, is provided "as is" and "as available." Emirates NBD makes no warranty of any kind, express or implied, as to this publication, including, but not limited to, merchantability, non-infringement, title, or fitness for a particular purpose or use.

Investment in financial instruments involves risks and returns may vary. The value of investment products mentioned in this document may neither be capital protected nor guaranteed and the value of the investment product and the income derived therefrom can fall as well as rise and an investor may lose the principal amount invested. Investment products are subject to several risks factors, including without limitation, market risk, high volatility, credit and default risk, illiquidity, currency risk and interest rate risk. It should be noted that the value, price or income of securities denominated in a foreign currency may be adversely affected by changes in the currency rates. It may be difficult for the investor to sell or realise the security and to obtain reliable information about its value or the extent of the risks to which it is exposed. Furthermore, the investor will not have the right to cancel a subscription for securities once such subscription has been made. Prospective investors are hereby informed that the applicable regulations in certain jurisdictions may place certain restrictions on secondary market activities with respect to securities.

Before making an investment, investors should consult their advisers on the legal, regulatory, tax, business, investment, financial and accounting implications of the investment. In receiving this publication, the investor acknowledges it is fully aware that there are risks associated with investment activities. Moreover, the responsibility to obtain and carefully read and understand the content of documents relating to any investment activity described in this publication and to seek separate, independent financial advice if required to assess whether a particular investment activity described herein is suitable, lies exclusively with the investor.

Intellectual property

This publication has been developed, compiled, prepared, revised, selected, and arranged by Emirates NBD and others (including certain other information sources) through the application of methods and standards of judgment developed and applied through the expenditure of substantial time, effort, and money and constitutes valuable intellectual property of Emirates NBD and such others. All present and future rights in and to trade secrets, patents, copyrights, trademarks, service marks, know-how, and other proprietary rights of any type under the laws of any governmental authority, domestic or foreign, shall, as between the investor and Emirates NBD, at all times be and remain the sole and exclusive property of Emirates NBD and/or other lawful parties.

Except as specifically permitted in writing, you should not copy or make any use of the content of this publication or any portion thereof or publish, circulate, reproduce, distribute or offer this publication for sale in whole or in part to any other person over any medium including but not limited to over-the-air television or radio broadcast, a computer network or hyperlink framing on the internet or construct a database of any kind. Except as specifically permitted in writing, you shall not use the intellectual property rights connected with this publication, or the names of any individual participant in, or contributor to, the content of this publication, or any variations or derivatives thereof, for any purpose. This publication is intended solely for non-commercial use and benefit, and not for resale or other transfer or disposition to, or use by or for the benefit of, any other person or entity. By accepting this publication, you agree not to use, transfer, distribute, copy, reproduce, publish, display, modify, create, or dispose of any information contained in this publication in any manner that could compete with the business interests of Emirates NBD. Furthermore, you should not use any of the trademarks, trade names, service marks, copyrights, or logos of Emirates NBD or its subsidiaries in any manner which creates the impression that such items belong to or are associated with you, except as otherwise provided with Emirates NBD's prior written consent. You shall have no ownership rights in and to any of such items.

Emirates NBD WEALTH MANAGEMENT

DISCLAIMER

IMPORTANT INFORMATION ABOUT UNITED KINGDOM

This publication was prepared by Emirates NBD Bank (P.J.S.C) in the United Arab Emirates. It has been issued and approved for distribution to clients by the London branch of Emirates NBD Bank (P.J.S.C) which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority in the UK. Some investments and services are not available to clients of the London Branch. Any services provided by Emirates NBD Bank (P.J.S.C) outside the UK will not be regulated by the FCA and you will not receive all the protections afforded to retail customers under the FCA regime, such as the Financial Ombudsman Service and the Financial Services Compensation Scheme. Changes in foreign exchange rates may affect any of the returns or income set out within this publication.

IMPORTANT INFORMATION ABOUT SINGAPORE

This publication was prepared by Emirates NBD Bank (P.J.S.C) in the United Arab Emirates. It has been issued and approved for distribution to clients by the Singapore branch of Emirates NBD Bank (P.J.S.C) which is licensed by the Monetary Authority of Singapore (MAS) and subject to applicable laws (including the Financial Advisers Act (FAA) and the Securities and Futures Act (SFA). Any services provided by Emirates NBD Bank (P.J.S.C) outside Singapore will not be regulated by the MAS or subject to the provisions of the FAA and/or SFA, and you will not receive all the protections afforded to retail customers under the FAA and/or SFA. Changes in foreign exchange rates may affect any of the returns or income set out within this publication. Please contact your Relationship Manager for further details or for clarification of the contents, where appropriate. For contact information, please visit www.emiratesnbd.com.

IMPORTANT INFORMATION ABOUT EMIRATES NBD CAPITAL KSA CJSC

Emirates NBD Capital KSA CJSC (“ENBD Capital”), whose registered office is at P.O. Box 341777, Riyadh 11333, Kingdom of Saudi Arabia, is a Saudi closed joint stock company licensed by the Saudi Arabian Capital Market Authority (“CMA”) under License number 37-07086 dated 29/08/2007G (corresponding to 16/08/1428H) to deliver a full range of quality investment products and related support services to individuals and institutions in the Kingdom of Saudi Arabia. ENBD Capital is subject to Capital Market Law, and Implementing Regulations in the Kingdom of Saudi Arabia

ENBD Capital’s contact details are T +966 (11) 299 3900 and F +966 (11) 299 3955.

This document may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Investment Funds Regulations issued by the Capital Market Authority.

The Capital Market Authority does not make any representation as to the accuracy or completeness of this document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. Prospective subscribers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities offered. If you do not understand the contents of this document, you should consult an authorised financial adviser.