Good news is **good news again**

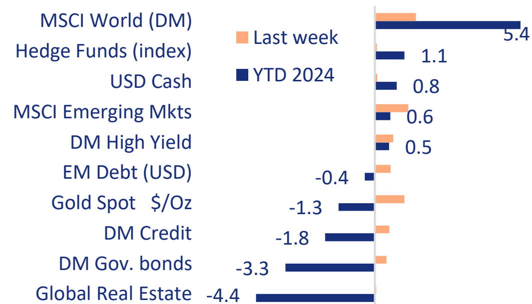
- **Last week was very positive, with supportive activity indicators and stellar earnings from NVidia**
- **Market expectations for rate cuts are now reasonable, leading to a focus on fundamentals**
- **The week ahead will provide more color on the macro picture, especially on inflation**

To paraphrase a famous idiom about ducks: if it looks like goldilocks, walks like goldilocks, and talks like goldilocks, then it's probably goldilocks. This was one of the key messages from last week's flash PMI indicators. Global growth continues to slow enough to keep disinflation alive, but most importantly, the sources of global growth are starting to be more diverse. Indeed, the US Services flash PMI came in below expectations, but the gauge for manufacturing surprised on the upside. Western Europe also displayed unexpected signs of life at the services level, while policy support continues to build up in China. Global growth should not be spectacular in 2024 but of higher quality, firing on several cylinders. This is good news, especially at a time when markets have priced out most of their previously unrealistic expectations for rate cuts, in keeping with the latest Fed minutes released last week. This means that good news for the economy is not bad news for all asset classes anymore - diversification works.

Against this backdrop, last week was positive for most asset classes, led by stocks, where the tech sector was turbocharged by stellar quarterly numbers (and very confident guidance) from Nvidia, now called "the most important stock on planet Earth" by Goldman Sachs. Of course, we've heard this kind of statement before – especially 25 years ago during the .com bubble. There is however a difference: the rally is not just multiples expansion on future hypothetical hopes, rather about actual supersonic earnings growth, quarter after quarter.

The week ahead will provide more colour on the top-down picture, from inflation in the Eurozone and Japan to China's official PMIs and the US ISM Manufacturing, consumer confidence, and core PCE, the Fed's preferred measure of inflation. 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

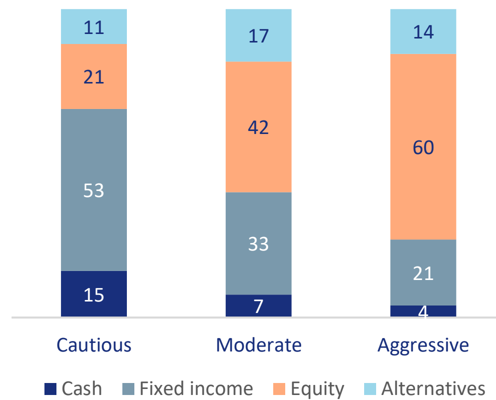
Cross-asset Update

Data-dependent is likely to be the name of the game going forward. The Fed is data dependent, carefully parsing every bit of evidence that can help divine the direction of the economy, so that monetary policy can be finely tuned, and accidents are avoided as far as possible. Markets have now run quite far since the late-October lows and investors will be awaiting further cues from the macro releases to decide whether risk assets have further to go. There is no more room for multiples expansion and with the Fed on hold till further notice both earnings and the labor market will be steering the future direction. And yields will be following hints from the Fed, hence we are back to square one with an eye to the economy. Longer-dated yields in particular follow the direction of economic surprises, that recently have been on the very positive side and have pushed rates meaningfully higher year-to-date. Gold as well has historically traded in line with expectations about changes in Fed policy, so what holds for yields holds for gold too, but in reverse. Meaning that the 'higher for longer' predicated of late by Fed officials on unexpected economic strength is not ideal for the yellow metal, that anyway has limited downside thanks to the ongoing purchases by the BRICS+ central banks.

The release of the business confidence surveys across the major DM countries last week gives us comfort about the direction of the economy in the near future. A manufacturing rebound is underway in the United States, while services activity has improved as much as to relieve stagnation conditions in the euro area and pull the UK out of its 4Q24 recession. In China it should be a matter of time before the plethora of drip-feed measures implemented by the authorities to support the private sector makes itself felt. Overall, the stabilization of the global economy and the improving business confidence should still support risk assets going forward. Yet, being markets now richly priced, it is unlikely that we see substantial gains without a pullback of some sort.

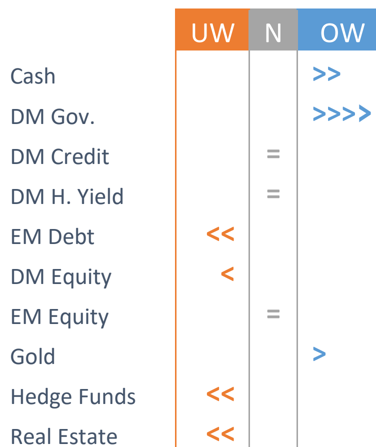
While the US recession case seems to have lost momentum, it is still an open question whether the final destination will be reached either via a soft- or a no-landing. The recent positive economic surprises suggest the latter may be true, that would be consolidating the view that rate cuts are held back, or might not even happen. For now, investors are advised not to be underweight risk assets, with an eye to add on market weakness. At the same time, an allocation to gold is recommended as a hedge against the ever-rising debt levels in the DM countries, and the more unstable geopolitical environment.

TACTICAL ASSET ALLOCATION: SIMPLIFIED POSITIONING



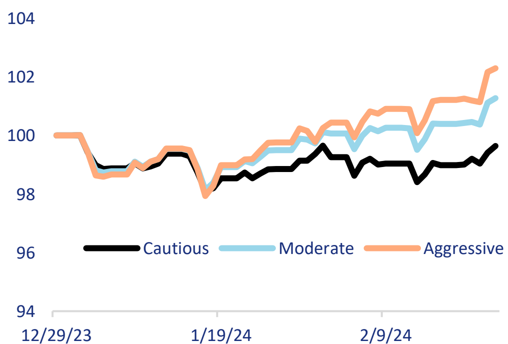
TAA – RELATIVE POSITIONING – MODERATE PROFILE

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

Treasury long-dated yields came down despite hawkish Fedspeak, while credit spreads remained rangebound as heavy corporate issuance was met with strong demand. The FOMC minutes revealed that while members are pleased over recent good news on inflation, they aren't close to being ready to cut interest rates. At the same time, the FOMC isn't looking to hike rates again. The threshold to moving in either direction seems high for now, with policy guided by incoming data. Fed officials are readying a discussion of slowing QT. Fed staff noted that the consensus on Wall Street was that a tapering of QT would start by July.

Federal Reserve Bank of New York President John Williams said in an interview published Friday that the economy is headed in the right direction, and it will likely be appropriate to cut rates later this year. This week, a slew of Fed speakers will likely reiterate Williams's comments that the central bank doesn't feel pressure to begin cutting rates anytime soon.

IG bond spreads are at post-GFC tights as heavy supply is overwhelmed by strong demand. The path to even tighter spreads is through a continued equity rally and sustained attractive yields with a slowdown in supply. High-yield bond and loan maturities in 2024, 2025, and 2026 have been reduced by $472bn or 45% since YE22 to $585bn. HY is the only positive segment YTD within Fixed Income.

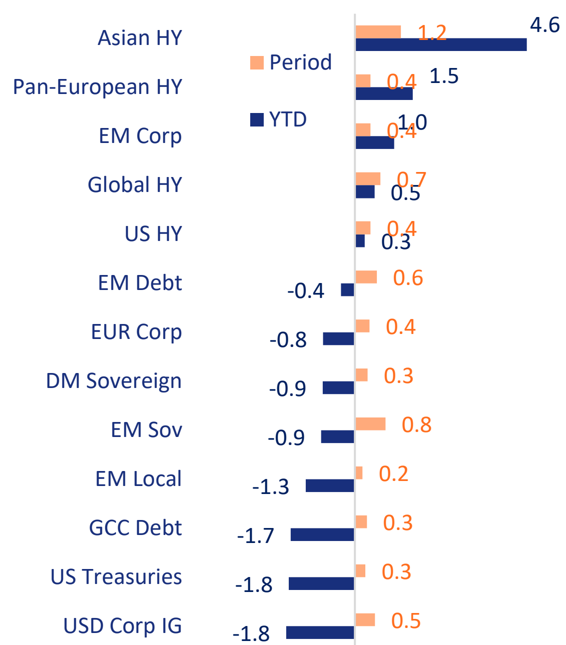
ADQ, an Abu Dhabi-based investment and holding company, has unveiled plans to invest USD35bn in Egypt. ADQ will acquire the development rights for Ras El-Hekma for USD24bn to develop the region into one of the largest new city developments by a private consortium. As part of this investment, ADQ will also convert USD11bn of deposits that will be utilized for investment in prime projects across Egypt to support its economic growth and development. The subsequent step investors are looking at is Egypt's IMF deal now. This monetary support from the GCC should alleviate immediate debt servicing pressure. Option-adjusted spreads on Emerging Market bonds narrowed 5 basis points to 277 basis points over Treasuries in the past week, according to the Bloomberg EM USD Aggregate index. Egypt narrowed the most compared with other sectors.

The region continues to witness strong primary issuances, totalling approximately $30bn year-to-date, compared to about $62bn for fiscal year 2023. Today, we have seen a mandate announcement from PIF for its 7-year sukuk and Alinma Bank's for Tier-1 issuance. Alinma Bank is the fifth largest bank in KSA and holds a 6.4% asset market share. Additionally, DIB issued a 5-year sukuk expected to price around 80-90bps over the treasury, which currently translates to around 5.05% to 5.15%.

FIXED INCOME KEY CONVICTIONS (2023)

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

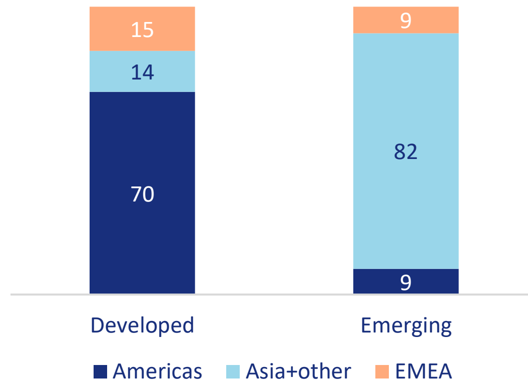
Equity Update

Global equity markets rose to their highest level ever last week driven by a mix of solid economic growth in the US, optimism that inflation will continue to come down and the artificial intelligence euphoria. The MSCI ACWI Index closed at 761, passing its previous peak back in 2021. The S&P 500 was up +1.67% last week; also closed at an all-time high of 5,088. Global stocks from US to Europe and Japan hit all-time highs as Nvidia's outlook reignited the artificial intelligence frenzy. Equities were also supported by solid manufacturing, housing and labour-market data.

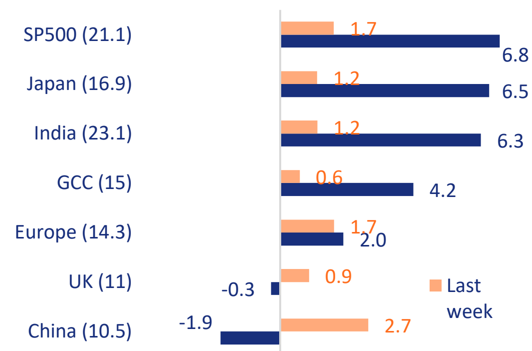
Within the Euro-zone, the Stoxx 600 Index is up +1.14% for the week as data points to an economic recovery. Business activity within the Euro-zone showed improvement in February, with the services sector returning to growth. As the US charged higher, European equities now have attracted investors as valuations look more attractive, trading at a record discount relative to the US. The largest stocks within the index are benefiting from broader trends such as healthcare and drug innovation; big contributors in recent months include Novo Nordisk and LVMH. In Japan, the Nikkei 225 surpassed its bubble-era peak, ending the week +1.61% higher driven by gains in chip-gear producers after Nvidia's blowout revenue forecast. Japan is anticipated to end negative rates later this year, a positive sign and encouragement for companies to put their cash to work on expanding and improving their business. The Japanese market is more diverse now as opposed to the 1980's in which banks were the heavyweights in the market. Now, companies in tech, auto, retail and entertainment sectors have become new key players. China had a stunning reversal last week as the Shanghai Shenzhen Index posted its 9th consecutive day of positive gains, up +3.67%. State funds are drumming up the market and policy reaction by Beijing shows that it is determined to end the rout. Now state funds have broadened their target to include small caps, as opposed to previous attention to larger companies. UAE markets declined for the week tracking oil prices.

All eyes were on Nvidia's spectacular earnings results last week. The company added $277 billion to its market cap post report with blockbuster numbers; shares jumped as much as 16%. That is the biggest single increase in value ever, coming ahead of Meta Platform's single day gain of $197 billion. This year alone, Nvidia rose almost 60%, adding more than $700 billion; and briefly touched the milestone level of $2 trillion mark on Friday, to end the day at $1.95tn. Demand for AI is surging worldwide, and Nvidia's beat on earnings is incredible considering the bar was already set high. Investors continue to bet that the company will remain the prime beneficiary of the AI boom. Nvidia's largest customers are heavily investing in AI computing, such as Amazon, Meta Platforms, Microsoft and Alphabet, in which they account for 40% of its revenue. Nvidia's surge has been crucial to the S&P 500's gains, contributing to more than 25% of the stock index's rise this year. Within the magnificent seven, there is now a clear divergence in performance as Nvidia is up 59% YTD while Tesla is down 23%.

EQUITY RECOMMENDED REGIONAL POSITIONING

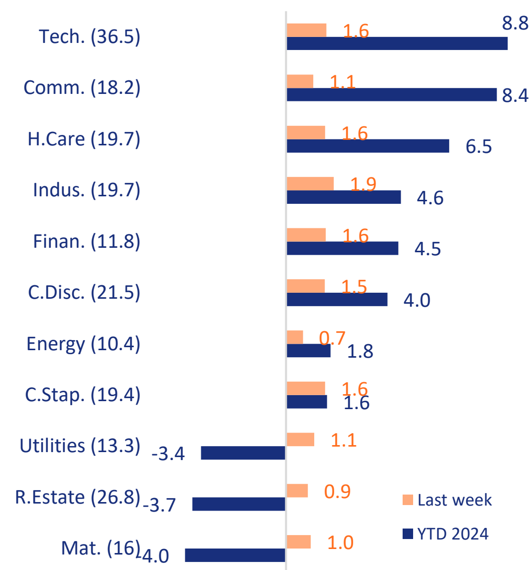


MAJOR INDICES PERFORMANCE (TR, US$) AND P/E



Source: Bloomberg consensus. MSCI Indices unless specified.

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



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

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.

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.