Daily Market View

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Markets have their own Aeolian processes – shaped by slow erosion and sudden shocks

Macro headlines

Late summer brings a reminder of Aeolian processes, a geophysical phenomenon by which landscapes are reshaped by slow erosion punctuated by sudden dust storms. The US-Iran conflict is following the same physics: structural pressure building over months, interrupted by sharp visibility-reducing shocks over the weekends. The US struck two Iranian rocket launchers in the Strait of Hormuz, prompting Iran to retaliate with missile launches into Jordan; oil prices rose sharply on Monday. The US simultaneously expanded its geopolitical footprint, with President Trump announcing an unprecedented push to take control of a fifth of Venezuela's oil reserves – a move aimed at reviving production and lowering US fuel prices. At Jackson Hole, Fed Chair Warsh delivered his debut speech – what markets perceived as the hawkish signal yet – saying the Fed "will have work to do" if policymakers cannot gain confidence that inflation is moving toward 2% "clearly and at sufficient speed." His remarks acknowledged that financial conditions are not restrictive and implied that rate hikes remain firmly on the table. Global macro data were mixed. Japan's unemployment rate fell to 2.4% in July, improving for the first time in three months. France's harmonized inflation accelerated to 2.7% y/y in August, driven by higher energy prices. US consumer sentiment (UMich) fell 6% m/m and 11% y/y, with declines across all political groups and sharper drops among older, lower-income, and non-equity-owning households. Year ahead inflation expectations eased to 4.0%, but long-run expectations held at 3.3%, above the 2024 range. Germany's GfK consumer confidence improved to -26.6, beating expectations. China's August manufacturing PMI rose to 49.8, while non-manufacturing held at 49.0, signalling stabilization but not expansion. Global equity funds saw their first weekly outflow since May, with USD5.87bn withdrawn and US equity funds seeing USD22.33bn in net sales.

Market performances

Markets reacted sharply to Warsh's hawkish tone on Friday. MSCI's global equity gauge fell 0.13%, while short-dated US yields surged. The 2-year yield jumped 12.8bps to 4.36%, outpacing moves in the long end and reflecting a repricing of near-term Fed risk. The 10-year rose to 4.728%, and the 30-year climbed to 5.213%. Traders increased the probability of a September rate hike to 55.7%, up from 35.4% the day before. US equities slipped: the S&P 500 fell 0.25% to 7,711.76, the Nasdaq declined 0.52% to 26,402.42, and the Dow edged down 0.02% to 53,559.99. The Russell 2000 underperformed with a 1.4% drop, reflecting rate sensitivity among smaller firms. Tech lagged as higher yields pressured duration-heavy sectors. The dollar strengthened broadly, with the dollar index rising c0.6% to 99.71. The euro fell to EUR1.158, while the yen weakened to JPY160.11 per USD. Bitcoin fell c3% to USD77,414, reflecting reduced appetite for high beta assets. Oil prices settled slightly lower on Friday, marking their first weekly decline in three weeks. Brent fell 0.43% to USD89.31/bbl, and WTI slipped 0.16% to USD83.40/bbl, as traders weighed Warsh's remarks and rumors of a possible agreement on shipping through the Strait of Hormuz. Gold dropped to USD4,455/oz, reversing earlier gains as real yields rose.

What's Next

The coming week centers on US labor market data, with nonfarm payrolls expected to rise by 55k and unemployment to hold at 4.1%. Eurozone inflation is expected at 3.2% y/y, driven by energy and drought related supply pressures. India's Q2 GDP is projected to remain robust at 7.5% y/y, supported by GST cuts, monetary easing, and precautionary inventory build-up. Tech earnings remain in focus, with Broadcom reporting Wednesday, followed by Dell Technologies and Palo Alto Networks. Markets will closely watch commentary on AI-infrastructure demand after Nvidia's strong results last week. Monday's calendar includes the Dallas Fed manufacturing survey, Brazil's July budget balances and net debt data, Chile's July retail and industrial production, Colombia's unemployment, Germany's flash CPI and HICP, South Africa's money supply and credit data, Türkiye's Q2 GDP, Poland's CPI and GDP, Korea's industrial production, Japan's industrial

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production, Hong Kong retail sales, Sri Lanka CPI, and India's Q2 GDP and GVA. Global attention will also turn to the G20 finance ministers' meeting in North Carolina, Saudi Arabia's LEAP tech exhibition, and the Shanghai Cooperation Organisation summit in Kyrgyzstan.

Performance snapshot*				
Rates	Latest	1D (bp)	1M (bp)	3M (bp)
SOFR	3.64	0.00	0.00	2.00
UAE Eibor 3m	3.86	0.00	-6.52	17.75
UAE Eibor 12m	4.47	0.00	22.71	49.62
US 3m Bills	3.80	4.28	-8.70	13.42
US 10yr Treasury	4.72	4.18	6.93	27.07
German 10yr Bund	3.28	2.60	14.60	31.70
UK 10yr Gilt	5.06	3.30	6.60	24.90
Fixed Income		1D (%)	1M (%)	3M (%)
Global Agg. Index	500	-0.30	0.98	-0.42
Global Treasuries	207	-0.30	1.11	-0.42
Global Corporate	303	-0.31	0.81	-0.62
EM USD Sovereign	466	-0.12	0.56	0.33
EM LCY Sovereign	169	-0.13	1.91	2.22
Global High Yield	1,917	-0.12	1.33	1.21
Currencies				
Dollar Index	99.70	0.55	-1.81	0.69
EUR USD	1.1585	-0.58	1.90	-0.57
GBP USD	1.3538	-0.40	1.87	0.69
USD JPY	160.09	0.44	-2.24	0.53
Equities				
S&P 500	7,712	-0.25	4.03	1.96
Dow Jones	53,560	-0.02	2.59	5.71
NASDAQ	26,402	-0.52	5.90	-1.91
STOXX 600	655	0.51	1.64	4.81
DAX	26,570	0.77	4.77	5.89
Nikkei 225	66,406	0.41	2.27	2.65
FTSE 100	10,824	0.29	0.39	3.82
SENSEX	77,265	0.43	0.56	1.84
Hang Seng	25,585	0.07	1.50	2.31
MSCI World	4,986	-0.15	3.97	2.90
MSCI EM	1,722	-0.04	4.80	-0.15
Regional Equities				
ADX	10,045	0.00	2.03	3.53
DFM	5,883	0.00	0.66	2.17
Tadawul*	11,159	-0.71	3.21	2.06
DSM*	9,863	-0.13	-2.46	-4.07
MSM30*	7,578	0.60	2.85	3.57
BHSE*	1,940	-0.08	-1.19	-4.98
KWSE*	8,912	0.20	0.52	2.59
Commodities				
BBG Commodity Index	140.2	0.07	6.34	2.93
Brent USD/bbl	89.31	-0.43	1.08	-4.70
WTI USD/bbl	83.40	-0.16	0.96	-6.19
Gold USD/t oz	4,455.1	-3.13	9.29	-0.89
Silver USD/t oz	66.4	-4.14	13.74	-12.23

Platinum USD/t oz	1,823.7	-1.44	12.14	-5.17
Aluminum	3,244.3	0.22	2.40	-12.59
Copper USD/MT	14,535.0	0.31	5.25	7.56
Digital Assets				
Bitcoin	77,405.5	-3.37	19.26	5.34
Ether	2,427.7	-3.21	24.80	20.70
Solana	103.9	-4.75	36.82	26.31
XRP	1.4	-5.13	26.58	4.65
Volatility				
VIX	14.43	-0.55	-22.71	-8.32
MOVE	70.97	1.59	-8.08	1.76

Source: Bloomberg, and ADCB Asset Management *Notes: Data as at 8AM UAE time – August 31, 2025. Performance in local currency terms.

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