Daily Market View

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بنك أبوظبي التجاري
ADCB

AI euphoria overpowers geopolitics - for now

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Macro headlines

Gulf tensions intensified on Wednesday as the US military reported that Iranian missile attacks on Bahrain, Kuwait, and other regional targets were either intercepted or failed. The renewed hostilities underscored the fragility of the diplomatic track, with Iranian media reporting that Tehran has halted indirect negotiations after Israel pushed deeper into Lebanon to confront Hezbollah. The escalation complicates efforts to stabilize the three-month-old conflict and raises the risk of further disruption to the Strait of Hormuz. US Secretary of State Rubio said the negotiating team has not offered sanctions relief in exchange for reopening Hormuz, insisting that any easing would require Iran to give up its nuclear program. Turning to US domestic policy, President Trump signed a long-awaited executive order establishing a voluntary framework for early government access to cutting-edge AI models. The order is a scaled-back version of an earlier draft Trump withdrew last month over concerns that federal oversight could slow innovation at leading labs such as OpenAI, Google, and Anthropic. Under the new framework, developers will be asked to voluntarily submit their most capable models for cybersecurity testing before public release. US labor market data showed job openings rising to 7.6m in April, the highest in nearly two years, while layoffs edged down and quits ticked slightly lower. The data reinforces the picture of a labor market that remains stable despite elevated uncertainty. Eurozone inflation rose to 3.2% y/y, with core inflation accelerating to 2.5% y/y, driven by a sharp rise in services inflation. South Korea's CPI accelerated to 3.1% y/y, the fastest in more than two years, as higher oil prices fed through to consumer costs.

Market performances

Global equities rallied on Tuesday, supported by strong AI-related sentiment and resilient macro data. The S&P 500 rose 0.13% to 7,580.12, the Nasdaq gained 0.03% to 26,972.62, and the Dow added 0.45%. AI-linked equities remained the dominant driver of global sentiment. Anthropic's confidential IPO filing and Alphabet's USD80bn equity raising plan underscored the scale of capital flowing into AI infrastructure. Nvidia CEO Huang said the company has sufficient supply to support strong growth in CPUs and GPUs, though he acknowledged ongoing constraints. MSCI ACWI rose 0.43% after reaching another record high. Europe's STOXX 600 gained 0.66%, lifted by upbeat guidance from STMicroelectronics, which helped drive a broad rally in technology shares. Oil prices edged higher as renewed missile activity in the Gulf raised concerns about the durability of the ceasefire process. Brent settled at USD96.00/bbl (+1.1%), the highest since May 26. The move reflects market skepticism that the partial reopening of Hormuz can be sustained amid escalating regional tensions. Treasury yields eased, with the 10-

year falling to 4.445%. Despite strong job openings data, yields did not rise, perhaps suggesting markets are more focused on geopolitical risk and the potential for supply chain disruption than on labor market tightness. Futures markets continue to price a quarter point ECB rate hike this month and at least one more by year-end. In FX, the dollar firmed modestly, with the dollar index rising to 99.20. The euro held at USD1.1629, the yen weakened to 159.93, and sterling strengthened slightly to USD1.3462. Gold rose to USD4,487.49/oz as investors balanced geopolitical risk against a firmer dollar.

What's Next

Wednesday's calendar includes worldwide May services and composite PMIs, global detailed sector PMIs, Brazil's April industrial production, the US May S&P Global services and composite PMIs, ISM services, April factory orders, May vehicle sales, and the Beige Book. Europe releases April eurozone PPI. APAC data includes Australia's Q1 GDP and China's May services PMI. Bank of Japan Governor Kazuo Ueda speaks in Tokyo, and the OECD publishes its semiannual Economic Outlook. Earnings include B&M European Value Retail, Broadcom, CrowdStrike, discoverIE, Five Below, Inditex, Medtronic, and Veeva Systems.

Performance snapshot*				
Rates	Latest	1D (bp)	1M (bp)	3M (bp)
SOFR	3.65	0.00	2.00	-6.00
UAE Eibor 3m	3.69	0.62	-6.48	16.44
UAE Eibor 12m	4.19	17.84	20.58	53.35
US 3m Bills	3.69	-0.09	2.00	3.07
US 10yr Treasury	4.44	-0.99	1.35	40.88
German 10yr Bund	2.98	-2.80	-13.50	26.30
UK 10yr Gilt	4.86	-3.90	-21.20	48.50
Fixed Income		1D (%)	1M (%)	3M(%)
Global Agg. Index	503	0.21	0.55	-0.95
Global Treasuries	208	0.25	0.44	-1.46
Global Corporate	305	0.16	0.75	-0.42
EM USD Sovereign	466	0.20	1.15	0.50
EM LCY Sovereign	166	0.09	0.75	0.09
Global High Yield	1,900	0.15	0.93	1.22
Currencies				
Dollar Index	99.22	0.02	0.26	0.85
EUR USD	1.1628	-0.02	-0.49	-0.67
GBP USD	1.3466	0.04	-0.11	0.37
USD JPY	159.91	0.19	-0.25	1.62
Equities				
S&P 500	7,610	0.13	6.64	10.58
Dow Jones	51,308	0.45	5.01	4.91
NASDAQ	27,094	0.03	9.81	19.10
STOXX 600	625	0.66	3.71	0.27
DAX	25,124	0.48	4.88	1.97
Nikkei 225	66,734	-0.30	11.38	14.95
FTSE 100	10,374	0.33	1.57	-3.77
SENSEX	74,650	0.52	-3.67	-6.97
Hang Seng	26,038	2.52	-0.28	-0.08
MSCI World	4,879	0.36	5.91	7.64
MSCI EM	1,789	0.90	10.55	12.82
Regional Equities				
ADX	9,621	-0.30	-2.83	-7.97
DFM	5,732	-0.74	-2.20	-11.86
Tadawul*	11,016	0.05	-0.14	-0.67
DSM*	10,407	-0.30	-2.86	2.43
MSM30*	7,772	-0.30	-6.93	-2.45
BHSE*	1,987	0.39	2.35	4.05
KWSE*	8,764	0.04	-1.57	4.26
Commodities				
BBG Commodity Index	137.2	0.39	-2.11	10.83
Brent USD/bbl	96.00	1.07	-18.66	23.49
WTI USD/bbl	93.76	1.74	-12.28	31.63
Gold USD/t oz	4,492.0	0.27	-1.18	-15.35
Silver USD/t oz	75.1	0.34	5.34	-15.98
Platinum USD/t oz	1,935.5	0.33	2.91	-16.11
Aluminum	3,809.2	0.85	7.36	19.23
Copper USD/MT	13,966.0	1.06	7.50	5.56

Digital Assets				
Bitcoin	67,489.9	-5.41	-10.79	-2.79
Ether	1,904.2	-4.94	-14.99	-6.83
Solana	75.4	-7.04	-8.81	-13.96
XRP	1.2	-5.84	-10.32	-12.63
Volatility				
VIX	15.77	-1.74	-16.16	-26.45
MOVE	73.43	0.14	-1.21	0.30

Source: Bloomberg, and ADCB Asset Management *Notes: Data as at 8AM UAE time – June 03, 2025. Performance in local currency terms.

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