## Markets brace for a firmer Fed as semis crack and the Yen hits 40-year lows


**Reed Al Sheryani**
Senior Analyst
Tel: +971 (0)2 812 6784
reed.a@adcb.com

**Mohammed Al Hemeiri**
Senior Specialist
+971 (0)2 812 6450
mohammed.alhemeiri@adcb.com

**Kishore Muktinutalapati**
Head - Investment Strategy
+971 (0)2 812 6457
kishore.muktinutalapati@adcb.com

www.adcb.com/marketinsights


### Macro headlines

President Trump said Iran had agreed to nuclear inspections "into infinity," a claim Tehran immediately rejected, underscoring the fragility of the emerging peace framework. The US Senate passed legislation directing the administration to halt military action against Iran, marking another challenge from Congress as negotiations continue. The US also waived sanctions for 60 days, enabling Iranian crude and petrochemical exports while talks progress. The Bank of Japan's latest policy-review summary showed growing concern about inflation risks, with some policymakers arguing for faster rate hikes to move borrowing costs closer to neutral. Turning to data releases, June flash PMIs painted a mixed global picture. US business activity expanded for a third month, though growth remained softer than earlier in the year. Manufacturing demand was strong but driven partly by precautionary stockpiling amid supply chain concerns, while services lagged. Employment in manufacturing fell at the fastest pace since May 2020. The UK private sector contracted for a second month, with weak services demand offsetting a temporary lift in manufacturing. Eurozone PMIs signaled another month of contraction, with new orders falling and employment slipping. Germany and France both reported ongoing declines in activity, though France's downturn eased. India's PMI data showed slower demand growth and softer hiring, while Japan recorded its strongest rise in activity in three months, supported by firmer demand in both manufacturing and services.

### Market performances

Global equities fell sharply on Tuesday as investors unwound crowded positions in technology and semiconductor stocks. The Nasdaq dropped 2.2%, the S&P 500 fell 1.4%, and the Dow slipped 0.09%. The SOX index plunged nearly 8%, while Nvidia fell 4% and Tesla dropped almost 6%. South Korea's Kospi index tumbled 10% in its steepest one-day decline since March, contributing to a 1.73% fall in MSCI All Country World index. European equities also weakened, with the STOXX 600 down 0.73%. Most Gulf equity markets closed lower on Tuesday as investors grew cautious amid progress in US-Iran talks and mounting expectations that the Federal Reserve could take a more aggressive stance against inflation later this year. Oil prices remained subdued as tanker traffic through the Strait of Hormuz increased and physical market prices approached pre-conflict levels. Brent settled below USD80/bbl, while WTI also traded lower. The easing of sanctions on Iran and progress in talks reduced geopolitical risk premiums, though the durability of the peace trajectory remains uncertain. Treasury yields eased slightly after recent surges, with the 2-year at 4.23% and the 10-year at 4.50%. Money markets now nearly fully price a rate hike by September, pushing the dollar index to 101.38 – a one-year high. The yen hovered near 40-year lows at 161.56 per dollar, raising the risk of intervention. The euro slipped below USD1.138, while sterling fell to USD1.3194 amid political uncertainty following Prime Minister Starmer's resignation. Gold declined c1.7% to USD4,109.49/oz as higher rate expectations weighed on non-yielding assets. Bitcoin and Ethereum also fell, down 2.0% and 3.6%, respectively.

## What's Next

Wednesday's calendar includes the US Q1 current account balance and May new home sales, Brazil's June consumer confidence index, Mexico's bi-weekly CPI, and Argentina's Q1 current account data. Europe releases Germany's June ifo business climate index, while Thailand announces its policy rate. APAC data include Australia's May CPI, Taiwan's May industrial production, and Hong Kong's May CPI. The Bank of England's Huw Pill speaks in London, and the US Federal Reserve publishes its annual bank stress test results. Earnings highlights include Micron Technology, Jefferies Financial, and several UK and US corporates.

| Performance snapshot* | | | | |
|---|---|---|---|---|
| Rates | Latest | 1D (bp) | 1M (bp) | 3M (bp) |
| SOFR | 3.61 | 0.00 | 11.00 | -1.00 |
| UAE Eibor 3m | 3.96 | 6.59 | 22.06 | 28.72 |
| UAE Eibor 12m | 4.13 | -12.59 | 10.20 | 36.92 |
| US 3m Bills | 3.75 | -0.89 | 11.22 | 6.40 |
| US 10yr Treasury | 4.50 | -1.19 | -8.86 | 15.49 |
| German 10yr Bund | 2.92 | -3.30 | -17.70 | -8.60 |
| UK 10yr Gilt | 4.75 | -5.40 | -23.40 | -16.60 |
| Fixed Income | | **1D (%)** | **1M (%)** | **3M(%)** |
| Global Agg. Index | 499 | -0.11 | 0.09 | 0.34 |
| Global Treasuries | 206 | -0.14 | -0.01 | -0.07 |
| Global Corporate | 303 | -0.03 | 0.34 | 0.99 |
| EM USD Sovereign | 468 | -0.15 | 2.10 | 3.75 |
| EM LCY Sovereign | 165 | -0.31 | 0.54 | 2.04 |
| Global High Yield | 1,896 | -0.21 | 0.86 | 2.87 |
| Currencies | | | | |
| Dollar Index | 101.41 | 0.38 | 2.34 | 2.48 |
| EUR USD | 1.1380 | -0.45 | -2.12 | -1.91 |
| GBP USD | 1.3187 | -0.44 | -1.90 | -1.77 |
| USD JPY | 161.60 | 0.03 | 1.74 | 1.99 |
| Equities | | | | |
| S&P 500 | 7,365 | -1.44 | -0.91 | 11.92 |
| Dow Jones | 51,667 | -0.09 | 3.31 | 11.81 |
| NASDAQ | 25,587 | -2.21 | -2.60 | 16.59 |
| STOXX 600 | 635 | -0.73 | 2.31 | 10.03 |
| DAX | 24,894 | -0.98 | 0.63 | 9.89 |
| Nikkei 225 | 69,788 | -3.55 | 16.69 | 35.47 |
| FTSE 100 | 10,429 | -0.09 | -0.03 | 5.40 |
| SENSEX | 76,201 | -1.16 | 1.17 | 4.82 |
| Hang Seng | 23,336 | -1.82 | -9.02 | -4.29 |
| MSCI World | 4,753 | -1.43 | -0.29 | 11.08 |
| MSCI EM | 1,734 | -3.83 | 5.88 | 22.09 |
| Regional Equities | | | | |
| ADX | 10,025 | -0.11 | 4.44 | 6.39 |
| DFM | 6,105 | -1.27 | 8.50 | 13.41 |
| Tadawul* | 11,034 | -0.35 | 0.06 | -4.50 |
| DSM* | 10,409 | -0.36 | -1.73 | -2.85 |
| MSM30* | 7,303 | -1.16 | -6.07 | -12.40 |
| BHSE* | 2,036 | 0.28 | 2.90 | 5.04 |
| KWSE* | 8,710 | -0.38 | -1.20 | -2.17 |
| Commodities | | | | |
| BBG Commodity Index | 124.4 | -1.25 | -11.23 | -3.43 |
| Brent USD/bbl | 77.08 | -1.05 | -26.60 | -22.87 |
| WTI USD/bbl | 73.21 | -2.15 | -25.49 | -16.93 |
| Gold USD/t oz | 4,134.4 | -1.33 | -8.82 | -6.60 |
| Silver USD/t oz | 61.6 | -5.39 | -18.86 | -10.93 |
| Platinum USD/t oz | 1,654.8 | -1.61 | -15.31 | -12.03 |
| Aluminum | 3,240.4 | -3.94 | -11.45 | 0.25 |
| Copper USD/MT | 13,334.0 | -2.26 | -0.63 | 12.14 |

| Digital Assets | | | | |
|---|---|---|---|---|
| Bitcoin | 62,395.0 | -3.07 | -19.66 | -11.99 |
| Ether | 1,662.3 | -4.08 | -22.11 | -23.10 |
| Solana | 68.9 | -5.26 | -19.95 | -24.89 |
| XRP | 1.1 | -2.43 | -19.41 | -23.28 |
| Volatility | | | | |
| VIX | 19.49 | 12.79 | 11.75 | -25.47 |
| MOVE | 68.78 | -1.77 | -15.64 | -29.92 |

Source: Bloomberg, and ADCB Asset Management *Notes: Data as at 8AM UAE time – June 24, 2025. Performance in local currency terms.

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