

GLOBAL MARKETS

WEEKLY MARKET BRIEF



Highlights.

In the week, investors' attention was turned to the U.S. 20-year Treasury bonds which had a weaker-than-expected auction pushing longer-term yields higher and saw the 30-year yield hit its highest level since 2023, though Treasuries across most maturities recovered some ground by the end of the week. This volatility in the Treasury market sent U.S. stocks lower for the week, with the S&P 500 Index and Dow Jones Industrial Average both falling back into negative territory for the year after ending the prior week slightly positive. The weak auction and subsequent move in yields was partially attributed to credit rating agency Moody's downgrade of U.S. sovereign debt at the end of the prior week amid concerns about rising U.S. federal debt and fiscal deficits. This appeared to be amplified later in the week after the House of Representatives passed President Donald Trump's tax bill, which some believe could increase federal debt considerably over the next several years. Piling on to the bearish sentiment, President Trump on Friday announced plans to impose a 50% tariff on imports from the European Union, effective June 1, stating that trade talks are "going nowhere." This led to the pan-European STOXX 600 Index closing in negative territory for the week, snapping a five-week winning streak. The European Commission (EC) reduced its forecast for economic growth in 2025 to 0.9% from the 1.3% it had projected in late 2024. The downward revision reflected rising tariffs and uncertainty surrounding U.S. trade policy. In Asia, market participants kept a watchful eye on Japanese 10-year government bond yields which rose to 1.54%, near the highest level since 2008, on rate-hike expectations. This comes after comments from the Japanese Prime Minister stating that the country's fiscal health is worse than that of Greece during its debt crisis in the early 2010s while rejecting calls for tax cuts. Investors remain watchful on the ripple effects that a weaker Japanese economy could cause to the broader global economy while also watching for the longevity of the tariff threat to the European Union.

Data highlights: Canada's inflation report for April showed inflation rose by 1.7% YoY, down from March 2.3% gain. Though slightly higher than market 1.6% expectation. The Eurozone inflation for April was reported at 2.2% YoY, which matched analysts' expectations. In the U.K, the YoY inflation rate for April surged higher to 3.5%. The biggest jump between two months since 2022. In Japan the YoY inflation rate for April was reported at 3.5%. Higher than analysts' expectation of 3.4%. Australia cut its interest rates by 25 basis points to 3.85% which also matched market expectations.

Week ahead: U.S FOMC Minutes, Australia Consumer Price Index – Wednesday | U.S Preliminary GDP Growth Rate QoQ – Thursday | Japan Unemployment Rate, Australia Retail Sales – Friday

Global Markets Overview

Treasury yields: The yield on the U.S. 10-Year note plunged from a three-month high to close Friday at 4.51% following fresh tariff threats from President Trump that drove markets to rethink growth concerns from uncertain trade policy. The President made recommendations for passing a 50% tariff on the European Union starting next month, which will hurt the demand from a major exporter to the US and risk retaliatory tariffs from the bloc. Stronger-than-expected inflation data fuelled expectations of further policy tightening by the Bank of Japan. Japan's 10-Year government bond yield held at 2008 highs of 1.54% to close Friday. BOJ board member Asahi Noguchi emphasized that there is currently no need to significantly alter the central bank's bond tapering plan.

Equities: The three major stock indices painted a picture of the overall US market that slid lower on fresh trade war fears. The S&P 500 fell 2.61%, the Dow declined 2.43% while the Nasdaq slipped 2.39% for the week. Donald Trump escalated trade tensions by threatening tariffs on both Apple and the European Union. Apple shares tumbled 7.57% to bring its valuation below \$3 trillion after President Trump made demands for Apple to produce iPhones sold in the US domestically or attract a 25% tariff. European stocks followed closely, posting sharp declines to close Friday, on the announcement of 50% tariffs on the EU to begin on June 1st, potentially removing demand from a key source of European exports. The pan-European STOXX 600 dropped to 561. As the week wound to a close, Nippon Steel shares rose sharply – up over 21% on Friday – after the Japanese company received a conditional green light from President Trump to take control of U.S. Steel under what he described as a partnership. Trump's announcement signalled that the Tokyo-based company could eventually enter the American steel market and make the big investments envisioned when it reached a \$14.1 billion deal to take over U.S. Steel.

Currencies: The US dollar index lessened earlier in the week losses to close at 99.5 mark on Friday, the lowest levels in over two weeks after Trump's announcement on EU. This announcement, if confirmed, would limit the outflow of dollars to Europe as it would hamper demand for goods from a major exporter to the US. Domestic and international markets avoided dollar-denominated assets, driving European and Asian asset classes to outperform their US counterpart for the month as Trump's threats rekindled concerns of aggressive and unpredictable trade policy during his administration. The greenback faced further pressure as a tax bill was passed by the lower house to widen the US budget deficit by more than expected just days after the Moody's downgrade. Inversely for the US closest ally, Canada, their currency strengthened to seven-month highs to close the week at 1.373 per Dollar as bets for a less-dovish Bank of Canada magnified the impact of a weaker dollar.

Commodities: Oil reversed potential gains for a third straight week on expectations of another OPEC+ production increase. WTI crude prices dropped 1.5% to settle at \$61.53 per barrel on Friday. The group is likely to add 411,000 barrels per day in July. Discussions this coming week will confirm the move. More on this, reports came out that suggest OPEC+ may unwind the remainder of its 2.2 million bpd voluntary cuts by October. Geopolitical tensions including Israel's reported preparations to strike Iranian nuclear sites and fresh sanctions on Russian oil offered some price support.

Bond Yields	Close	% W/W	% YTD
US 10Y	4.51	0.76	-1.27
Bund 10Y	2.57	-0.89	8.45
Gilt 10Y	4.68	0.69	2.47
Japan 10Y	1.54	5.13	39.69

Indices	Close	% W/W	% YTD
S&P 500	5803	-2.61	-1.34
EU Stoxx 600	561	-1.31	11.08
FTSE 100	8718	0.38	6.67
Nikkei 225	37160	-1.57	-6.85

Currencies	Close	% W/W	% YTD
EURUSD	1.1362	1.78	9.74
GBPUSD	1.3537	1.91	8.16
USDJPY	142.56	-2.16	-9.31
USD Index	99.11	-1.96	-8.64

Commodities	Close	% W/W	% YTD
Gold	3358	4.80	27.93
Copper	480.65	5.51	19.37
WTI Crude	61.53	-1.54	-14.21
Wheat	542.50	3.33	-4.74

Performance of Major Global Financial Assets

% Change.

W/W	0.8	-0.9	0.7	5.1	-0.7	-0.3	-2.6	-2.4	-1.9	-0.6	0.4	-1.6	1.1	-2.0	1.8	1.9	-2.2	-0.5	-1.1	-1.5	4.8	5.5	-1.3	3.3	
MTD	8.4	5.0	5.4	16.8	6.2	0.6	4.2	6.9	3.2	5.0	2.6	3.1	6.7	-0.4	0.3	1.6	-0.4	-1.2	-4.1	5.7	2.1	5.4	-9.9	2.2	
YTD	-1.3	8.4	2.5	39.7	1.4	1.8	-1.3	-0.5	8.8	18.7	6.7	-6.9	17.7	-8.6	9.7	8.2	-9.3	-1.6	-5.3	-14.2	27.9	19.4	17.0	-4.7	
	US 10Y	BUN 10Y	GILT 10Y	JAPAN 10Y	AUS 10Y	EU 10Y	ITAL 10Y	S&P 500	NASDAQ	EU STOXX 50	DAX INDEX	FTSE 100	NIKKEI 225	HANG SENG	USD INDEX	EUR USD	GBP USD	USD JPY	USD CNY	USD ZAR	WTI CRUDE	GOLD	COPPER	COFFEE	WHEAT
	GOV. BOND YIELDS						EQUITY INDICES						CURRENCIES				COMMODITIES								

KEY: -100%  +100%

Data Sources: Bloomberg, Investing.com, TradingEconomics, T-RowePrice, Standard Investment Bank

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