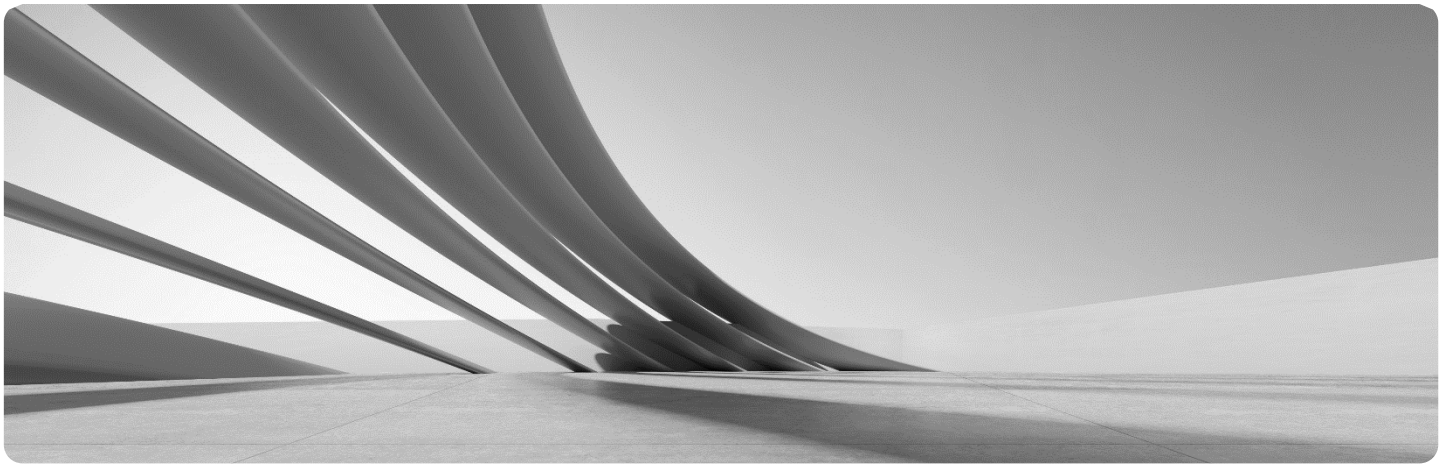
Data confirms a supportive H1, with uncertainty building into H2

- **Last week was positive for cyclical assets, backed by solid top down and bottom-up data**
- **Market's reaction to the earnings season confirms that valuation-implied expectations are demanding…**
- **… At a time when visibility on both growth and inflation is not high for H2.**



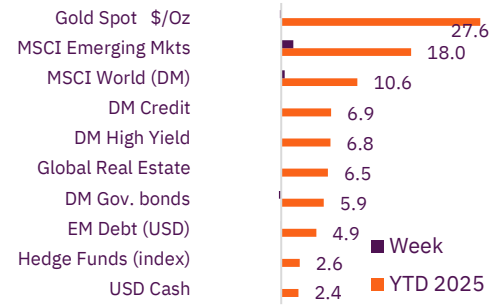
To put it simply: last week was positive for equities, especially from emerging markets and especially from China, while the rest was pretty much flat with, interestingly, a slight rebound from the dollar. Overall a pro cyclical week.

Indeed, there were good news from economic data. China surprised positively on its June trade numbers, for both exports and imports, and their real GDP growth for the first half of the year came in at a strong +5.3%. Good news continued in the US: retail sales, industrial production, weekly jobless claims as well as surveys (Empire manufacturing and Philly Fed) were all better than forecast. June inflation didn't spoil the party as CPI was in line with expectations and PPI a bit better. This means that so far the top down situation is very supportive, with resilient growth and no drift from inflation. Of course, there is uncertainty ahead stemming from US tariffs and their potentially dire consequences on both activity and prices, while on the latter, disinflation is most probably behind us regardless.

Chinese markets celebrated the good news, but US stocks not that much, despite an also strong start of the Q2 earnings season especially for big banks. Unimpressed? The fact is that their rich valuation already embeds high implicit expectations. Misses are severely punished while beats to not generate euphoria.

Our positioning remains thus slightly defensive with an underweight in Western stocks in particular. But we are not outright bearish: fundamentals are sound (with risks, but the worst is never certain), we will have at some later time monetary support, and many global investors are still underexposed to risk despite an apparently bullish sentiment. The week ahead will provide flash PMIs for July, a probably "passive" ECB meeting, and more Q2 corporate earnings, including some big US tech names. Have a great week.

Asset Classes USD % total. Return, Week and YTD 2025



July 21st, 2025

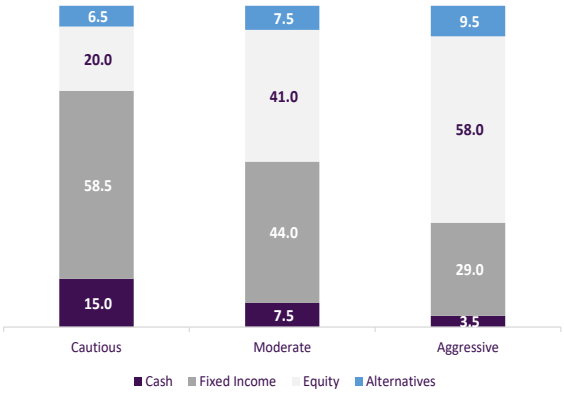
Cross-asset Update

The past week delivered positive macroeconomic news across the board and proved once more that the US economy can be exceptionally resilient, even amidst a raging trade war and rising tariffs. Moderate inflationary pressures and a US consumer still willing to spend supported risk appetite. China, that usually stays under the radar, was also in the limelight, as real growth for Q2 exceeded expectations. What is notable is that money supply in the country is showing signs of acceleration, in turn feeding through to the market and eventually in the economy. Chinese money supply is a major contributor to global liquidity, so in this case a boon to the global business cycle. And all the more so it leads Chinese activity as well, pointing to a brighter outlook for the second-largest world economy. That Chinese equities are at new highs for the year and breaking out getting past relevant resistance levels is also telling us that there is quite some investor's conviction behind the current bullish phase. The emerging markets are participating in the rally, leading their developed peers year-to-date and likely continuing to do it for the rest of the year given the current developments in China. We can only say that rarely have we seen such a synchronous stimulus cycle, considering that fiscal policy in the United States will be more accommodative following the approval of Trump's Big Beautiful Bill, and that Europe is planning to spend on rearmament and infrastructure for a number of years. Global growth should be stronger, making equity investors happy, while giving some headaches to bondholders with the prospect of rising yields. The US dollar is likely to weaken further, as it usually does when the global cycle is strong, with investors selling more defensive dollar-centric assets to find opportunities in more cyclical markets.

All looks fine and good, to some extent bringing back to mind the post GFC-time when China supported global growth with exceptional stimulus measures while other countries were struggling. That was a deflationary period, though, following a major negative shock to the global economy. This time around China's improving growth prospects would in the end turn out to be inflationary, with the country ceasing to be a major source of global deflation and adding to the price pressures stemming from the synchronous stimulus cycle. Gold seems to be waking up to this prospect, only a few percentage points removed from all-time highs despite the impressive run so far for the year. And the dollar as well, looking ready to resume its weakening course after a tepid rebound, as the Fed would be suppressing yields in the face of rising inflation.

Exuberance in markets seems excessive for the short term, yet there is reason to be optimistic looking further afield.

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		=	

Fixed Income Update

Last week, the 10-year US Treasury yield started with a noticeable increase, reaching above 4.48% by midweek. The move was mainly driven by strong economic data, including solid retail sales and low jobless claims, which made investors think the economy was still strong and inflation risks might return. However, by the end of the week, the yield dropped back down and closed around 4.42%, almost unchanged from the previous Friday. This decline came after softer inflation data and cautious comments from the Federal Reserve, which helped calm the market. The overall message from the bond market was mixed, with early concern about growth and inflation giving way to a wait-and-see approach.

Credit spreads remained steady last week. Investors continued to show demand for both investment grade and high yield bonds, supported by softer inflation data and a calm market tone. Early earnings reports from US banks showed some mixed results but didn't lead to wider spreads. While fundamentals still look solid, there are signs of pressure from rising funding costs and tight valuations. For now, the credit market is stable, but the room for further tightening looks limited.

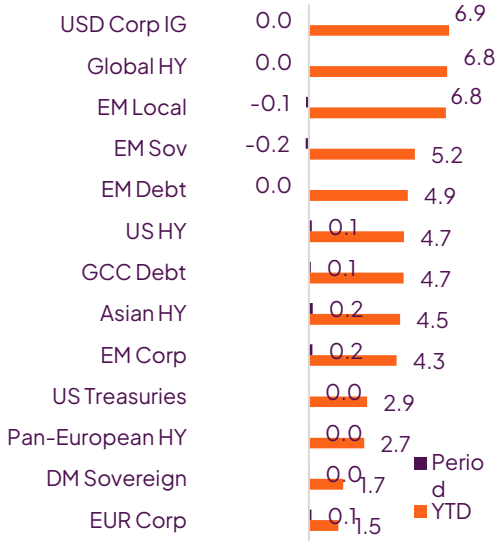
Emerging market bonds had a mixed week. Some support came from better economic news in China, like stronger exports and factory activity. But other signs, such as weak retail sales, showed that the recovery is still uneven. Trade tensions, especially with new U.S. tariffs, also kept investors careful. Overall, there were no big changes in investor flows, but people stayed selective and preferred higher-quality names. The market stayed balanced, with some gains in parts of Asia, while other regions were more muted.

The GCC debt market was quiet last week, with no new bond or sukuk deals announced. Issuers appeared to pause amid global uncertainty and shifting rate expectations. Market activity stayed low, though the backdrop remained supportive thanks to firmer oil prices and overall calm in credit markets. Investors continue to monitor global developments, and issuance is expected to stay light until there is more clarity.

FIXED INCOME KEY CONVICTIONS (2024)

DEVELOPED MARKETS
Overall overweight DM FI
OW Government Bonds
Neutral corporate (IG & HY)
EMERGING MARKETS
Neutral EM Debt
Favor quality and selectivity
Including in GCC

Fixed Income Sub Asset Class Returns (US$ TR, YTD, Last Week)



Source: Bloomberg

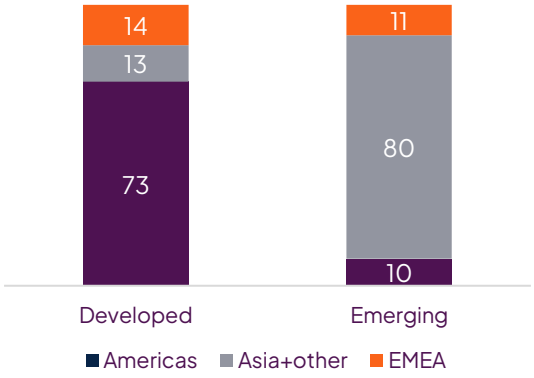
Equity Update

Global equities advanced last week as markets gained confidence from a robust start to the earnings season and renewed strength in Asia. The MSCI ACWI rose 0.6%, with developed markets up 0.5% and emerging markets climbing 1.7%. Optimism spread beyond the US tech complex, with encouraging earnings breadth and early signs of margin resilience supporting rotation into financials, industrials, and consumer-linked names. China delivered standout gains, adding ballast to global sentiment. In the US, the S&P 500 added 0.6%, closing at another record. The second-quarter earnings season is off to a stronger-than-usual start. So far, 12% of S&P 500 companies have reported, with the proportion and magnitude of earnings surprises exceeding 10-year averages. Banks led early reporting. JPMorgan reported solid net interest income and better-than-expected credit trends. Goldman Sachs posted its best equities trading performance since 2021, driven by higher derivatives and prime brokerage flows. Bank of America topped estimates on a trading rebound, while Wells Fargo fell after lowering its net interest income guidance. BlackRock came under pressure as long-term inflows missed consensus despite record AUM. Outside of financials, momentum broadened. TSMC provided a powerful catalyst. The chipmaker lifted its full-year sales forecast to over 20% growth, citing strong AI chip demand from clients such as Nvidia and Apple. The upbeat readout sparked a global semiconductor rally, with sentiment extending across the value chain.

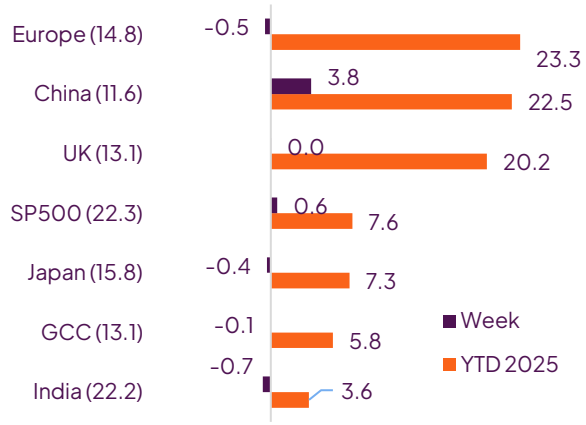
Europe struggled to keep pace. The MSCI Europe Index fell 0.2% as mixed macro signals and muted corporate momentum tempered flows. ASML flagged softness in order trends, weighing on chip equipment peers. Renault declined after cautioning on global auto demand. Stellantis reported a 6% revenue drop in the second quarter and warned of intensifying pricing pressure in key markets, adding to autos-sector drag. Still, there were pockets of strength. Germany's ZEW sentiment index rose, and UK defensives caught flows following soft labor data and budget reshuffling. Asia outperformed. The MSCI China Index surged 3.7% as Beijing announced plans to deepen support for electric vehicles and green tech. EV makers led gains, while biotech and consumption names rebounded. Hong Kong indices caught a bid as flows returned to tech and platform names. Onshore sentiment turned more constructive, with mainland benchmarks narrowing their discount to offshore peers. Japan's TOPIX added 0.4%. Declining yields helped lift financials and utilities, while real estate outperformed on rate-sensitive positioning. Exporters lagged as the yen strengthened and trade data showed early signs of slowing.

Earnings will remain center stage. This week, 112 S&P 500 companies are slated to report, including five Dow constituents. Tesla will lead with results due Wednesday, drawing scrutiny over sliding vehicle sales, its nascent robotaxi ambitions, and Elon Musk's broader visibility. Key tech names including Google, Intel, and IBM are also on deck, alongside a diverse mix of industrials and consumer giants. Coca-Cola, General Motors, Verizon Communications, and HCA Healthcare will offer additional insight into domestic demand and margin stability across sectors.

Equity Recommended Regional Positioning

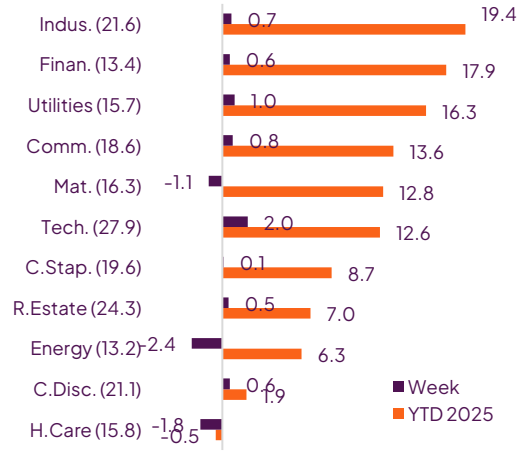


Major Indices Performance (TR, US$), P/E in brackets



Source: Bloomberg consensus. MSCI Indices unless specified.

Global Sector Performance (TR, US$), P/E in brackets



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

Disclaimer

This document is prepared by Emirates Islamic Bank (P.J.S.C) ("the Bank" or "Emirates Islamic"), a public joint stock company incorporated in Dubai, United Arab Emirates (UAE) and licensed to provide various financial services including promotion, financial consultation, and securities portfolio management. Emirates Islamic is regulated supervised and controlled by the Central Bank of the UAE ("Central Bank") and the Securities and Commodities Authority of the UAE ("SCA"), having its head office at Building 16, Executive Towers, Dubai Healthcare City, P.O. Box 6564, Dubai, United Arab Emirates. This document may be distributed and/or made available by the Bank (through its website, its branches or through any other modes, whether electronically or otherwise).
Emirates Islamic is a group company of Emirates NBD Bank PJSC, and together with its affiliates, subsidiaries and group entities, including its shareholders, directors, officers, employees and agents are collectively referred to Emirates NBD Group.
This publication is prepared without regard to the individual financial circumstances and objectives of persons who receive it. Data/information provided in this publication are intended solely for illustrative purposes for the general information or its recipients, irrespective of their customer classification as an Ordinary Investor or Professional Investor under the SCA Regulations.
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

This publication may include data/information taken from stock exchanges or other third-party sources from around the world, which Emirates Islamic 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 Islamic is a party. Opinions, estimates and expressions of judgment are those of the writer and are subject to change without notice. Emirates Islamic 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 Islamic 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 Islamic does not undertake any obligation to issue any further publications or update the contents of this document. Emirates Islamic may also, at its sole discretion, update or change the contents herein without notice. Emirates Islamic or any member of Emirates NBD Group does not accept any 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 Islamic 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.

Disclaimer

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 Islamic 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.

Funds which are approved by the Securities and Commodities Authority (SCA) for promotion within the UAE by the Bank, shall not be deemed a recommendation to purchase or invest in the fund and SCA shall not be held liable for the failure of any other party concerned with any fund to fulfil their obligations and duties, or for the accuracy and integrity of the details concerned in the respective fund prospectus and such responsibility shall be held by the parties whose names are indicated in the fund prospectus according to the roles and functions of each party.

Liability

Notwithstanding anything to the contrary set forth herein, Emirates Islamic, 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 Islamic, 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 Islamic 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.

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.

Investors should make their own investigation into the Shariah compliance of any investment they wish to invest in. No reliance should be on the Bank or any declarations, fatwa, opinion, or other documents prepared by, on behalf or at the request of the Bank for the purposes of a determination or confirmation that the investment is Shariah compliant. Internal Shariah supervision committee of the product (s) issuing entity holds the responsibility of ensuring conformity of the product with Shariah.

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 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 Islamic 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.

Disclaimer

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 Islamic may use different models, make valuation adjustments, or use different methodologies when determining prices at which Emirates Islamic 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 Islamic 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 Islamic 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 Islamic 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 Islamic, at all times be and remain the sole and exclusive property of Emirates Islamic 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 Islamic. Furthermore, you should not use any of the trademarks, trade names, service marks, copyrights, or logos of Emirates Islamic 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 Islamic's prior written consent. You shall have no ownership rights in and to any of such items.