



THE FUTURE IS YOURS

AIP

May 9th, 2025

A thaw in the trade war

A month ago, it was mentioned about “Time for bargain hunting, not for selling”. That came just after President Trump had paused reciprocal import tariffs following a near-riot in equity, bond and FX markets. As it turned out, global and US equities have both rebounded 14% in the past month as trade uncertainty eased. The UK has already reached a trade deal with the US. In Asia, we expect Japan, Korea and India to reach interim trade agreements in the next few months. While investor positioning indicators still point to further near-term upside in US equities, it is time to use the US rally to rebalance towards less expensive non-US markets, which are backed by policy support. China stands out, especially after this week’s announcement that US and China will start preliminary talks and after China unveiled a new set of policy easing measures. “Buy-on-dips” idea on gold, especially if it falls to the USD 3,000-3,250 range.

Equities: Will China equity markets continue to outperform?

There is room for China equities to outperform the rest of Asia ex-Japan over the next 6-12 months. China recently announced a set of policy measures to stimulate the economy and the government will roll out further measures. Continue bullish stance on China equities and would add further exposure if the Hang Seng index dips to 22,000 and the Hang Seng Technology index reaches 5,000.

Bonds: What is the outlook for US rates after the latest Fed decision?

Long-term bond yields will continue to be influenced by economic data in the near term, with the effect of US tariffs showing up in the data in H2 25. Hence, expect the Fed to implement three 25bps of rate cuts over the next 12 months, starting in H2 25. Developed Market government bonds, especially when the US 10-year yield rises above the 12-month target range of 4.0-4.25%. Alternatively, add US Agency mortgage-backed bonds which offer higher yields and have high correlation with government bonds.

Commodities: What is the near-term outlook for gold?

As US tariff concerns ease, safe-haven demand for gold has moderated. Nonetheless, US-China trade talks will be protracted and complex, while US policies will also stay unpredictable under Trump. Therefore, safe-haven demand will not disappear completely, and this lends a floor to gold prices. It is expected that prices will consolidate below recent highs (~USD 3,430/oz) in the near-term, but the downside is limited. Strong support is seen at USD 3,000/oz, so look to add exposure on weakness.

DISCLAIMER

Information provided in this document is indicative and has no contractual value. It is subject to frequent changes, especially due to evolutions in the legislative and regulatory environment. This information does not constitute an investment, legal, accounting or tax advice. Before any implementation the recipient of this document must consult an independent professional advisor in order to determinate if his objectives are compatible with proposed operations and to obtain all financial accounting legal and tax information necessary to allow him to appreciate characteristics risks and suitability of each intended operation and cannot be held responsible for any consequences especially financial as the result of operations which would be realized based on this only document.

Information provided in this document are coming from the best sources. Nevertheless, Arabian International Partners LLC (AIP), its subsidiaries and employees, cannot be held responsible for any financial or other consequences that may arise from the use or distribution of this document.

This confidential document is exclusively intended for the person to whom it is given and may not be communicated to third parties (except for external advisers under the condition they respect this confidentiality undertaking) and may not be reproduced, copied or circulated without prior authorization of Arabian International Partners LLC (AIP).

©AIP, 1006 , Al Hawai Tower, Sheikh Zayed Road , Dubai, United Arab Emirates.

THE FUTURE IS YOURS  AIP

Corporate Finance
Structured Debt
Debt Capital Markets
Financial Sponsor Coverage
Advisory

arabianipl.com