

U.S.

Earlier in the month, U.S and China agreed to pause levy of additional tariffs announced in April 2025 for 90 days and to also lower tariff levels. Additionally, U.S and U.K have also arrived at a trade deal to lower tariffs, giving room for optimism that U.S might strike such deals with other countries as well.

Nasdaq 100 surged by 9.0% during the month on the back of strong earnings reports and expansion plans from tech companies. Companies like Microsoft, NVIDIA and Meta have reported positive earnings growth. NVIDIA share price gained 24.1% during the month supported by a deal to sell chips to Saudi Arabia and potential deal to supply chips to UAE. Meta's stock price increased by 17.9% for the month supported by a 35% y/y rise in its net income for Q1 2025. Tesla has gained 22.8% in May after it announced plans to start shipping components from China to the US from May 2025 end.

The yield on the 10-year US treasury notes rose by 24 bps during the month to 4.41%. U.S Fed held steady rates in May 2025, citing an increased risk of inflation and unemployment and higher uncertainty around economic outlook, in the backdrop of recent tariffs. Yields also increased amid prospective weakness in U.S fiscal position.

Moody's has downgraded the U.S' sovereign credit rating to Aa1 from Aaa, citing concerns on the growing debt of over USD 36 due to increasing government expenditure and flat government revenues. The U.S House of Representatives has also passed the tax and spending bill which would increase tax breaks and defense spending, weakening the country's fiscal position.

The Bureau of Economic Analysis (BEA) reported that the core personal consumption expenditures (PCE) index—the Federal Reserve's preferred measure of inflation—rose 2.5% year over year in April, down from 2.7% in March and the lowest annual reading since 2021. While the April data appeared to show a promising trend, the reading remained above the Fed's long-term target of 2%, and many market participants do not expect to see the full impact from tariffs until later this year.

While de-escalation of trade tensions had supported markets during the month, further developments on trade relations between U.S-China and U.S-EU would continue to impact markets, with persisting concerns over economic outlook and inflation.

Developed Markets	31st May	May %	YTD%	2024%
MSCI World	3,863	5.7%	4.2%	17.0%
DJIA	42,270	3.9%	-0.6%	12.9%
S&P 500	5,912	6.2%	0.5%	23.3%
NASDAQ	21,341	9.0%	1.6%	24.9%
Nikkei 225	37,965	5.3%	-4.8%	19.2%
MSCI Europe	2,371	3.8%	18.4%	-0.9%
DAX (Germany)	23,997	6.7%	20.5%	18.8%
CAC 40 (France)	7,752	2.1%	5.0%	-2.2%
FTSE 100 (UK)	8,772	3.3%	7.3%	5.7%
IBEX 35 (Spain)	14,152	6.5%	22.1%	14.8%

Europe and Japan

In May, the MSCI Europe Index ended 3.8% higher over April, after U.S. President Trump said he would give the European Union more time to negotiate a trade deal before 50% tariffs take effect.

Slowing inflation in some major European economies also reinforced expectations that the European Central Bank (ECB) would cut interest rates.

Preliminary headline inflation in Spain and Italy slowed to 1.9% in May, just below the ECB's 2% target. In France's consumer price index increased 0.6% year over year, easing from the 0.9% inflation rate registered in April. In Germany, the annual rate of consumer price increases came in at 2.1%, down from the 2.2% recorded a month earlier but above the consensus estimates.

The number of unemployed people in Germany rose by 34,000 in seasonally adjusted terms to 2.96 million in May, more than the 10,000 forecast by analysts. Job opening declined by 67,000 from last year levels to 634,000, indicating weaker demand for labor.

In the UK, Business confidence in the services sector—the largest part of the economy—fell to a two-and-a-half-year low in the three months through May after a hike in employment tax took effect and expectations for price increases grew, according to the Confederation of British Industry. Investment intentions, business volumes, and hiring cooled as well.

Additionally, the Society of Motor Manufacturers and Traders said that total car and commercial vehicle production in April fell 15.8% from a year earlier to 59,203

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units—the lowest for that month since 1952, excluding the decline during the coronavirus pandemic.

Japan's stock markets rebounded in May, with the Nikkei 225 Index gaining 5.3%, amid rising hopes of a trade agreement between the U.S. and Japan. Japan's Prime Minister and the US President reportedly held constructive fourth round of talks in Washington. This, together with Trump's backing for Nippon Steel's bid for U.S. Steel, fueled speculation that both sides are paving the way for an accord by the time of the G7 meeting in mid-June, when both leaders plan to meet.

Bank of Japan's Governor warned of high uncertainty on the economic outlook due to the impact of trade and other policies, with risks to economic activity and prices skewed to the downside.

Emerging Markets

Emerging market equities are off to their best start since 2017, surging 7.6% YTD and outperforming developed markets (MSCI World) by 3.4%. Faster AI adoption, led by DeepSeek, is fueling strong performance in the software and IT services sectors.

The MSCI EM index gained 4.0% during the month. Chinese equities rose by 2.1%, supported by easing trade tensions, stimulus measures, rate cuts and positive economic data. Indian equities also gained by 1.5% for the month, on the back of institutional interest and earnings momentum.

Taiwan index rebounded strongly in May 2025, gaining 5.5%, after the announcement of the pause in US tariffs, especially considering the economy is export-oriented. Further, Taiwan's Q1 GDP growth rate surged to an impressive 5.48%, revealing a robust economic rejuvenation, as Taiwan's GDP performance more than doubled within a year. This growth aligns with various strategic initiatives aimed at bolstering the nation's industrial and technological sectors.

South Korea's index surged by 5.5% in May, despite gloomy economic conditions, on the back of renewed foreign investors interest amid easing of trade tensions. Bank of Korea's Monetary Policy Board (MPB) decided to reduce its key interest rate, the Base Rate, from 2.75% to 2.50% even as South Korea's factory activity remained in contraction territory for the fourth consecutive month in May. Frail domestic demand and US tariffs heavily impacted factory output and overall orders plunged at their steepest pace in five years, according to a business survey.

Emerging Markets	31st May	May %	YTD %	2024%
MSCI EM	1,157	4.0%	7.6%	5.1%
Brazil (Bovespa)	137,027	1.5%	13.9%	-10.4%
India (Nifty 50)	24,751	1.7%	4.7%	8.8%
China (SHANGHAI SSEA)	3,508	2.1%	-0.1%	12.6%
Asia (MSCI Asia Pacific)	195	4.5%	7.5%	7.2%
Korea (KOSPI)	2,698	5.5%	12.4%	-9.6%
Malaysia (FTSE BURSA)	1,508	-2.1%	-8.2%	12.9%
Philippines (PSEi)	6,342	-0.2%	-2.9%	1.2%
Taiwan (Taiwan SE Weighted)	21,347	5.5%	-7.3%	28.5%
EMEA (MSCI EM Price)	222	0.8%	8.9%	1.7%
Czech Republic (Prague SE)	2,149	6.4%	22.1%	24.5%
Poland (WARSAW SE WIG)	101,476	2.8%	27.5%	1.4%
Turkey (BIST 100)	9,020	-0.6%	-8.2%	31.6%
Latin America (MSCI EM Lat. Am.)	2,214	0.9%	19.5%	-30.4%
Colombia (MSCI COLCAP)	525	-2.6%	29.8%	0.3%
Mexico (S&P/BMV IPC)	57,842	2.8%	16.8%	-13.7%

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GCC markets

The S&P GCC Composite index declined by 2.4% in May 2025, weighed by decline in Saudi equities. Saudi equity index declined by 5.8% during the month, amid decline in earnings for some majors like Saudi Aramco and SABIC, due to concerns on long-term impact of broader weakness in oil prices on government spending and 12% m/m decrease in the country's oil exports in March 2025. Saudi Aramco share price had declined by 1.4% for the month. The company's net profit for Q1 2025 declined by 4.6% y/y to USD 26.01 billion due to reduced sales amid global economic uncertainty and increase in operating costs. Saudi Telecom Company and Al Rajhi Bank's stock prices declined by 8.0% and 6.5% respectively for the month.

Kuwait markets were positive in May 2025, led by gains in Premier Market stocks. Kuwait's All Share Index (Total Return) gained 2.3% supported by positive corporate earnings for some companies in consumer staples and oil and gas. These sectors were top gainers, rising 16.2% and 6.9% respectively. The banking sector index increased 1.6% for the month.

S&P has affirmed Kuwait's credit rating at A+ with stable outlook, citing strong public and external balance sheets, backed by significant stock of government financial assets.

Qatar's equity markets were flat for the month, despite 6.1% gain in natural gas prices. Dubai's equity index gained 3.3% for the month, supported by gains in blue chips. Emirates NBD gained 9.0% during the month. The bank has received in-principle regulatory approval to set up wholly owned subsidiary in India. It has also offered USD 6 to 7 billion in an all-cash deal for a 61% stake in India's government owned IDBI Bank.

Commodities & Crypto

Oil (Brent) prices closed the month at USD 63.9 per barrel, rising by 1.2% during the month. While the easing of trade tensions lent support, concerns of rise in supply weighed on prices. Temporary pause in tariffs by U.S and China and U.S' extension of trade talks with European Union until 9th July 2025 eased worries over trade tensions. On the other hand, the potential re-entry of Iran to oil market would add 400,000 bpd to global crude supply. In addition, OPEC+ is also widely expected to continue to hike output in July 2025.

Gold prices closed at USD 3,289, gaining 0.04% for the month. The commodity has continued to post gains for the past five months, registering a YTD gain of 25.4%.

Crypto markets were largely positive for the month. Bitcoin prices increased by 10.5% in May 2025, driven by positive sentiment surrounding US markets. China announced a new ban prohibiting not just trading or mining of cryptocurrencies, but also individual ownership of digital assets like Bitcoin. This marks a significant escalation in China's historically hardline approach to crypto, reaffirming its commitment to centralizing financial control and promoting the use of its state-backed digital yuan.

Regional Indices	31st May	May %	YTD %	2024%
S&P GCC Composite	147	-2.4%	-2.7%	2.0%
Saudi Arabia (TASI)	10,990	-5.8%	-8.7%	0.6%
Abu Dhabi (ADI)	9,685	1.6%	2.8%	-1.7%
Qatar (QE Index)	10,463	0.0%	-1.0%	-2.4%
Kuwait (All Share TR Index)	11,345	2.3%	13.0%	12.2%
Dubai (DFMGI)	5,481	3.3%	6.2%	27.1%
Bahrain (BAX)	1,921	0.5%	-3.3%	0.7%
Oman (Muscat SM)	4,561	5.7%	-0.3%	1.4%

Commodities & Crypto	31st May	May %	YTD %	2024%
IPE Brent \$/bbl	63.90	1.2%	-14.6%	-2.9%
N Gas	3.46	3.3%	-4.7%	45.5%
Gold \$/oz	3,289.40	0.0%	25.3%	27.2%
Silver \$/oz	33.00	1.1%	14.2%	21.5%
Bitcoin/USD	104,034.00	10.5%	11.4%	121.0%
USD/EUR	0.88	-0.2%	-8.8%	6.6%
USD/JPY	144.06	0.7%	-8.4%	11.4%
USD/GBP	1.35	1.0%	7.6%	-1.7%

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