

# Monthly Capital Markets Review

February 2025



# Fixed Income & FX

## FED Watch

- **Semi-Annual Monetary Policy Report:** On 7<sup>th</sup> Feb 2025, the Fed highlighted in its report to Congress that since June 2024, they had reduced securities holdings by approx. \$297 bn.
- **Inflation Expectations:** On 10<sup>th</sup> Feb 2025, New York Federal Reserve's Survey of Consumer Expectations for January indicated that short-term inflation expectations was steady, but five-year inflation expectations rose by 0.3% point to 3.0% .
- **Fed Minutes:** As per Fed meeting minutes released on 19<sup>th</sup> Feb, officials are uncertain about future interest rate directions, emphasizing the importance of flexibility in response to policy changes under the Trump administration.

## Yield Curve & Sukuk Focus

- **U.S. bond yields** materially decreased during the month with mid to long term rates declining by 25 to 35 bps. This was driven by heightened economic growth concerns and trade policy uncertainties.
- **Sukuk markets** were positive in Feb-25 with Dow Jones Sukuk IG Index gaining 1.13% & the S&P Global HY Sukuk Index increasing by 0.62%.
- New Sukuk Issuances include:
  - TABREED raised \$700mn from sale of 5-yr green sukuk. Return was set at 5.279%.
  - SIB raised \$500mn in senior unsecured 5-yr sukuk priced at 5.20% (UST +89.8 bps).

## Central Bank Dashboard

- **Bank of England (BoE):** On February 6, the BoE reduced its benchmark interest rate by 25 basis points to 4.5%. This decision aimed to stimulate the UK economy amid sluggish growth and moderate inflation. Analysts anticipate further rate cuts in the coming months, potentially bringing the rate down to 3.5% by early 2026.
- **Reserve Bank of India (RBI):** In February, the RBI cut interest rates to stabilize the rupee and support economic growth. However, interventions to curb forex volatility have reduced rupee liquidity, slowing bank lending. The rupee emerged as the weakest Asian currency, prompting debates on allowing further depreciation.

## FX Monitor

- **The USD index** ended at 107.56 in February 2025 slightly declining by 0.61%. The performance was influenced by potential trade war with major trading partners of the US.
- **The EUR appreciated** by 0.13% in February, driven by improved growth prospects in Europe following Germany's proposed €500bn infrastructure fund.
- **The GBP appreciated** by 1.47% against the USD, supported by better-than-expected retail sales and GDP figures in the UK.
- **The JPY also strengthened** against the USD, as markets priced in higher expectations for two interest rate hikes by the BOJ in 2025

## Performance Summary

CB Policy Rates	Feb-25	Monthly Change bps	YTD Change bps
US (Upper Bound)	4.50%	-	-
Japan	0.50%	-	25.00
UK	4.50%	(25.00)	(25.00)
KSA (REPO rate)	5.00%	-	-
UAE	4.40%	-	-
Qatar (REPO Rate)	4.85%	-	-

CDS Spreads			
US 5Y CDS (Spread)	38.066	3.92	4.59
Abu Dhabi 5Y CDS (Spread)	36.720	(1.44)	(6.53)
Dubai 5Y CDS (Spread)	57.580	(2.52)	(5.25)
Kingdom of Saudi Arabia 5Y	60.452	(1.17)	(4.28)

Key Interest Rates	Feb-25	Monthly Change bps/ %	YTD Change bps/ %
UAE 1 Month	4.19%	(5.45)	(4.60)
UAE (1 Year)	4.30%	(6.25)	(4.99)
US 1 Month	4.31%	(0.50)	3.20
US 1 Year	3.91%	(25.62)	(24.62)
US 5 Year	4.02%	(34.09)	(36.29)

Sukuk Movement			
Dow Jones Sukuk IG Index	143.262	1.13%	1.54%
S&P Global HY Sukuk Index	184.721	0.62%	1.05%

Forex Rates			
EUR - USD	1.0375	0.13%	0.20%
USD - JPY	155.6300	-2.94%	-4.18%
GBP - USD	1.2577	1.47%	0.49%

# Equities

## UAE & Regional Markets

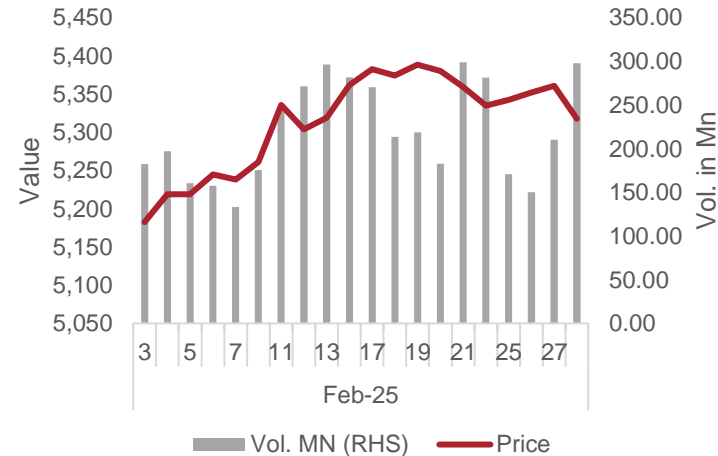
- FTSE ADXGI** declined by 0.2% in Feb-25 with 26 securities advancing and 56 declining. Turnover for Feb-25 increased by 42.4% on Month-on-month basis. This was primarily due to AED 10bn share sale of ADNOCGAS on 21<sup>st</sup> Feb-25.
  - HAYAH (48%) & SUDATEL (27%) were key winners, while BURJEEL (-28%) & LULU (-24%) were key losers.
- DFMGI** moved up by 2.6% in Feb-25 with 31 shares advancing and 25 shares declining. AED 14.8Bn worth of shares were traded resulting in 6.5% increase in turnover vs previous month.
  - EIB (25.7%) & UPP (14.0%) were key winners while NIH (-14.5%) and SHUAA (-12.7%) were key losers.

## Global Monitor

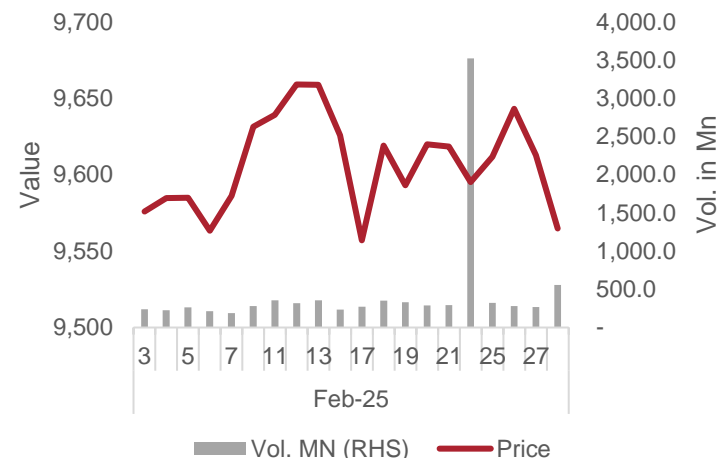
- The S&P500 decreased by 1.42%** in February 2025, pulled down by the magnificent 7 stocks. Decreased performance was driven by macro concerns on US government policies including tariffs and government spending cuts.
- Six of the 11 sectors in the S&P 500 increased in February 2025. Consumer Staples did the best, up 5.59% in February (up 7.58% YTD), as Consumer Discretionary performed the worst, down 9.42% (down 5.44% YTD).
- EU Stocks posted** positive gains on defense spending pledge, while Chinese stocks posted positive returns on renewed government support for the IT sector.

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## DFMGI Monthly Price-Volume



## FTSE ADXGI Monthly Price-Volume



## Performance Summary

Markets Performance	Feb-25	Monthly Change (%)	YTD Change (%)
<b>Regional</b>			
ADX (Abu Dhabi)	9,564.62	-0.2%	1.5%
DFM (Dubai)	5,317.63	2.6%	3.1%
TASI (Tadawul)	12,111.90	-2.4%	0.6%
QSI (Qatar)	10,445.69	-2.1%	-1.2%
BKM (Kuwait)	8,101.19	4.1%	10.0%
MSX (Oman)	4,435.86	-2.4%	-3.1%
<b>Global</b>			
S&P 500 (US)	5,954.50	-1.4%	1.2%
DAX (Germany)	22,551.43	3.8%	13.3%
Nikkei 225 (Japan)	37,155.50	-6.1%	-6.9%
Hang Seng (Hongkong)	22,941.32	13.5%	14.4%
Nifty 50 (India)	22,124.70	-5.9%	-6.4%
S&P/ASX 200 (Australia)	8,172.35	-4.2%	0.2%

## UAE Equities Key Developments

- EMAAR recorded FY24 net profit of AED 13.5bn vs AED 11.6bn in FY23.
- FAB reported FY24 net profit of AED17.1bn vs AED16.4bn in FY23.
- ADNOCGAS reported AED 18.4 bn net profit for FY24 vs AED17.3 bn in FY23.
- ADNOC sold 3.1 bn ordinary shares of ADNOC Gas at AED 3.58 per share, raising AED 10.4 bn.
- ALPHADATA raised AED 600 Mn from its IPO on the ADX at AED 1.50 per share offering 400 Mn shares.

# Commodities & Alternatives

## Commodities Watch

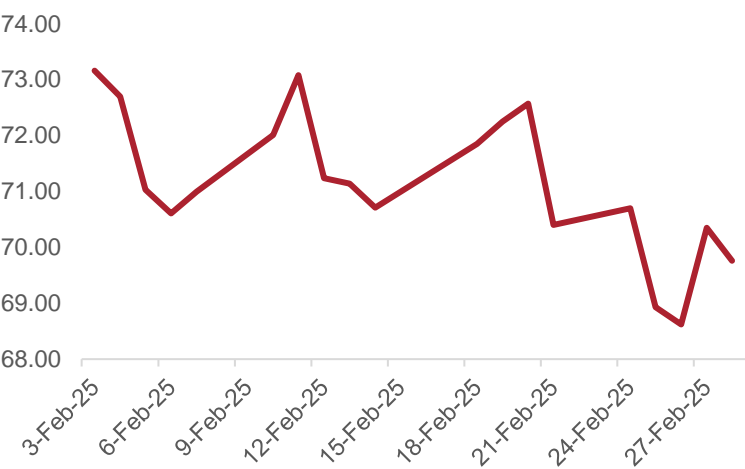
### Crude Oil

- Crude oil prices exhibited a volatile trend in February before declining to the USD 70 levels. Key factors contributing to lower prices include a larger-than-expected increase in U.S. fuel inventories and the White House's pledge to increase U.S. oil production. Furthermore, uncertainties regarding the impact of U.S. tariffs exerted upward pressure on prices; however, this was offset by a peace deal between Ukraine and Russia.

### Gold

- Gold prices continued its uptrend in February** and increasing to new highs before settling at USD 2,857.8. Weakness in the USD was the primary reasons for gold trend followed by increase in geopolitical risk and a drop in US Treasury interest rates.

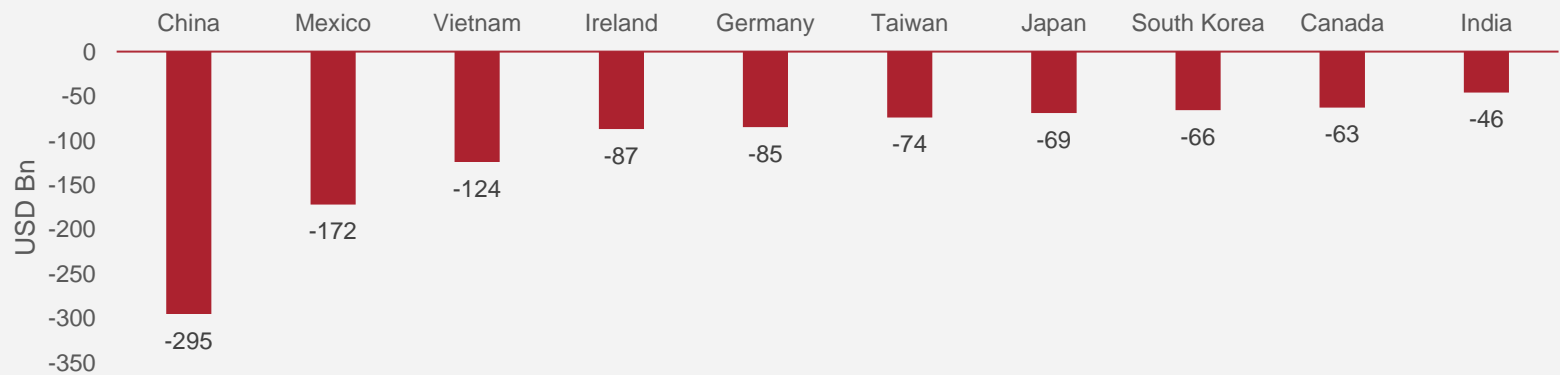
## Oil Price Movement – February 2025



## Performance Summary

Commodities			
Currency	Feb-25	Monthly Change %	YTD Change (%)
Brent (USD/bbl)	73.3	-3.6%	-2.9%
WTI (USD/bbl)	70.8	-3.8%	-2.3%
Nat. Gas (USD/MMBtu)	3.8	26.0%	5.5%
Gold (USD/oz)	2,857.8	2.1%	8.9%
Silver (USD/oz)	31.2	-0.5%	7.8%
Copper (USD/MT)	9,358.0	3.4%	6.7%
Wheat (USD/bu)	555.8	-0.7%	0.8%
Corn (USD/bu)	469.5	-2.6%	2.4%
Bitcoin	84,212.1	-17.5%	-10.1%

## Chart of the Month – Biggest Trade Deficit Countries with US



- The Trump administration has imposed tariffs on its largest trading partners since the new president's inauguration.
- The US president has also introduced the idea of eliminating income tax which makes up 50% of US government revenue, which is to be compensated by increased tariffs which make up 2% of revenue.

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