

Monthly Capital Markets Review

March 2025



Fixed Income & FX

FED Watch

- **US FED Decision:** On 19th March 2025, the US FOMC decided to hold the federal funds rate in the range of 4.25%-4.50%.
- **Summary of Economic Projections:** As per latest FED forecasts GDP growth for 2025 was revised down to 1.7% from 2.1% and Core PCE Inflation was revised up to 2.8% from 2.5%. It also showed 50 bps of rate cuts this year.
- **Tariff driven Inflation:** Fed chair admitted that higher inflation expectations are “good part” driven by Trump administration’s tariff policies.
- **Balance Sheet Run-off:** From April 2025 onwards, Fed Balance Sheet reduction is to decrease from \$25bn to \$5bn per month.

Yield Curve & Sukuk Focus

- **U.S. bond yields** continued their decreasing trend during the month. This was driven by stagflation concerns due to recession risks and increased inflation expectations stemming from trade policy uncertainties of the Trump administration.
- **Sukuk markets were positive in March 2025**, with the Dow Jones Sukuk IG Index gaining 0.77% and the S&P Global HY Sukuk Index increasing by 0.64%.
- New Sukuk Issuances include:
 - Aldar raised \$500mn from sale of 10-yr green sukuk. Return was set at 5.25%.
 - EIB raised \$750mn from sale of 5-yr sukuk priced at 5.059%.

Central Bank Dashboard

- **European Central Bank (ECB):** On March 6, the ECB reduced its three key policy rates by 25 basis points. This decision was based on assessment that inflation will now settle at its med-term target of 2.0% and the need to boost economic growth.
- **Bank of Japan (BoJ):** On 19th March 2025, BoJ held its short term interest rates at 0.5%, following-on from 25 bps hike in January 2025. BoJ pointed to uncertainties in domestic economic outlook and US tariff policies for the March decision.
- **Bank of England (BoE):** On 20th March 2025, BoE held its Bank Rate at 4.50% adopting a gradual and cautious given the increased global trade policy uncertainties and persistent inflation.

FX Monitor

- **The USD index** ended at 104.21 in March 2025 declining by 3.11%. Expectation of decline in US economic growth due to increase in tariffs has driven weaknesses in the USD.
- **The EUR recorded its strongest monthly** performance against the USD since November 2022 on optimism over the EU’s fiscal plans, including increased defence spending and Germany’s debt reform.
- **The GBP appreciated** by 2.71% against the USD, with UK economy to be less affected by US tariffs.
- **The JPY continued its strengthening** against the USD, on expectation of narrowing interest rate gap between the US and Japan.

Performance Summary

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

CDS Spreads			
US 5Y CDS (Spread)	40.116	2.05	6.64
Abu Dhabi 5Y CDS (Spread)	41.824	5.10	(1.42)
Dubai 5Y CDS (Spread)	60.592	3.01	(2.24)
Kingdom of Saudi Arabia 5Y	70.992	10.54	6.26

Key Interest Rates	Mar-25	Monthly Change bps/ %	YTD Change bps/ %
UAE 1 Month	4.28%	9.17	4.57
UAE (1 Year)	4.24%	(6.21)	(11.20)
US 1 Month	4.31%	0.30	3.00
US 1 Year	3.86%	(5.38)	(30.00)
US 5 Year	3.95%	(6.91)	(43.20)

Sukuk Movement			
Dow Jones Sukuk IG Index	144.360	0.77%	2.32%
S&P Global HY Sukuk Index	185.910	0.64%	1.70%

Forex Rates			
EUR - USD	1.0816	4.25%	4.46%
USD - JPY	149.9600	-0.44%	-4.61%
GBP - USD	1.2918	2.71%	3.21%

Equities

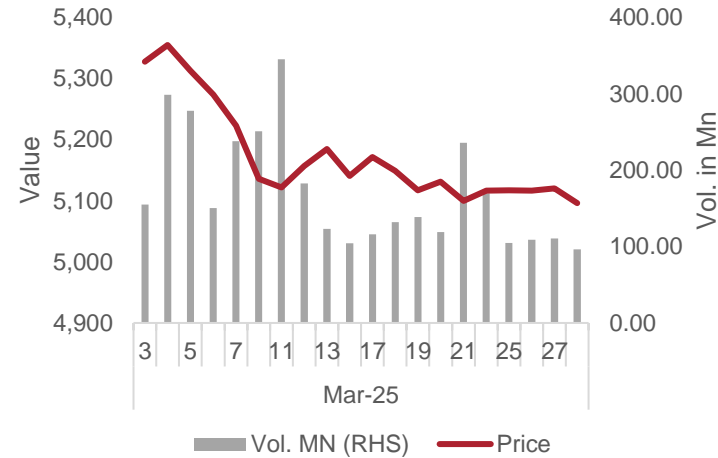
UAE Markets

- **FTSE ADXGI** declined by 2.0% in March-25 with 26 securities advancing and 71 declining. Turnover for Mar-25 decreased by 32.8% on Month-on-month basis. This was primarily due to AED 10bn share sale of ADNOCGAS on 21st Feb-25.
 - GCEM (37%) & TKFL (31%) were key winners, while BILDCO (-22%) & FNF (-21%) were key losers.
- **DFMGI** declined by 4.2% in Mar-25 with 31 shares advancing and 25 shares declining. AED 11.4Bn worth of shares were traded resulting in 23.1% decrease in turnover vs previous month.
 - NCC (29.8%) & NGI (28.7%) were key winners while NIH (-20.8%) and MASQ (-12.5%) were key losers.

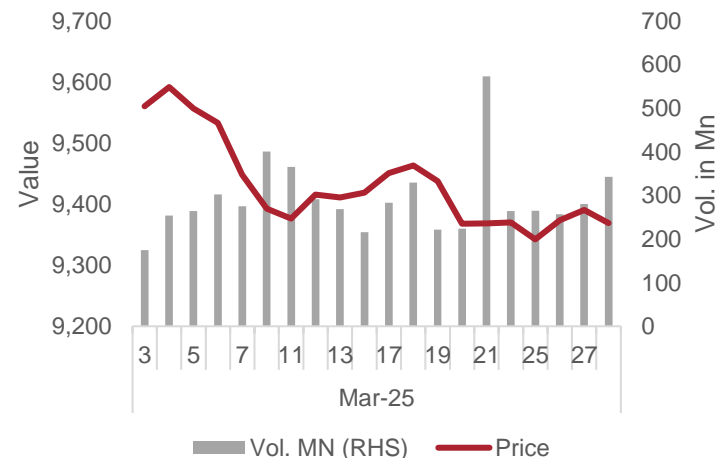
Global Monitor

- **The S&P500 decreased by 5.75%** in March 2025, which was one its steepest monthly decline since December 2022. This was driven US tariff policies to have higher inflation, slow consumer spending and stall the U.S. economy.
- **EU stocks suffered losses in March due to expected tariff policies**, led by declines in luxury stocks and automaker shares. LVMH and Hermès plunged 18% and 12%, respectively, last month. The automotive sector also suffered heavy losses in anticipation of the tariffs, with Mercedes-Benz down 9.3%, Volkswagen dropping 10%, BMW declining 12%, and Stellantis tumbling 17%.

DFMGI Monthly Price-Volume



FTSE ADXGI Monthly Price-Volume



Performance Summary

Markets Performance	Mar-25	Monthly Change (%)	YTD Change (%)
Regional			
ADX (Abu Dhabi)	9,368.81	-2.0%	-0.5%
DFM (Dubai)	5,096.24	-4.2%	-1.2%
TASI (Tadawul)	12,025.05	-0.7%	-0.1%
QSI (Qatar)	10,232.95	-2.0%	-3.2%
BKM (Kuwait)	8,074.04	-0.3%	9.7%
MSX (Oman)	4,367.03	-1.6%	-4.6%
Global			
S&P 500 (US)	5,611.85	-5.8%	-4.6%
DAX (Germany)	22,163.49	-1.7%	11.3%
Nikkei 225 (Japan)	35,617.56	-4.1%	-10.7%
Hang Seng (Hongkong)	23,119.58	0.8%	15.3%
Nifty 50 (India)	23,519.35	6.3%	-0.5%
S&P/ASX 200 (Australia)	7,843.42	-4.0%	-3.9%

UAE Equities Key Developments

- Borouge proposed a share buyback for up to 2.5% of the company's outstanding shares, subject to approvals.
- NMDC Energy was awarded a project amounting to AED9.7bn.
- e& divested its 40% stake in data center firm Khazna for \$2.2 billion.
- EmaarDev shareholders approved distribution of dividends to the Shareholders amounting to AED2.72bn
- ADNOC Gas confirms shareholder approval to distribute USD3.41bn in full-year dividends for 2024.

Commodities & Alternatives

Commodities Watch

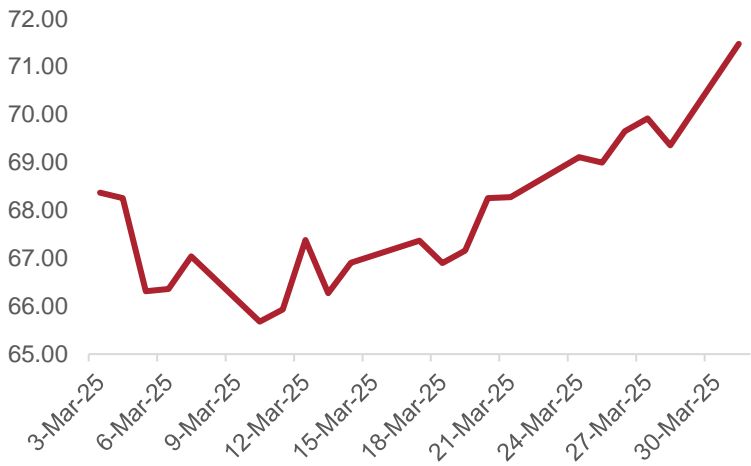
Crude Oil

- Crude oil prices exhibited an upward trend in March mainly driven by supply concerns following the US tariff threat on countries importing oil and gas from Venezuela, decline in US fuel inventories, fresh US sanctions on Iran and Opec+ reducing its crude oil production in March, ahead of its planned production increase for May.

Gold

- Gold prices surged to record highs, surpassing **\$3,100** and marking one of the largest increases in its history. This rise was fueled by uncertainties surrounding U.S. tariffs, strong demand from central banks, expectations of interest rate cuts by the Federal Reserve, geopolitical instability in the Middle East and Europe, and growing investments in gold-backed exchange-traded funds.

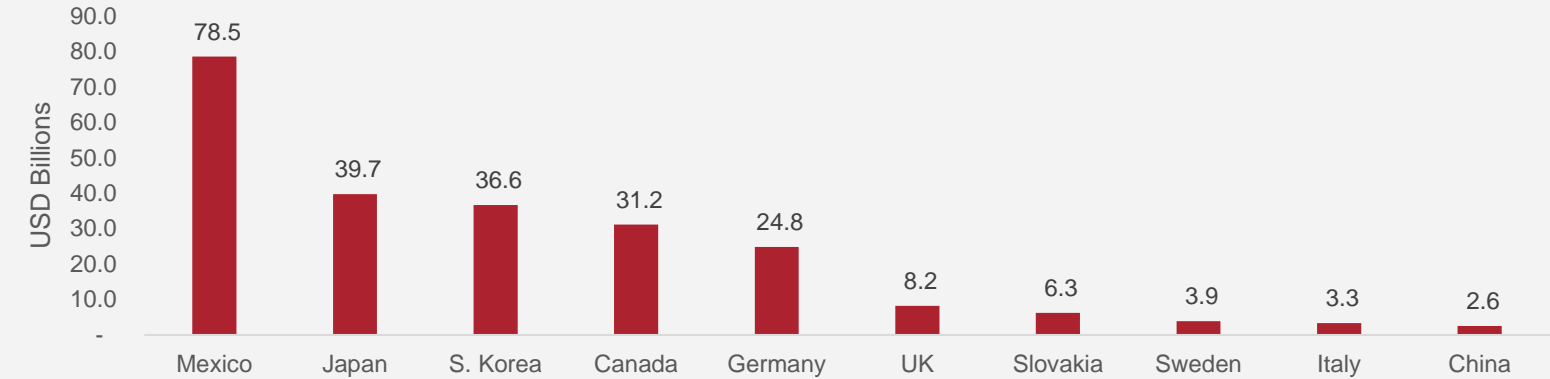
Oil Price Movement – March 2025



Performance Summary

Commodities			
Currency	Mar-25	Monthly Change %	YTD Change (%)
Brent (USD/bbl)	76.07	3.8%	0.8%
WTI (USD/bbl)	72.50	2.4%	0.0%
Nat. Gas (USD/MMBtu)	4.12	7.5%	13.4%
Gold (USD/oz)	3,123.57	9.3%	19.0%
Silver (USD/oz)	34.09	9.4%	17.9%
Copper (USD/MT)	9,710.00	3.8%	10.7%
Wheat (USD/bu)	537.00	-3.4%	-2.6%
Corn (USD/bu)	457.25	-2.6%	-0.3%
Bitcoin	82,421.29	-2.1%	-12.1%

Chart of the Month – U.S. light vehicle imports in 2024, by source country



- The Trump administration announced 25% import tax on top of previous duties - on vehicles not built in the U.S. The base U.S. tariff rate for automotive imports is 2.5%.
- According to research firm GlobalData half of the cars sold in the US in 2024 were imported and Mexico was the number one country of origin for U.S. light vehicle imports, with a value of almost \$78.5 billion.
- The Japanese brand Toyota was among the best-selling passenger car brands in the United States.

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