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Tuesday, May 6, 2025 | 8 Dhu al-Qi'dah 1446 AH

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Economic calendar

Wednesday, May 7:

US Crude Oil Inventories: Market expects a draw of -2.696 million barrels.

Main Event – Fed Interest Rate Decision (21:00 KSA): The Fed is expected to hold rates steady at 4.50%, followed by a closely watched press conference.

Thursday, May 8:

China: Foreign Exchange Reserves for April (expected around $3.241 trillion).

UK – Bank of England Rate Decision: A potential rate hike from 4.25% to 4.50% is on the table.

US Weekly Jobless Claims: Forecasted at 232,000, slightly lower than the prior 241,000.

Fed's Balance Sheet Report: Scheduled for late Thursday, may provide insight into quantitative tightening activity.

Gold Hits Two-Week High as Trade Tensions Drive Safe-Haven Demand

Gold prices surged to a two-week high on Tuesday as rising geopolitical and economic uncertainty—particularly after U.S. President Donald Trump's announcement of new tariff plans—boosted investor interest in the safe-haven asset. Markets are also closely watching the upcoming Federal Reserve policy meeting, with expectations that interest rates will remain unchanged.

Against this backdrop, gold mining companies are emerging as attractive investment opportunities for those seeking protection from market volatility

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Fed Grapples with Tariff-Driven Inflation and Recession Risks at May 2025 Meeting

Europe News

European stocks remained rangebound on Tuesday, with investors focusing on corporate earnings, key central bank decisions, and the evolving trade policies of the U.S. The DAX index in Germany dropped 0.1%, while the CAC 40 in France was largely unchanged, and the FTSE 100 in the U.K. gained 0.4%. The London markets were closed on Monday, with the FTSE 100 having set a new record for its longest-ever run of daily gains on Friday.

Trade uncertainty continues to weigh on market sentiment, as investors worry over the uncertain global trade outlook. The optimism seen last week, following Beijing's statement that it was considering Washington's offer for trade talks, has now faded. The lack of concrete details on any trade deals between the U.S. and its partners has left investors in a cautious and uncertain position.

Additionally, U.S. President Donald Trump warned on Monday that he would impose import tariffs on the pharmaceutical sector within two weeks, potentially severely impacting this significant European sector.

Investors are also closely watching the Federal Reserve's first policy meeting since President Trump announced "reciprocal" tariffs in early April. While the Fed is expected to leave interest rates unchanged on Wednesday, the fresh quarterly forecasts in June could lead to a change in decision, especially as the impact of tariffs becomes clearer by then.

Crypto Market

Strategy Firm Ramps Up Bitcoin Holdings Amid Concerns Over Stock Performance

In a bold move reinforcing its long-term commitment to digital assets, Strategy—led by CEO Michael Saylor—has announced additional Bitcoin purchases, further strengthening its position as one of the largest institutional holders of the cryptocurrency.

Despite recent market headwinds, including volatility in Bitcoin prices and ongoing pressure on the company's stock, Strategy continues to double down on its crypto-centric vision. However, early warning signs in technical indicators are raising investor concerns about the company's risk exposure and future profitability.

US

As the Federal Reserve kicks off its two-day Federal Open Market Committee (FOMC) meeting on May 6, 2025, policymakers are grappling with a high-stakes dilemma driven by President Donald Trump's aggressive tariff policies, which threaten to fuel inflation while simultaneously raising the specter of an economic slowdown. The central bank is widely expected to maintain its benchmark interest rate in the range of 4.25% to 4.5%, reflecting a cautious approach as it navigates uncertainty surrounding tariffs, including a proposed 10% levy on all U.S. imports, 25% duties on goods from Canada and Mexico, and tariffs as high as 145% on Chinese products. These measures are projected to drive up consumer prices, potentially pushing inflation well above the Fed's 2% target, with some economists forecasting a return to levels not seen since the 9.1% peak in 2022. At the same time, the tariffs are expected to dampen economic growth, with 2025 GDP projections slashed to 1.5% from 2.0% and a 45% probability of recession—the highest since December 2023. Internal divisions within the Fed's 19-member rate-setting committee are becoming evident, with some officials, like Fed Governor Christopher Waller, arguing that tariff-induced price increases may be short-lived, warranting patience, while others, including Minneapolis Fed President Neel Kashkari, stress the need to prioritize inflation control to maintain the Fed's hard-won credibility. Chair Jerome Powell has emphasized flexibility, noting the unprecedented scale of the tariffs and their potential to strain the Fed's dual mandate of price stability and maximum employment. The labor market is showing signs of weakness, with businesses freezing hiring and consumer sentiment plummeting, raising fears of stagflation reminiscent of the 1970s. Markets anticipate the Fed will hold rates steady but are pricing in three to four quarter-point cuts by year-end, depending on how tariff impacts unfold. Powell has warned that acting prematurely could reignite inflationary expectations, while delaying action risks exacerbating a slowdown, leaving the Fed in a delicate balancing act as it seeks to preserve its independence amid political pressures and an increasingly volatile economic landscape.

Breakup

The U.S. Department of Justice (DOJ) has proposed a sweeping breakup of Alphabet's Google's advertising technology business, calling for an immediate divestiture of its AdX advertising marketplace and a "phased" sell-off of its DoubleClick for Publishers (DFP) ad server, according to a court filing on May 5, 2025. This follows U.S. District Judge Leonie Brinkema's April 17, 2025, ruling that Google illegally monopolized two online ad-tech markets—publisher ad servers and ad exchanges—by tying DFP and AdX, violating Sections 1 and 2 of the Sherman Act. The DOJ argues that divesting AdX, the largest marketplace for real-time ad bidding, and gradually phasing out DFP, which controls 90% of the publisher ad server market, is essential to restore competition and end Google's dominance, which has harmed publishers, advertisers, and consumers. Google, in response, strongly opposes the remedies, with Lee-Anne Mulholland, its vice president of Regulatory Affairs, stating that the DOJ's proposals "go well beyond the Court's findings, have no basis in law, and would harm publishers and advertisers" by disrupting efficient ad tools and reducing publisher revenues. The company highlights that the court found its acquisitions, like DoubleClick in 2007, were not anticompetitive, and argues that a breakup would have no buyers and could pose national security risks. A remedies trial is set for September 22, 2025, to determine the final outcome, with the DOJ emphasizing Google's "recidivist monopolist" behavior, while Google warns of broader economic impacts. Posts on X reflect polarized sentiment, with some praising the DOJ's push to curb Big Tech power, while others echo Google's concerns about potential harm to the ad ecosystem.

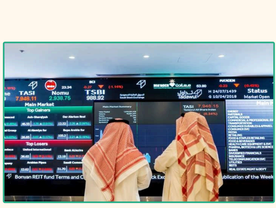
Gulf market

The performance of the UAE financial markets showed mixed results at the start of Tuesday's trading session. The Dubai Financial Market (DFM) saw a decline of 0.35%, reaching 5324 points, as investors responded to ongoing market conditions and global economic developments. This drop was accompanied by a decrease in several key stocks, including Taaleem Holding, which fell by 4.84%, Salik, down by 0.19%, Ithmaar Holding, dropping 1.56%, and Emirates NBD Development, which saw a 0.37% reduction. In contrast, the Abu Dhabi Securities Exchange (ADX) posted a modest increase of 0.11%, reaching 9572 points. Stocks like ADNOC Distribution and ADNOC Gas saw positive movements, with ADNOC Distribution gaining 0.29% and ADNOC Gas rising 0.63%. Other notable stocks in Abu Dhabi, such as Abu Dhabi Shipbuilding and Agthia Group, also saw improvements of 0.17% and 1.79%, respectively.

Regarding the currency market, the UAE dirham remained stable against the US dollar, holding at 3.672 AED. Meanwhile, the euro was trading at 4.16 AED, and the British pound was at 4.88 AED. The Saudi Riyal remained at 0.979 AED, while the Kuwaiti Dinar was valued at 11.977 AED. The Swiss Franc was pegged at 4.46 AED, and the Japanese Yen was at 0.0255 AED.

The Central Bank of the UAE has kept its interest rates unchanged, maintaining the overnight deposit rate at 4.4%. This decision comes in line with the U.S. Federal Reserve's recent decision to hold its interest rates steady, signaling a cautious approach in light of ongoing global uncertainties, including concerns over trade relations and inflationary pressures. This rate decision is intended to support stability in the UAE's economy and the wider financial sector. Furthermore, the Central Bank continues to provide updates on foreign exchange rates and other financial metrics, which are critical for businesses in the country, particularly in relation to VAT calculations for companies. These updates are posted weekly on the Central Bank's website, helping businesses align with federal tax regulations.

"Investors are advised to closely monitor geopolitical and economic developments, as they could significantly impact market performance in the coming period."



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