# KFH Capital Monthly Insights

Capital Market Outlook & Updates

June 2025

# Important Notice

**This information is only intended for the client and should not be passed on to any other person.**

This presentation is provided for information purposes only on the express understanding that the information contained herein will be regarded and treated as strictly confidential. It is not to be delivered, nor shall its contents be disclosed to anyone other than the entity to which it is being provided and its employees without the prior written consent of KFH Capital Investment Company K.S.C.C. (“**KFH Capital”)**.

Moreover, it shall not be reproduced or used, in whole or in part, for any purpose other than for the consideration of the financing or transaction or services described herein, without the prior written consent of KFH Capital. The information contained in this presentation does not purport to be complete and is subject to change. This is a commercial communication. The presentation does not include a personal recommendation and does not constitute an offer, or the solicitation of an offer for the sale or purchase of any financial product, service, investment or security.

Whilst every care has been taken in preparing this document, no member of KFH Capital gives any representation, warranty or undertaking and accepts no responsibility or liability as to the accuracy or completeness, timeliness or correctness of the information set out in this document. All views, opinions and estimates contained in this document June be changed after publication at any time without notice. Past performance is not indicative of future results. For the avoidance of doubt, our duties and responsibilities shall not include tax advisory, legal, regulatory accounting or other specialist or technical advice or services. You are to rely on your own independent appraisal of and investigations into all matters and things contemplated by this presentation. By accepting this presentation, you agree to be bound by the foregoing limitations. Kindly note that this presentation does not represent an offer of funding since any facility to be granted in terms of this presentation would be subject to KFH Capital obtaining the requisite internal and external approvals.

This presentation is not intended for the use of retail clients and must not be acted on or relied on by persons who are retail clients. Any investment or investment activity to which this presentation relates is only available to persons other than retail clients and will be engaged in only with such persons. Persons into whose possession this presentation comes are required by KFH Capital to inform themselves about and to observe any such restrictions.

# Capital Markets Insights

## Market Analysis & Outlook

- Global markets have recorded gains on a monthly basis driven by positive sentiments on tariffs and soft macro data e.g. US Inflation. However, will the market continue to sustain the gains? We believe it is highly unlikely as markets lack fundamental triggers in the near term.
- **Tariffs:** Though the recent tariff-related negotiations with the UK and China have been positive, uncertainty remains. The back and forth on tariffs continues, earlier during the month, the US administration had announced import tariff duties of 50% on goods from the Eurozone starting June 1, 2025; the deadline has been pushed to July. Also, the deals announced so far are non-binding in nature; none of the governments have signed and solidified the rates.
- **Earnings:** Though Q12025 corporate earnings have been better than expected, the outlook for 2025 has softened. Overall earnings growth for 2025 has been revised down to 8.5-9% from earlier expectations of 14% as per Refinitiv. For instance, Walmart, the leading consumer retailer in the US, though reported higher earnings for Q12025 has indicated that tariffs are and will impact company margins and profitability during 2025
- **Outlook:** In the case of US markets, potential headwinds include, downside risks to the GDP growth forecast of 1.2%, elevated inflation levels and weak consumer spending. While in the case of European markets, weak economic activity and inflation are key headwinds. While positives include, the easing of interest rates to support growth and corporate investments. In the case of China, positive trade negotiations are expected to impact GDP growth to the upside, which is positive for commodities demand

## KFH Private Wealth Insight – Chart of the Month

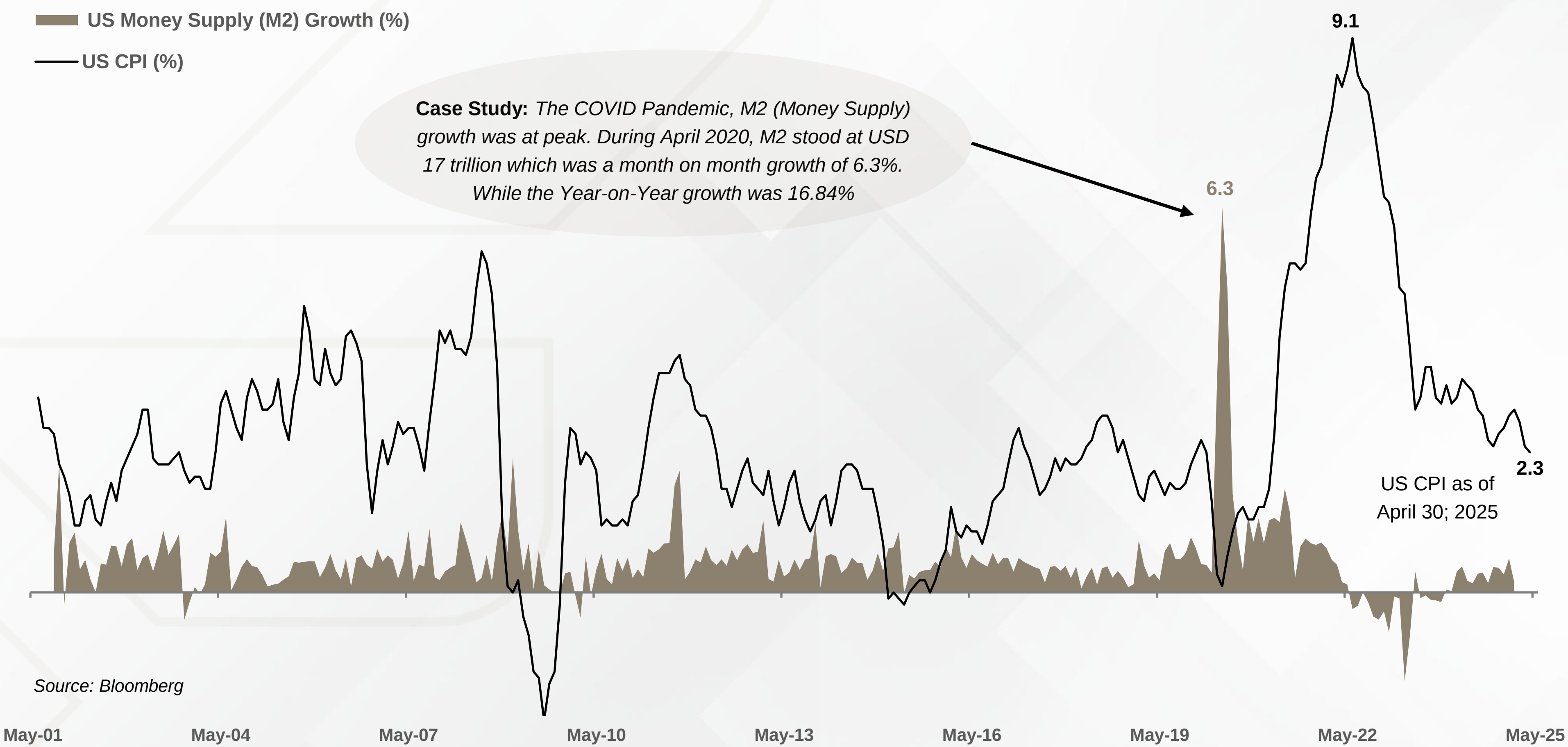
- ***Money Supply & Inflation:*** Many market participants continue to fear a resurgence in global (in particular in the US) inflation especially in the light of tariffs. However, we stand by our view as set out in our Q1 Wealth Insights report that inflationary pressures will remain contained.
- We lean towards an analysis of money supply growth as one of the more important drivers of inflation and take comfort that at 4.1 year on year growth it is well off the 2021 peaks and below long-term averages (e.g. the 20-year average is 6.2% year on year).
- Whilst tariffs may have a short run impact, we do not consider that there will be a multiplier affect driving US inflation higher, we note that lower oil and energy prices will help to offset these short run inflation dynamics. Tradeable US breakeven inflation data backs this up with the 1 year at 2.8% (down from a recent peak of 4.0%) whilst longer term market implied 5 year is lower at 2.4%.
- From the tariff perspective, based on the recent tariff negotiations we believe the universal 10% tariff rates would be the floor rate which will be the basis of negotiations with trade partners going forward. As per Fitch solutions the average tariff rates for 2024 for US were at 2.5%, estimates indicate the number is likely to cross double digits going forward.
- Further, the average price for Brent on Year to Date (YTD) basis stood at USD 71.04 per barrel which is a decline of 14.96% over average price same period last year. On price outlook there is potential downside risk as the markets anticipate weak demand and added supply

# Chart of the Month - Consumer Price Inflation (CPI)

The US Money Supply or M2 as of April 2025 stood at USD 21.8 trillion a growth of 4.12% when compared to same period last year



**Money Supply (M2): A Measure of Market Liquidity, a lead indicator of Consumer Spending, Inflation, GDP growth…**




Source: Bloomberg

# Equity Markets Update

## Equities record gains on a monthly basis, key drivers being positive Tariff related announcements, earnings and encouraging macroeconomic data

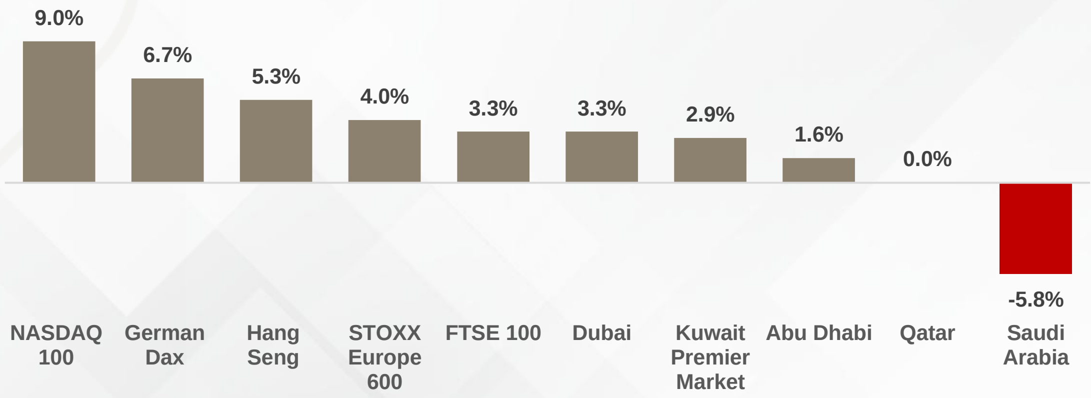
**Going forward Equities to remain range bound:**

- Key headwinds include uncertainty on trade policies, muted demand amid slower growth in GDP and downward revision of corporate earnings.
- Despite significantly lower tariffs based on the recent negotiations between US and China with tariff rate reduction exceeding market expectations, uncertainty remains as the announcements are preliminary and not concrete. As we write the US administration has announced revision in the steel import duties to 50% from earlier 25%
- Though Q12025 Corporate earnings have been better than expected the outlook for 2025 has softened. Overall earnings growth for 2025 has been revised down to 8.5-9% from earlier expectations of 14% for the S&P500 index companies. On sector basis Technology and Semiconductor sector remain positive for the remainder of 2025. However, consumer discretionary and staples sectors have indicated an increase in downside risks to profitability during same period

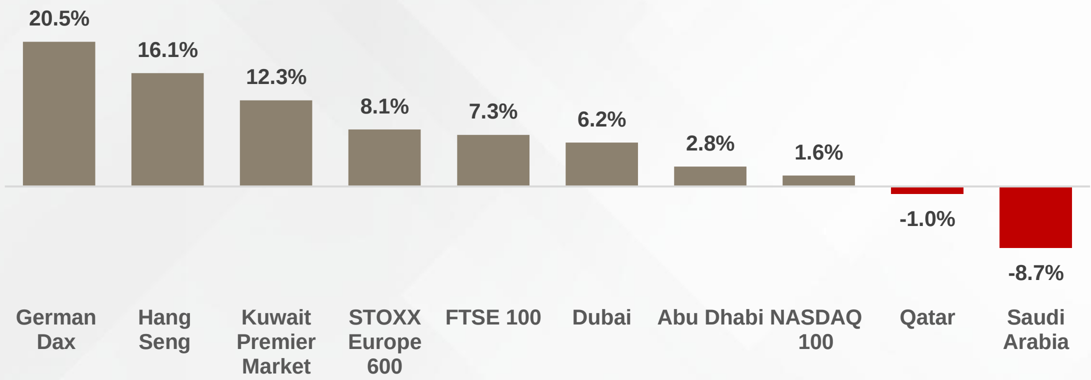
**Among GCC equities Saudi Arabia underperforms:**

- Most of the GCC equities performed in line with global markets with the exception of Saudi Arabia. Muted crude oil prices along with downside risks to price likely to impact GCC equities negatively in particular Saudi.

**Global Equity Markets Performance – Month to Date (MTD)**




**Global Equity Markets Performance – Year to Date (YTD)***

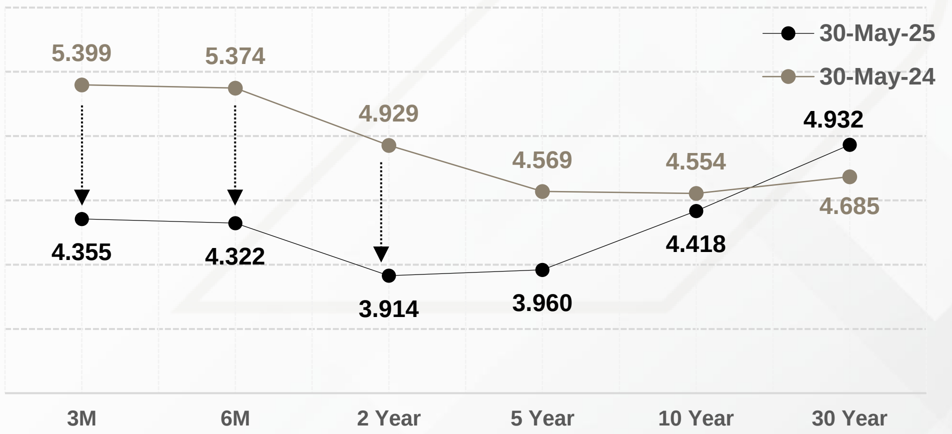



Source: Refinitiv; *Index Closing as of May 30, 2025

# Global Benchmark Yields

## The US Treasury Yield Curve movement on monthly basis indicates bearish steepening

### US Treasury Yield Curve (%)




### US Mid-Swaps Yield (%)


- On monthly basis the 2Y US Treasury witnessed a 29bps gain as it closed at 3.914%. While the 5Y and 10Y recorded gains of 23bps and 24bps, respectively during the same period. The sell-off bonds was due to shift in asset class as risk assets recorded gains during the same period
- As per yield curve theory, steepening of the curve indicates that rates are likely to rise. In our case, we believe the rise in the yield curve is an indicator that the Fed target rates are likely to remain steady during the June FOMC committee meeting
- With expectations of weak economic growth the long-end yields came under pressure resulting in the steepening of the curve on a monthly basis.

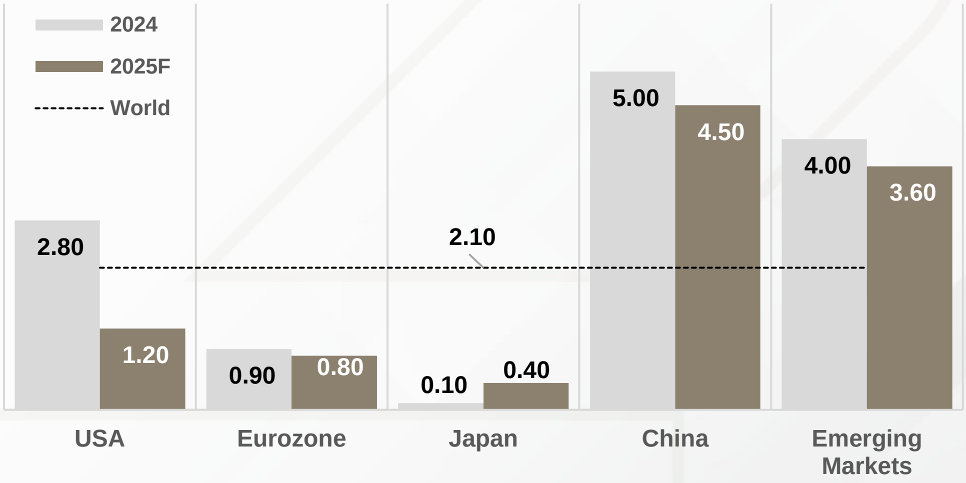
### 10Y-2Y Spread (bps)


Source: Refinitiv, Year-to-Date (YTD) as of May 30, 2025

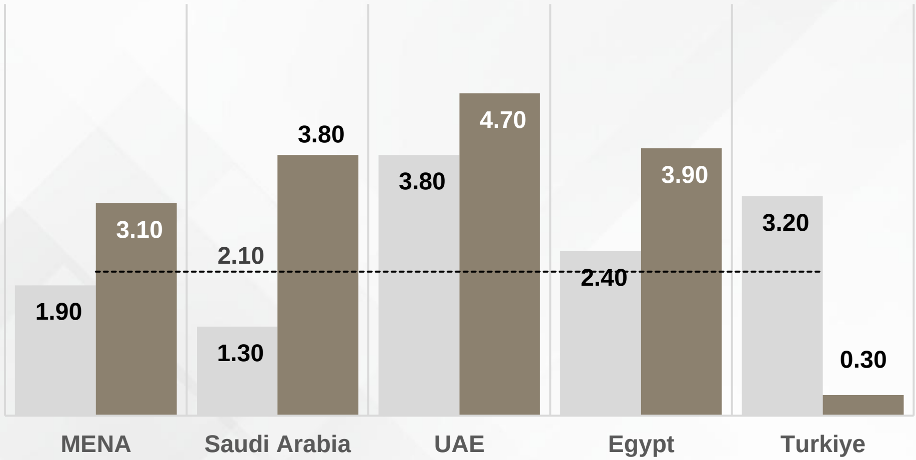
# Macroeconomic Overview

Global growth forecasts continue to remain above 2% as trade related headwinds remain. Recent De-escalations in Tariff policies if effected can impact growth forecasts to the upside…

## Real GDP Growth (%) - Global




## Real GDP Growth (%) – MENA Region




- There is an upward revision in GDP forecasts for China on the back of significantly lowered tariffs on the recently concluded negotiations between US and China. The GDP forecast has been revised upwards to 4.5% for 2025 from earlier 4.0% as per Fitch. The tariffs now stand at 30% for goods imported from China to US down from earlier 145%.
- There are downside risks to the GDP growth forecast for US as it witnesses weak consumer spending a key driver of growth. While in the case of the Eurozone easing interest cycle to support economic growth for 2025

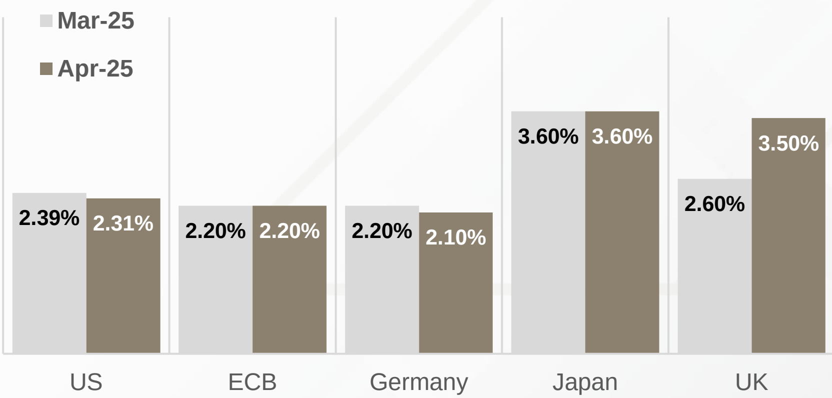
- MENA region is expected to maintain GDP growth of 3.1% during 2025 despite a double digit decline in crude oil prices. The lower crude prices would result in decline in export and budget revenues a key growth driver for the region
- However, with the unwinding of OPEC+ production cuts in progress will offset to certain extent the decline in revenues. Key growth drivers for the MENA region continue to be UAE with 4.7% GDP growth for 2025. While Saudi Arabia is expected to clock a growth rate of 3.8%

Source: Fitch Solutions, f=forecasted, e=expected

# Consumer Price Inflation & Central Banks Rates Monitor

Key tailwinds for higher inflation includes higher than expected tariff rates. However, softness in crude oil prices coupled with weak demand to offset the impact of tariffs on inflation

## Consumer Price Index (CPI)




- The disinflation process continues in the case of US wherein the Inflation continued to move downwards. US Inflation stood at 2.31% for the month of April 2025 down from March levels of 2.39%. While in the case of Europe, inflation remained sticky and elevated. The Eurozone inflation remained unchanged at 2.2%, while in UK there was an increase in the inflation level to 3.5% during the same period. Higher Transportation costs which includes motor fuel, repair & maintenance along with increase in Rents or Housing prices were key drivers
- On Interest rates, sticky inflation and unemployment within target range resulted in the US maintaining its target rates between 4.5-4.25%. While Bank of England (BOE) announced 25bps rate cuts despite elevated inflation levels as economic growth struggles

*Source: Refinitiv; CPI: Consumer Price Inflation*

## Central Banks Rates

| Central Bank | Current Rate | Prior Rate | Change (bps) |
|---|---|---|---|
| US Federal Reserve System | 4.50% | 4.50% | - |
| European Central Bank | 2.25% | 2.50% | (25.0) |
| Bank of England | 4.25% | 4.50% | (25.0) |
| People's Bank of China | 3.00% | 3.10% | (10.0) |
| Central Bank of the Republic of Turkey | 46.00% | 42.50% | 350.0 |

## Economic Calendar

**June 2025**

| Sun | Mon | Tue | Wed | Thu | Fri | Sat |
|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 8 | 9 | 10 | 11 | 12 | 13 | 14 |
| 15 | 16 | 17 | 18 | 19 | 20 | 21 |
| 22 | 23 | 24 | 25 | 26 | 27 | 28 |
| 29 | 30 | 1 | 2 | 3 | 4 | 5 |

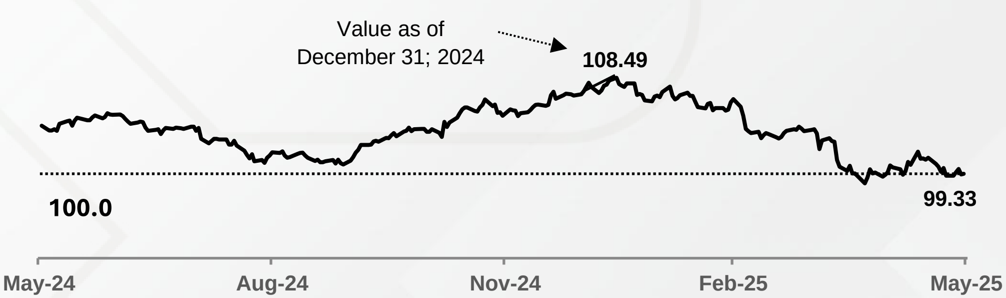
**Jun 03:** Turkey CPI data
**Jun 05:** European Central Bank
**Jun 09:** China CPI data
**Jun 11:** US CPI data
**Jun 17:** Bank of Japan
**Jun 18:** UK CPI data
**Jun 18:** Eurozone CPI data
**Jun 18:** US FOMC Meeting
**Jun 19:** Bank of England
**Jun 27:** Japan CPI Data

# Commodities and Forex Overview

## Commodities record gains amid the 90-Day tariff delay; however risks remain to the upside amid weak demand and continued uncertainty on the import duties

- Gold remained muted during May 2025 as investors were in risk on mode with increased inflow towards equities. Nonetheless, the average price of Gold during the month was at USD 3,283.0 per Ounce an increase of 2.81% over April average price of USD 3,213.2
- In the case of Crude, the Brent Crude closed the month with a gain of 1.24%, while the US NYMEX recorded a 4.43% gains in price during the same period. Positive announcements on the US-China trade talks had a positive impact. However, average prices continue to remain weak. The average price for Brent on Year to Date (YTD) basis stood at USD 71.04 per barrel which is a decline of 14.96% over average price same period last year.
- The outlook on crude prices continues to remain to the downside amid weak demand and stable & increasing supply. As of May 2025, the demand stood at 102.3 million barrels per day (mbpd) while supply stood at 104.4mbpd (*excess of 1.5mbpd*). The demand-supply imbalance is likely to remain predominantly supply driven as OPEC+ unwind production cuts as demand remains weak

### US Dollar Index is down 8.44% on a YTD basis




| Oil & Gas | Last | MTD | 3M | YTD |
|---|---|---|---|---|
| NYMEX (USD Per Barrel) | 60.79 | 4.43% | -12.86% | -15.24% |
| Brent Crude (USD Per Barrel) | 63.90 | 1.24% | -12.68% | -14.39% |
| DME Oman Crude (USD Per Barrel) | 62.43 | -2.22% | -18.22% | -19.43% |
| Natural Gas (USD MMBTU) | 3.45 | 3.64% | -10.09% | -5.12% |
| LNG - ASIA (USD MMBTU) | 12.40 | 5.08% | -8.15% | -12.06% |
| **Precious Metals** | **Last** | **MTD** | **3M** | **YTD** |
| Gold (USD Ozs) | 3,288.90 | -0.49% | 15.94% | 25.09% |
| Silver (USD Ozs) | 32.89 | 1.11% | 5.36% | 13.66% |
| **Base Metals** | **Last** | **MTD** | **3M** | **YTD** |
| Aluminum (USD/Tonne) | 2,450.5 | 2.13% | -5.95% | -3.96% |
| Alu Alloy (USD/Tonne) | 2,509.0 | 0.00% | 9.32% | 11.26% |
| Copper (USD/Tonne) | 9,568.0 | 4.85% | 2.24% | 9.12% |
| Tin (USD/Tonne) | 31,236.0 | -0.36% | -0.24% | 7.40% |
| Zinc (USD/Tonne) | 2,675.5 | 3.20% | -4.21% | -10.17% |
| Lead (USD/Tonne) | 1,963.0 | 0.28% | -1.48% | 0.56% |
| Nickel (USD/Tonne) | 15,376.0 | -0.27% | -0.37% | 0.31% |
| Rolled Steel (CNY/Tonne) | 2,997.6 | -0.89% | -2.82% | -5.55% |

Source: Refinitiv, YTD as of May 31, 2025

# Key Contacts

## KFH Capital Investment Company

P.O. Box: 3946 Safat,13040 Kuwait
Tel.(+965) 2298 7000
Company: www.kfhcapital.com.kw

For Private Use Only

For Private Use Only