

August 12, 2025

Remaining Disciplined Amidst the Chaos

The speed of change and information overload in recent years has prompted us to begin this month's commentary on a philosophical note. Like the tides, our lives (and the markets) are in a constant motion, always changing gears amidst shifting narratives. Every day brings fresh headlines, new tweets, data points or policy moves that quickly reshapes the ongoing narrative. From President Trump's rapidly evolving trade statements to shifting central bank signals, even governments are scrambling to keep pace. Trade tensions escalated at the end of July, with President Trump announcing reciprocal tariffs of 10% to 41% on its trade partners. On the positive side, the EU and US signed a framework trade agreement that averted a full-scale tariff war but imposed a 15% tariff on most EU exports.

This constant churn of information ensures our work is anything but monotonous, and at QIC Asset Management, our objective is simple - to keep improving the probability of making the right decisions, which over time helps us compound wealth for our clients. We believe that disciplined asset allocation is like a steady compass amidst the volatility. Harry Markowitz famously said, "Diversification is the only free lunch in investing." Consistency and a disciplined approach has allowed us to stay focused on the bigger picture, adapting as needed without losing sight of the end goal.

The Numbers Behind the Narrative

In July, markets continued to inch higher amidst the tariff threats, cooling job growth, and slowing economy, yet resilient sentiment and policy pivots kept the risk assets afloat. Markets often rise not because the skies are clear, but because they've learned to navigate the storms. Ok... ok... we've talked enough philosophy for today, let's get back to numbers. The latest U.S. economic data painted a mixed picture. Real GDP grew at an annualized rate of 3.0% in Q2 (vs. 2.6% consensus), driven largely by consumption and a sharp reversal in imports. However, the July's nonfarm payrolls print was surprisingly weak, with nonfarm payrolls increasing by just 73k (vs. expectations of 105k) and sharp downward revisions to May and June totaling 258k - the largest two-month revision since 1979 outside of COVID. The unemployment rate edged up by 13bps to 4.25%, and job openings declined by 275k to 7.4 million, particularly in leisure, hospitality, and education. The weak July US labor market report has raised market concerns over the US economic outlook. Meanwhile, inflation accelerated in June, with both core and headline PCE rising 0.3% MoM, pushing annual rates to +2.8% and +2.6% respectively. Core CPI rose 0.2% MoM (+2.9% YoY) in June, broadly in line with market expectation. While the print seems soft at first glance, there are signs of tariff pass-through in core goods categories, indicating a build-up of price pressures. Overall, while headline GDP growth appears strong, underlying trends raises concerns about the durability of US economic moment and ongoing inflationary concerns.

Central Bank Watch

The July FOMC meeting delivered no major surprises, leaving the federal funds rate unchanged at 4.25–4.50%, with two members dissenting in favor of a cut. Chair Powell stressed that inflation remains further from target and maintained a cautious stance (despite political pressure for easing) given the ongoing uncertainty about the implications of tariffs and where they will land despite progress on trade deals.

Quote of the Month

"The intelligent investor is a realist who sells to optimists and buys from pessimists" - Benjamin Graham

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The ECB also kept the deposit policy rate unchanged at 2%, as widely expected. The Governing Council emphasized its data-dependent, meeting-by-meeting approach, avoiding any pre-commitment to future rate paths. In the UK, the Bank of England cut rates by a further 25bps to 4% but the statement hints that officials think the easing cycle is nearing its end. Policymakers are visibly worried about a more persistent bout of inflation as the headline number is way higher than target.

Rates on the Move

The weak jobs report triggered a sharp rally in the front-end US rates and increased market expectations for a September rate cut. However, some market participants remain skeptical due to the likelihood of hot inflation data readings through the summer. In July, US Treasury yield curve bear-flattened, with front end yields rising by over 20bps whereas long end yields inched higher by 12-18bps. The 10-year yield rose ~15bps to close near 4.37%, while the 2-year yield rose by ~24bps to 3.96%. Overall, the picture is of a cooling (but not collapsing) economy, where inflation concerns and trade frictions are preventing an earlier policy pivot despite clear signs of labor market softening. Post month-end, US Treasury yields dropped by 5-20bps as softer labor market reinforced dovish bets. The market is now pricing in ~90% probability of a 25bps cut in September.

The Final Word

Despite renewed uncertainties, the month ended with most risk assets in the green. S&P500 posted moderate gains of 2.24%, led by technology and large-caps. Fixed income markets were mixed, with US Treasury yields edging higher while credit spreads continued to tighten across investment grade and high yield bonds given the favorable risk sentiment. The JPM Emerging Market Bond Index posted a modest gain of 1.18%, while the JPM MECI GCC and JPM Asia IG indices posted gains of 1.03% and 0.50% respectively. In the months ahead, trade policy uncertainty and its impact on inflation are expected to be the dominant themes for global fixed income markets. We continue to hold a constructive view on USD fixed income, especially investment grade bonds, supported by strong corporate fundamentals. Elevated yields continue to offer attractive carry, while the potential for Fed easing later this year provides a supportive backdrop - though with the caveat that volatility may return quickly if the economic slowdown deepens.

FI Conventional Portfolio

A diversified portfolio of USD denominated securities, primarily Investment grade, both in the Middle East & North Africa (MENA) region and globally. The portfolio aims to achieve a steady level of interest income with moderate capital appreciation.

BBB+ Avg. Portfolio Rating	3.69 Modified Duration	5.45% Yield to Maturity
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Managed Account Performance

	MTD	YTD	3M	6M	1Y	3Y	5Y	ITD
FI Conventional Portfolio	0.78%	4.67%	2.55%	4.05%	6.85%	20.70%	20.10%	96.29%
Benchmark ¹	0.71%	4.67%	1.85%	4.07%	5.29%	11.19%	3.87%	64.35%

Global Sukuk Fund

A US Dollar denominated Shariah compliant open-ended fund that that will invest in a diversified portfolio of Sukuks globally. The Fund aims to achieve a high level of income with moderate capital growth. The fund pays a semi-annual dividend.

BBB+ Avg. Portfolio Rating	3.97 Modified Duration	5.74% Yield to Maturity
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Managed Account Performance

	MTD	YTD	3M	6M	ITD
Sukuk Fund ²	0.56%	4.36%	1.32%	3.73%	4.88%
Benchmark ³	0.65%	4.65%	1.63%	4.10%	4.78%

Notes: The Epicure Global Sukuk Fund is managed by QIC Islamic Asset Management LLC, an affiliate company of QIC Asset Management LLC (company registration no. 00602), which is also authorized and regulated by the Qatar Financial Centre Regulatory Authority (QFCRA). (1) Blended benchmark- JPM MECI JCADGCTR Index (60%) & JPM Asia JACIIGTR Index (20%) & Bloomberg US Aggregate LBSTRUU Index (20%) (2) Assumes reinvestment of dividends. (3)Dow Jones Sukuk Total Return ex-Reinvestment DJSUKTXR Index

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