



INSPIRING WHAT'S NEXT

CIO OFFICE MORNING MARKET WRAP

2 July 2024

The US Treasury yields continued to move up along with other developed market govies. These moves to the upside came despite soft US manufacturing PMI (51.6 act Vs 51.7 cons) and ISM manufacturing (48.5 act vs 49.1 cons) data released yesterday. Eurozone manufacturing PMIs were slightly better than expected though still firmly in the contraction territory. ECB president Lagarde said that the central bank doesn't yet have sufficient evidence that inflation threats have passed during a speech yesterday. Today we have the Eurozone CPI data due with consensus expectations of CPI slowing down to 2.5% after a strong reading in May. Investors will look towards the ECB Forum today where the Fed chair Jerome Powell and ECB president Christine Lagarde speak to gain more clues about future central bank actions.

Several strategists warned of inflation risks and steeper yields on the prospect of a Trump victory. The US Supreme Court ruled that Trump has some immunity from criminal charges for trying to overturn the 2020 election. The US Treasury yield curve has bear-steepened with long-end up by around 6 bps with intermediate yields currently around the median of their last 3-month period. The expectation of fed rate cuts till the end of the year has stayed flat at 1.8 and the 1-year market implied rate is around 4.43%. Looking ahead to this week, we will get important labor market data, both in the JOLTS report today and in the payrolls report on Friday. If the consensus expectation of moderation holds then we should see range bound yields.

Equity markets were positive yesterday as S&P 500 and Nasdaq rose 0.3% and 0.8% respectively. Developed Market stocks gained close to 0.3% and emerging market stocks increased by 0.1%. Info tech was the best performing sector with a 1% gain while materials and real estate were the worst performing stocks.

This morning the Asian stocks trade mixed. While Hong Kong shares are up 1%, mainland China stocks are slightly negative. Nikkei is up 0.7%. US equity futures are in the negative. Oil traded near a two-month high with Brent Crude at \$86.8. Gold is little changed around \$2,333. The 10-year US Treasury yield has come down to 4.45% after touching an intraday high of 4.49% last night.

Have a great day.

Chief Investment Office
Wealth Management,
Emirates NBD.

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