



CIO OFFICE MORNING MARKET WRAP

4 July 2024

Finally, we got some relief from the bond bears after weak macro data releases from the US. The ISM Services saw a sharp 5 points drop in June to 48.8 vs consensus estimates of 52.7. This is the lowest measure for the data point since 2020. Initial Jobless claims for the week ending 29th June increased by 5k to 238k. Moreover, Fed FOMC meeting minutes released yesterday shows that discussions on the economy have turned dovish. The US markets are closed today due to the 4th of July Holiday. This increases the risk of upsized moves in Treasury yields post the releases of Employment Data tomorrow.

The US Treasury yield curve bull-flattened with the 10-year yields falling by 10 bps. The belly of the curve outperformed. The OIS swaps indicated 47 bps of rate cuts by the year end increasing by a mere 2 bps indicating that the market still believes there may be 2 rate cuts this year. As expected, the equity markets rejoiced, and S&P 500 closed at a new peak of 5,537 increasing by 0.5%. Nasdaq also rallied 0.8%. Developed Market equities rose 0.7% whereas, Emerging Market stocks increased by 1.2%. Info Tech, Materials and Utilities were the best performing sectors.

Asian stocks from China to Japan are in the green this morning. Japan's Topix index created a new record touching 2,885 today. The yen is off its lows to trade around 161.37. Gold has increased to \$2,360 on increased rate cut expectations. The Brent Crude has cooled down slightly to trade at \$87. The 10-year US Treasury yields currently hover around 4.35%.

The UK votes today, with pollsters predicting a victory for Labour. Keir Starmer's party has led Rishi Sunak's Conservatives by more than 20 points through the six-week campaign. In macro data dossier we get the Germany factory Orders and Construction PMI. The ECB publishes the minutes of its June meeting.

Have a good day!

Chief Investment Office
Wealth Management,
Emirates NBD.

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