



## INSPIRING WHAT'S NEXT

### CIO OFFICE MORNING MARKET WRAP

6 June 2024

UST Yields declined by 4- 5 bp, with the intermediate sector again outperforming, as government bonds continued their rally across most of the DM. US domestic data were mixed: the ADP employment report showed private payrolls rose 152k in May (consensus: 175k). While ADP has not been accurate in predicting the official BLS data, this was the weakest monthly reading since January. All eyes now turn to tomorrow's NFP report, where the bar for downside surprise has been raised higher following weak JOLTs and ADP data. However, services surveys were relatively strong, as the ISM services survey rose 4.4 points to 53.8, the highest reading since June 2023, and the final reading on the May services PMI was unchanged at 54.8, a 3.5-point rise from April.

The US 10-year yield dropped below 4.30%. Overnight Swaps now estimate two full-rate cuts by the end of this year. Today, the Treasury will announce a mid-month auction for 3,10 and 30-year Notes that will be closely watched after the recent rally in yields. The Bank of Canada became the first G-7 central bank to start easing Wednesday. The Central Bank cut its rates by 25 bps to 4.75%. The ECB is expected to cut its deposit rate by 25 bps to 3.75% today. However, Governor Lagarde is likely to refrain from signaling back-to-back hikes.

Lower yields propped up equities, especially in the long-duration tech stocks. The MSCI ACWI Tech sector was up almost 2.5% yesterday. Nvidia surpassed \$3 trillion in value, overtaking Apple. S&P 500 touched a new record high of 5,354, and Nasdaq rallied 1.9%. On Wednesday, India's stock market retraced a big chunk of the losses suffered in the wake of Prime Minister Narendra Modi's less-than-emphatic election victory. The Nifty 50 Index closed 3.4% higher after PM Modi received backing from two key allies, allowing him to form a government.

This morning, the Asian stock markets were all in the green. Nikkei leads with a gain of 1%. A gauge of Chinese property stocks has slipped 20% from its May high as investors judge the sector's problems are deeper than would be addressed by a government plan to buy up unsold housing stock that is the equivalent of 60 million apartments. The US Treasury 10-year yield increased to 4.29%. Gold has jumped to \$2,373. Brent Crude has also recovered slightly to trade around 78.7.

Today, on the data dossier, we have US initial jobless claims and Eurozone retail sales. We also get the Factory Orders data from Germany, which is expected to show an increase from the prior month

Chief Investment Office  
Wealth Management,  
Emirates NBD.

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