



INSPIRING WHAT'S NEXT

CIO OFFICE MORNING MARKET WRAP

7 June 2024

The ECB delivered a well-telegraphed 25 bps rate cut yesterday. The central bank was prepared to cut despite inflation remaining sticky, despite persistent wage pressures, and despite some signs the European economy might be improving. Governor Lagarde used the post-meeting press conference to give herself as much optionality as possible, saying the ECB would not provide any further forward guidance until “much later in the summer,” seemingly snuffing out any thoughts of another cut in July. The move hardly impacted DM government yields. US domestic data came in slightly weaker than expected. Weekly initial jobless claims rose 8k to 229k during the week ending 1st June (consensus: 220k), with slight upward revisions to the prior week.

US Treasury yields barely moved 1 bps lower. The S&P 500 and Nasdaq 100 were broadly flat. Developed Market stocks moved up by 0.2%, and EM stocks increased by 1%. All the segments were positive except Industrials and Utilities.

The most awaited event for today is the release of the US Non-Farm Payrolls. The consensus estimates show an increase of +180k, slightly higher than the previous print of +175k. The Unemployment rate is estimated to remain stable at 3.9%. Average hourly wage growth for May is expected to increase to 0.3%. US equity futures are steady this morning. The benchmark US 10-year yield has increased by 1 bps to 4.29%. Gold has strengthened to \$2,380. Brent Crude has also increased to trade a tad below \$80.

China's Exports jumped to 7.6% while imports contracted to 1.8%, resulting in a higher-than-expected May trade surplus of \$82.6 Bn. Economists had forecast that exports would expand by 5.7% and imports by 4.3%. Despite the positive economic data, Chinese shares are in the red this morning. According to Bloomberg, the KSA plans to price its Aramco offering at 27.25 riyals, putting it on track to raise at least \$11.2 billion. After a tumultuous week for Indian markets, the RBI is expected to hold its policy rates at 6.5% in today's meeting. German Industrial Production is anticipated to expand by 0.2% compared to a contraction of 0.4% last month. We also get the final Q1 GDP for the Euro-Area, which is expected to be at 0.3%.

Next week, the focus will be on the release of the US inflation data on Wednesday, June 12th. According to Bloomberg estimates, headline CPI is anticipated to moderate to 0.1%, while the Core CPI is expected to be stable at 0.3%. The Fed's rate decision also coincides on the same day, and markets are not anticipating any moves from the central bank. BoJ will also decide on its policy rates next Friday.

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