



INSPIRING WHAT'S NEXT

CIO OFFICE MORNING MARKET WRAP

11 June 2024

We await the Fed decision this week, a revised dot plot and the path to a pivot along with key inflation data. US equities gained yesterday (new highs) while European markets were weaker, following a positive close for Japan. Indian markets after one day of reacting negatively to the election surprise have stabilized. This morning Asia equities mixed: Nikkei +0.3% and China lower: Hang Seng (-1.7%), Shanghai Composite (-1.1%). Tariffs on China EVs weighing on sentiment. Regional attention looking ahead to China data -- new loans seen rebounding sequentially but growth still slowing, CPI inflation expected to remain steady with narrowing decline in PPI. Japan, South Korea and Taiwan trading higher this morning.

US Treasuries steady: the 10-year Treasury note yield at 4.45%. Major currencies little changed with the US dollar index +0.2% on the firmer side and the JPY lagging. Oil futures extending gains with an over 2% gain yesterday, Brent futures at \$81.5/barrel amid hope on summer driving season demand. Gold and Bitcoin a little lower. Yesterday, European indices closed lower as French President Macron's decision to call snap parliamentary elections echoed across markets with the CAC 40 down 1.4%. French bonds lower too. French banks were the worst affected down 5 to 7%, as seen as a target for windfall taxes by the far Right.

Tech leads were positive as the Nasdaq +0.35% outperformed the S&P 500 +0.26% alongside sharp gains in the SOXX (semi index). Big tech was mostly higher, though Apple -1.9% was a laggard as it opened WWDC 2024 and announced an AI powered version of Siri and a ChatGPT partnership. "Apple Intelligence" focus on personalization the focus. Nvidia gained 0.75%, after its share split. Concentration worries around NVidia (30% of the SP 500 gain) continue. Similar story for other indices whether its Tencent in the Hang Seng or ASML in the EuroStoxx, though lower concentration. The US bond market has reverted to hawkish repricing of Fed pivot expectations, improved macro surprise momentum seen as a positive for earnings, where revision trends have improved. The AI tailwind still in play for big tech. Buybacks, passive inflows and July seasonals some of the bullish factors.

Following Japan Q1 GDP revisions, expectations for a solid rebound in Q2 growth. Concerns over lackluster private demand continues. Japan share buybacks remain a key market tailwind with activity surging in H1 this year. NY Fed's Survey of Consumer Expectations had 1Y inflation expectations down 0.1 % to 3.2%. Big macro week ahead with May CPI and FOMC decision on Wednesday. Headline CPI seen up 0.1% m/m with core rising 0.3%. Shelter inflation will be closely watched as a key driver of the elevated inflation rates lately. But rent inflation indicators show signs of a longer-term easing trend. When it comes to the Fed, focus will be on the dot plot. Consensus seems to be for a downshift to two rate cuts in 2024 from the three seen in March, though some noise for a more hawkish shift to just one easing move. Also on the economic calendar are NFIB small business optimism today, PPI on Thursday and University of Michigan consumer sentiment and inflation expectations on Friday.

We hold our tactical asset allocation committee meeting today and will come back tomorrow with positioning though no changes expected.

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