

Global economic activity subdued by lingering geopolitical uncertainties. Inflationary pressure ease, as G-10 central banks begin cutting key policy rates, and equity markets continue their rally.

Economic Update

Economy: US job gains surge past expectations, as wage growth quickens; China exports surge in May.

US: In May, the US economy added 272k jobs (c: 185k; p: 165k), the most in 5 months, and higher than the 12-month average monthly gain of 232k.

Health care, government, as well as leisure and hospitality lead the job gains – accounting for almost 80% of jobs created over the past 12 months.

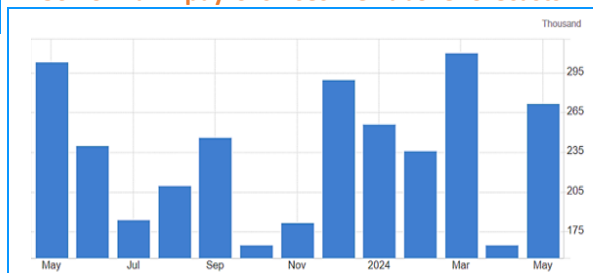
Average hourly earnings unexpectedly increased by 4.1% y-o-y (c: 3.9%; p: 4.0%), marking the first uptick in 2024, after 4 months of declines.

The **unemployment rate** rose to 4% (c: 3.9%; p: 3.9%), reaching the highest since January 2022, as the number of unemployed individuals increased by 157k to 6.649m, while employment levels went down by 408k to 161.083m.

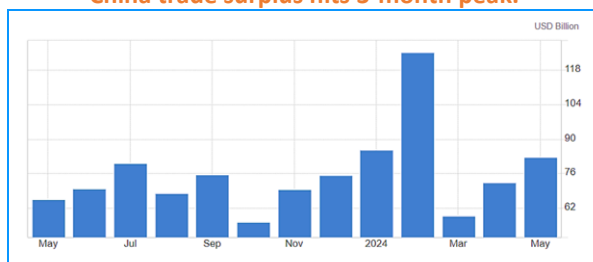
China: In May, China's **trade surplus** widened to USD 82.62bn from USD 65.55bn in the same period a year earlier, surpassing market expectations of USD 73bn.

It was the largest trade surplus since February, as exports grew much more than imports.

US non-farm payrolls rises well above forecasts.



China trade surplus hits 3-month peak.



Market Update

Equities: Global equities advance on strong US jobs report, and ECB rate cut.

US: The **S&P 500** was up (+1.3% w-o-w to 5,347), as financial, industrial, and tech sectors were leading the gains while real estate, materials, and utilities were the worst performers.

Eurozone: Equity markets advanced (**Eurostoxx 50**, +1.4% w-o-w, to 5,051), as investors digested the first ECB interest rate cut in 5 years.

EMs: Equities gained (**MSCI EMs**, +2.3% w-o-w, to 1,073), as Chinese stocks declined (**Shanghai Comp.**, -1.1% w-o-w, to 3,051), with losses seen from energy and technology stocks, as investors reacted to China's latest trade figures.

Fixed Income: US 10-year yield falls; German bund yield pulls back.

Global fixed incomes were higher (**BAML Global**, +0.5% w-o-w to 265.1), and the 10-year **UST yield** fell (-8bps, to 4.43%), after PMI data suggested that overall price pressures were concentrated in the much larger services sector while easing in the struggling manufacturing sector, due largely to falling commodity prices.

In the EZ, the yield on the **German 10-year Bund** dropped (-3bps, to 2.62%), after the ECB lowered its key interest rates by 25bps.

FX: DXY jumps after jobs data; Euro falls after ECB 25bp rate cut.

The **DXY index** strengthened (+0.2% w-o-w, to 104.885), fueled by a robust payrolls report that reignited speculation about the Fed potentially refraining from multiple interest rate cuts this year.

The **EUR/USD** weakened (-0.4% w-o-w, to 1.080), as the USD strengthened due to reduced rate cuts expectations by the Fed, and after the ECB cut rates.

Commodities: Oil prices drag; Gold falls on lower Asian central bank buying.

Oil prices were lower (Brent, -2.5% w-o-w, to 79.6 USD/b), driven by increasing expectations that borrowing costs could remain elevated for an extended period.

Gold prices pulled back (-1.5% w-o-w, to 2,293 USD/Oz) driven by lower central bank buying in Asia.

S&P 500 near highs after strong jobs report.



DXY jumps after jobs report.



Gold falls on lower central bank buying in Asia.



Week Ahead

In the US, the Federal Reserve's interest rate decision and economic projections will take center stage. Investors will also be paying close attention to CPI and PPI inflation data, as well as the Michigan consumer sentiment index. Globally, the May inflation rates for China, and India will be of significant interest. In the UK, key indicators to watch include the April GDP growth rate, and unemployment rate. Industrial production data will be released for the Eurozone, and Turkey. The Bank of Japan's interest rate decision will also be closely monitored.