

Global growth remains underpinned by political uncertainties and tensions; inflationary pressures continue to ease, as central banks shift policies towards monetary easing.

Economic Update

**Economy:** US business spending plans contract, while the PCE inflation index shows further weakening.

**US:** In May, new orders for manufactured **durable goods** rose by 0.1% m-o-m (c: -0.1%; p: 0.2%), marking the fourth consecutive monthly advance in durable goods orders, albeit slowly, mainly driven by solid demand for computers and related products, and transportation equipment, notably defense aircraft and parts.

**Orders for non-defense capital goods excluding aircraft**, a closely watched proxy for business spending plans, fell to -0.6%, after a 0.3% rise in the prior month and worse than market forecasts of a 0.1% increase.

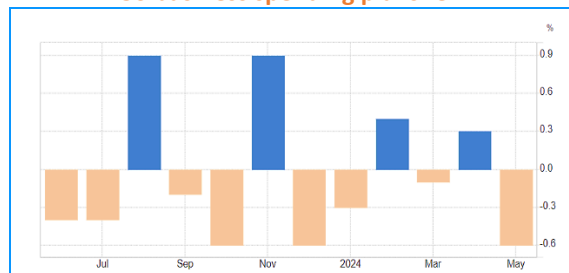
The **PCE price index** was unchanged (c: 0%; p: 0.3%), the least in six months.

Prices for goods decreased 0.4% and prices for services increased 0.2%.

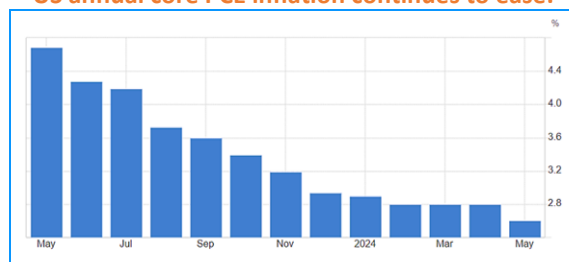
Meanwhile, the **core-PCE index**, which excludes food and energy, rose 0.1%, the least since November, compared to 0.3% in April and also matching forecasts.

Finally, the **annual PCE rate** decreased to 2.6% y-o-y, and the annual core PCE inflation also eased to 2.6%, the lowest since March 2021.

US business spending plans fell.



US annual core PCE inflation continues to ease.



Market Update

**Equities:** Equities end lower, as the US economy shows signs of weakening.

**US:** The **S&P 500** was down (-0.1% w-o-w to 5,460), as communication services led the decline. Conversely, energy and real estate stocks booked small gains. For the month, the S&P gained 2.9%, and for H1-2024, the S&P added 15.1%.

**Eurozone:** Equity markets pulled back (**Eurostoxx 50**, -0.5% w-o-w, to 4,894), amid heightened political uncertainty in France as the snap election called by President Emmanuel Macron approaches.

**EMs:** Equities fell (**MSCI EMs**, -0.1% w-o-w, to 1,086), while Chinese stocks declined (**Shanghai Comp.**, -1.0% w-o-w, to 2,967), as a light economic calendar and concerns about the slowing economy curbed risk appetite.

**Fixed Income:** US 10-year yield continues to climb; German bund yield rises.

**Global fixed incomes** were lower (**BAML Global**, -0.6% w-o-w to 265.9), and the 10-year **UST yield** rose (+9bps, to 4.34%), after the US presidential debate perceived Trump as the winner – as his policies may lead to inflationary pressures.

In the EZ, the yield on the **German 10-year Bund** gained (+8bps, to 2.49%), ahead of inflation prints in the EZ, and comments from ECB officials leaning toward a more cautious approach to cutting interest rates this year.

**FX:** DXY jumps after US presidential debate; Euro gains on inflation outlook.

The **DXY index** strengthened (+0.1% w-o-w, to 105.866), against most major currencies, except the EUR, JPY, and CHF.

The **EUR/USD** gained (+0.2% w-o-w, to 1.071), after an ECB survey showed that Eurozone consumers continued to cut their inflation expectations.

**Commodities:** Oil prices rise on Middle east tensions; Gold gains appeal.

**Oil prices** were higher (Brent, +1.4% w-o-w, to 86.4 USD/b), as the escalating conflict in the Middle East overshadowed demand-side uncertainties.

**Gold prices** were up (+0.2% w-o-w, to 2,326 USD/Oz) as looming rate cuts by major central banks lifted the appeal of holding non-interest-yielding bullion assets.

S&P 500 falls, but ends June on a positive note.



DXY shows modest weekly gain.



Gold demand from PBoC pushes up prices.



Week Ahead

In the US, investors' attention will focus on payrolls report and FOMC minutes. Other important releases include: ISM manufacturing and services PMI, JOLTs Job Openings, factory orders, and foreign trade data. In Europe, parliamentary elections in France and the UK will shape the week. Also, inflation rates for the Eurozone, South Korea, and Turkey will be of paramount interest. Japan's Tankan manufacturers index and China's Caixin manufacturing and services PMI will also be important.