

Global economic activity continues to show strength – driven by easing inflation, improved supply conditions, and strong labor markets. Central banks shift towards dovish policy stances.

Economic Update

Economy: US unemployment claims spike, as consumer sentiment falls; EZ retail sales jumps.

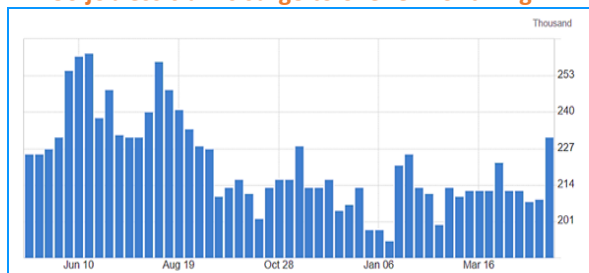
US: On the week ending May 4, the number of people claiming unemployment benefits surged to 231k (c: 210k; p: 208k) halting the streak of four consecutive downside surprises, pointing to a sharp and sudden breakthrough of weakness in the labor market, and backing the argument for the FOMC to anticipate the gradual loosening of monetary policy.

In May, the University of Michigan consumer sentiment fell to 67.4 (c: 76.0; p: 77.2) marking the lowest reading in six months.

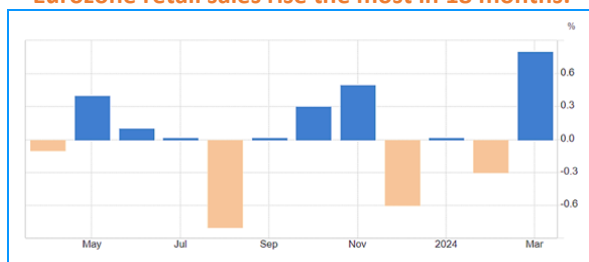
Consumers expressed worries that inflation, unemployment, and interest rates may all be moving in an unfavorable direction in the year ahead.

Eurozone: In March, retail sales jumped by 0.8% m-o-m (c: 0.6%; p: -0.3%), showing the sharpest increase in retail activity since September of 2022, pointing to some strength from the European consumer and aligning with other economic data releases that reflect some traction in the bloc's economy.

US jobless claims surge to over 8-month high.



Eurozone retail sales rise the most in 18 months.



Market Update

Equities: Global stocks finish higher driven by monetary policy outlooks.

US: The S&P 500 advanced (+1.9% w-o-w to 5,223), the technology, financial services, consumer staples, and health care sectors led the way, signaling an upbeat mood, with outperformance balanced across growth and defensive sectors

Eurozone: Equity markets jumped (Eurostoxx 50, +3.3% w-o-w, to 5,085), on better-than-expected corporate earnings and increased optimism that major central banks would soon start cutting interest rates.

EMs: Equities advanced (MSCI EMs, +1.0% w-o-w, to 1,072), as Chinese stocks gained (Shanghai Comp., +1.6% w-o-w, to 3,155), as recovery hopes rose following buoyant holiday spending during the prior week's Labor Day holiday.

Fixed Income: US 10-year yield mute; German bund yield ticks up.

Global fixed incomes were higher (BAML Global, +0.1% to 264.1), and **UST yields** were flat (0bps, to 4.50%), as traders digest key economic data and cautious comments from Fed officials regarding interest rate cuts.

In the EZ, the yield on the **German 10-year Bund** rose (+1bp to 2.52%), as Fed officials downplay softer CPI amid a tepid Eurozone recovery.

FX: DXY rebounds with small weekly gain; Euro firms to 1-month high.

The **DXY index** strengthened (+0.3%, to 105.301), after hawkish comments from Fed officials boosted the USD outlook.

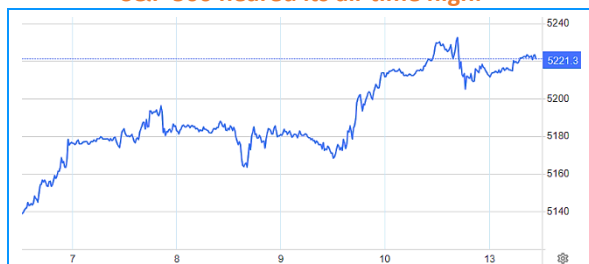
The **EUR/USD** gained (+0.1%, to 1.077), as investors reconsider expectations for interest rate cuts by key central banks.

Commodities: Brent prices fall; Gold gains safe-haven appeal.

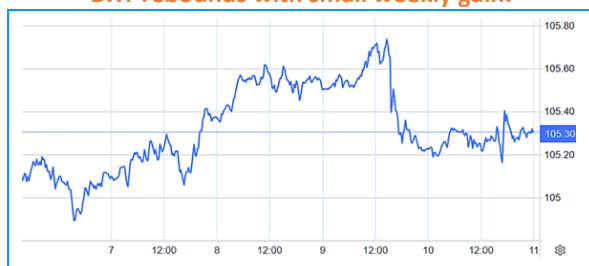
Oil prices were lower (**Brent**, -0.2% w-o-w, to 82.8 USD/b), as demand-side uncertainties weighed on the market.

Gold prices gained (+2.5% w-o-w, to 2,360 USD/Oz) buoyed by robust investments in the over-the-counter market, continued CB purchases, and a burgeoning demand from Asia.

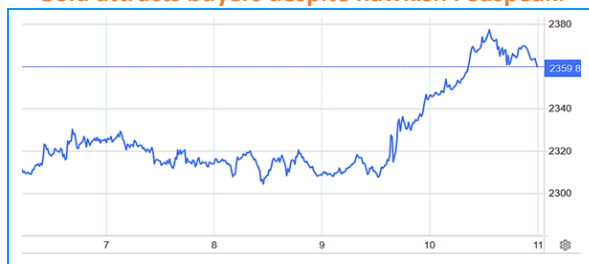
S&P 500 neared its all-time high.



DXY rebounds with small weekly gain.



Gold attracts buyers despite hawkish Fed speak.



Week Ahead

In the US, consumer inflation expectation numbers warrant investor attention. Upward trends in inflation expectations could influence the Fed rate path. Fed Chair Powell is on the calendar to speak, while other members are set to speak throughout the week. German inflation and economic sentiment figures will impact buyer demand for the EUR/USD. The UK Labor Market Overview Report will influence buyer appetite for the GBP. In China, industrial production, retail sales, and unemployment numbers will warrant investor attention.