



INSPIRING WHAT'S NEXT

CIO OFFICE MORNING MARKET WRAP

12 June 2024

Global equities close to flat yesterday with the US, UAE, and Japan with small gains. The S&P500 and Nasdaq both set fresh records. Tech drove US market performance yesterday, though today the focus will be on the Fed and CPI. Yesterday's WWDC updates around "Apple Intelligence" sent Apple stock +7% to new highs. Treasuries were firmer across the curve after a well-received 10 Year auction (\$39bn). The yield on 10-year Treasuries is at 4.40% and the 2 year at 4.83%. The US Dollar index was up 0.1% though gold little changed. Oil continued to rise, and Brent futures are at \$82.26/ barrel. Oil held a two-day gain with data on shrinking US crude stockpiles, ahead of a report from the IEA on the market outlook.

We held out tactical asset allocation committee meeting yesterday and no changes in our positioning, close to risk neutrality. We are overall slightly overweight on equities, cash, and marginally on bonds, funded by a clear underweight on alternatives except Gold which retained a modest overweight. The only change was within the EM equity allocation where we took China to neutral from overweight as growth continues to disappoint. Within DM equity allocation we are overweight the Eurozone and UK, neutral US and underweight Japan. Within EM we like India for growth and the UAE for income. Higher rates for longer, tech concentration concerns, earnings/margin risk from higher wages and higher interest costs, political/geopolitical uncertainty remain concerns. However, earnings growth rebound, record buybacks, and the Fed put keep up a bullish narrative for markets.

In Asia this morning the Japan Topix down almost a percent and China equities are extending yesterday losses: The Hang Seng (-1.70%), Shanghai Composite (-0.02%). China data showed consumer price gains remained above zero in May while factory deflation continued. China's consumer prices rose 0.3% in May y/y, slightly below estimates, while PPI slid 1.4%. Chinese regulators are considering tougher restrictions on how banks sell financial products to the public, cutting off a major distribution channel for the bigger hedge funds. The US is said to be considering further restrictions on China's access to chip technology used for AI, targeting a new architecture known as gate all-around, or GAA.

Apple unveiled its new AI platform, Apple Intelligence and announced partnership with OpenAI to access ChatGPT on Siri and other applications and to become available as part of an OS update later this year. Apple Intelligence only available on iPhone 15 Pro/Max and iPad and Macs with M1 or better. Positive on AI integration into apps and products along with the privacy angle and AI monetization opportunities. The global tech sector +20% YTD with semis and other global ecommerce, cloud providers also up.

The focus today is on upcoming US CPI data and the FOMC meeting. CPI gains seen slowing sequentially. Consensus and we too, have the Fed remaining on hold until at least September though the key focus will be on whether the median dot for 2024 shifts down to two or just one rate cut from the three seen at the March meeting. Today we also get the Germany CPI, US CPI and tomorrow Eurozone industrial production, US PPI, initial jobless claims, Tesla annual meeting, and on Friday Bank of Japan's monetary policy decision, and US University of Michigan consumer sentiment.

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