



INSPIRING WHAT'S NEXT

CIO OFFICE MORNING MARKET WRAP

28 June 2024

The US Presidential Debate just ended. It wasn't a particularly brilliant one – between two unpopular figures, but it's pretty clear that while Trump didn't surprise, including his usual ability to be excessive, Biden struggled to demonstrate that he has the energy for another term. We never excluded the possibility that the incumbent President may not be the Democrat candidate in November, and we feel that the probability has risen from very unlikely to slightly possible. Was this unusually early debate a test? As we write this morning, this question is openly asked by post-debate commentators on CNN, which is on average not known for being pro-Trump. Headlines on Bloomberg Professional, also not known for being anti-Democrat, talk about Biden "faltering" against Trump. This reinforces our view that volatility could significantly rise with uncertainty as we approach the US November election. The last questions were about age, to which Biden replied mostly on his golf handicap, and on whether Trump would not contest the electoral results, to which he replied "I will not contest if they are fair".

Back to markets. Thursday was not bad across asset classes: US Treasury yields fell by an average -5 basis points with uninspiring economic data from the US and Europe, supporting the fixed income asset class. The dollar was slightly weaker against trade-weighted counterparts. Stocks gained +0.1% in US\$ on average in developed markets after -0.3% in emerging regions with clear dispersion in Asia, between +1% for India and -2% in China. Gold logically gained, up +1.3% to \$2,325, and the price of Brent crude oil continued to recover, up \$1 to \$86.4.

The third update to US Q1 data brought minor adjustments: a bit more growth as we were writing yesterday (now +1.4% quarter on quarter annualized) and a bit more inflation, to which the market didn't really react as this is old news already. Weekly jobless claims were a bit higher than expected, while durable goods orders were not spectacular, actually a bit weak when excluding transportation. Consumer confidence in Europe didn't rise in May. In the corporate world, Nike stock prices dropped an impressive -12% postmarket after the company issued a disappointing forecast.

Asian markets are well oriented as we write this morning. Stocks are all in the green, from +0.2% in Korea to +1% in Japan, where the June core inflation for Tokyo just came in at +2.1% year-on-year, 0.1% higher than expected, while industrial production also surprised to the upside, raising the probability of a hike from the BoJ. US Treasury yields are up around +2 basis points on average following the US debate, to 4.72% for the 2-year and 4.32% for the 5 and 10-year, and the dollar is slightly stronger.

The most important number of the day for global markets is the monthly US Core PCE price index for May, released at 4.30PM Dubai time. The monthly increase is expected by the consensus to be modest at +0.1%, which would lead to the year-on-year change to drop from 2.8% to 2.6%, a material step in the direction of the Fed's 2% target. Everything would rally on a positive (lower) surprise, and reciprocally. The 4.30pm release also includes US personal income and spending. In the meantime, we'll have a look at another Q1 update for the UK. The week ahead will be extremely rich in terms of data with all final June PMI and ISM indices before the monthly US job report on Friday in particular. Have a great end to the week.

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