



CIO OFFICE MORNING MARKET WRAP

9th June 2025

Last week's strong jobs report changed the narrative for the markets. The week started with rising trade tensions as both the US and China had accused each other of violating the Geneva agreement. US Treasury yields had remained stable till the mid-week. Manufacturing PMIs showed a broad-based moderation. Caixin manufacturing index came in at 48.3. European May preliminary CPI report showed the inflation rose +1.9% year-over-year for the headline measure and +2.3% for the core allowing ECB to cut rates by 25 bps as expected. However, Christine Lagarde's assertion that the ECB is reaching the end of its rate cut cycle led to a sell-off in the European Govvies. In the US, both factory orders and durable goods were weak in April, but job openings from the JOLTS survey surprised to the upside. US labour market strength was reinforced by the robust NFP data released last Friday. Change in NFP came in at +139k which was higher than estimates of +126k. Unemployment figures remained steady at 4.2% while wage growth increased to +3.9%.

This led to a sharp sell-off in the treasuries. The 30-year bonds touched 4.97%. 5 to 10-year treasuries increased by 10 bps. Rate cut expectations were slashed to 46 bps for the year. The litmus test for the US treasuries would be the upcoming \$22 Bn 30-year notes auctions due this Thursday. Risk-assets rallied as S&P regained the 6,000 levels for the first time since late February. DM stocks rose +0.9% while EM outperformed increasing +2.6% last week. Info Tech was the top performer segment wise followed by Communication Services. Tesla dropped 14% as the acrimonious exchange between President Trump and Elon Musk continued over the One Big Beautiful Bill. Meta is in talks to invest in startup Scale AI with investments exceeding \$10 billion, making it one of the largest-ever private company funding deals.

Trade negotiations continue as US and China open their second round of negotiations in London today. China claimed that they have allowed rare earth exports but would like to ease US Chip control in return. China's exports to the US fell 34.4% to \$28.8 billion in May, according to Bloomberg. India and US negotiations drag on as the US team had to extend the stay while Commerce Secretary Lutnik is confident of a deal.

Markets this morning:

This morning the Asian markets are positive on the hope of some progress in trade negotiations. Hong Kong and mainland China shares are up +1.25 and +0.3% respectively. Chinese exports rose 4.8% from a year ago to \$316 billion in May, slower than the 6% median growth forecast in a survey of economists. Nikkei is up +1.05%. Japan's economy contracted in the first quarter, with GDP shrinking at an annualized pace of 0.2%, driven by weak net exports and inventory buildup. Gold trades at \$3,306. Brent Crude hovers above \$66.3. US 10-year treasury bonds have dropped 1 bps to 4.49%.

Upcoming key events/data:

US CPI data comes out this Wednesday. Economists expect the Core figure to increase to +2.9% and the Headline to jump to +2.5%. UK's labour market data comes out tomorrow. All eyes will be on the wage growth which has prevented BoE from being dovish. Germany and France inflation numbers are due this Friday.

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