CIO OFFICE DAILY OUTLOOK

1 July 2026

In yesterday's session the equity rally broadened somewhat on more signs of the strengthening of the economy. Both job openings and consumer confidence ticked higher, pointing to steady labor demand and consumers relieved by falling oil prices. Treasury markets reacted with real yields rising across the curve and market-implied inflation subdued and mostly tracking now well-behaved crude prices. The S&P 500 (+0.8%) was led higher by technology (+2.6%) and industrials (+1.4%), with mid-caps (0.6%) recording new highs for the year. The Nasdaq 100 (+1.7%) outperformed and semiconductors (+3.9%) remained in the lead. DM ex-US stocks (+0.7%) rallied as well. Overall, stocks recorded the best quarter in six years, as economic resilience drove strong earnings. US Treasuries weakened with the yield on the 10-year note rising 9bps to 4.46% and the 2-year ending 7bps higher at 4.17%. It looks like the bond market is preparing for a strong nonfarm payrolls report on Thursday. Also, DM yields will likely stay elevated across the major countries despite the fall in oil prices as traders kept their bets of higher rates in the second half unchanged. Brent crude and the US dollar were little changed, while gold traded lacklustre around the $4,000/oz level.

In general, Tuesday's price action was a bit more risk on than Monday's, with a mix of tech, industrial, and some materials stocks participating in the rally. Economic resilience showing up in data helped the bullish price action. According to the JOLTS report job openings - the demand for labor - ticked higher led by construction, leisure, and hospitality. That lined up with other data indicating growing momentum in the labor market. The projection is for more than 110,000 new jobs to have been created in June. Also, consumer confidence edged up in the sane month, with the expectations indicator rising, that of course should portend good consumption patterns ahead. On a more local basis, the Chicago MNI, a business barometer, surged to the highest levels since 2022.

In Sintra, where the ECB Forum on Central Banking Conference was held, BOE Deputy Governor Breeden highlighted that, as the use of AI agents expands in commerce and finance, the current regulatory framework might be insufficient to avoid collateral damage. She said they may cause a "market meltdown" hence need regulation as they amplify volatility if they all respond to similar prompts.

Markets this morning

In the morning session Asian equities edged lower, with the MSCI regional gauge dropping 0.2% and snapping a two-day gain, with nine of the 11 subgroups declining. Stocks in Japan and Taiwan rose, while South Korea dropped 2.3%. Hong Kong's markets are closed for a public holiday. Equity-index futures indicated Asian losses will spread to Europe and the US. PMIs for Malaysia, the Philippines, South Korea, Taiwan, Thailand and Vietnam all came in above the 50 line that separates expansion from contraction, the first time that's happened since March. In China, June PMI data pointed to the economy settling into a slow-growth regime, with modest expansion both in manufacturing and services. Elsewhere, Brent crude rose 0.4% to $73.20 a barrel, even as there seemed to be positive talks in Qatar for the end of the regional conflict. The dollar strengthened for a second day, while gold slipped 0.7%.

Upcoming key events/data

Today's focus will be on the ISM Manufacturing Index in the United States, the release of the final readings of the June PMIs for the major economies, and the CPI release in Europe. Kevin Warsh will be speaking in Sintra.

Chief Investment Office
Wealth Management, Emirates NBD

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