# CIO OFFICE DAILY OUTLOOK

3 July 2026

It was a full surprise to see a slowdown in the US labour market when consensus had been biased towards a reaccelerating phase. American exceptionalism took the backseat yesterday and most trades in that direction were scaled back. Bets on future Fed hikes were decreased and the front end of the Treasury curve rallied. The dollar (-0.5%) fell and gold (+2.3%) climbed. Equity markets rotated out of technology, the Nasdaq 100 (-1.6%) underperformed, with semiconductors (-5.4%) hit hardest, while the Dow (+1.1%) rallied. Excluding IT-related stocks and consumer discretionaries (-0.8%), all other sectors finished in positive territory. With valuations expensive and a bit of price pressures still in the pipeline, index returns may be harder to come by without further catalysts to look to. The Q2 earnings season is due shortly, and expectations have been ratcheted up following the phenomenal Q1. It seems we are poised for reduced room for error. Other DM benchmarks did better (+0.8%), while the major emerging market ETF (-1.2%), that keeps track when MSCI prices are not quoted, saw some profit taking since most of the recent upside had been predicated on technology. Elsewhere, the yield on the 2-year note ended almost 4bps lower at 4.14%, and the 10-year ticked higher to settle at 4.48%. Brent crude was little changed. Despite oil prices being back at pre-war levels, the real world will hardly ever again be back to pre-conflict conditions. Crude inventories are close to being dangerously low, and it will take time for oil supply to be fully restored. Bitcoin rallied (+2.4%), benefitting like gold from the outlook for less monetary tightening.

US hiring slowed sharply in June, as nonfarm payrolls increased only 57,000 against 113,000 projected. And downward revisions to the prior two months took the shine off the strong jobs market momentum. High price pressures may have made the consumer less optimistic and employers cautious about hiring. Employment did tick lower, but due to a lower participation rate. The main takeaway is that from the Fed's perspective the labour market is stable and no source of inflation, while for the rest of America this is a disappointment.

In Sintra, Portugal, where the ECB hosted a policy forum, the chiefs of the most important central banks shared a common message. The hostilities in the Middle East created no need for aggressive policy tightening in their countries. With the exception of the ECB, for none of them the next move is a hike.

**Markets this morning**

Stocks stabilized after two days of tech-led losses fueled by concern the AI-driven rally had run ahead of itself. Gold (+1.5%) extended gains on bets the Federal Reserve will wait longer to raise interest rates. The MSCI Asia Pacific Index (+0.9%) climbed and the South Korea's Kospi (+3.4%) rebounded sharply after a volatile start, and Samsung Electronics (+5.1%) rose on a report that Anthropic is in talks to manufacture a custom artificial intelligence chip. Futures on the Nasdaq 100 climbed 0.3%. Benchmarks in China, Hong Kong and Japan all opened higher. Elsewhere, Treasury futures ticked higher following the weaker US employment data. There's no cash trading in Treasuries worldwide on Friday due to a US holiday. The dollar edged lower against most of its major peers.

**Upcoming key events/data**

US markets will be closed today in observance of Independence Day. The only highlight is the release of the final prints of the PMI services for the major DM countries.

Have a great day.

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