

CIO OFFICE DAILY OUTLOOK

2 June 2026

Geopolitical tensions continued in the Middle East with some escalation in Lebanon as well despite the recently signed truce, although President Trump said talks are continuing at “rapid pace”. Hopes for a diplomatic way out were kept alive, and stocks recorded new all-time highs with the AI theme once more in the foreground. The S&P 500 recorded its eighth straight gain, and the Brent crude stopped its rally around \$95 a barrel as Donald Trump said the fighting would stop. The rally was narrow, with US large caps gaining 0.3% led higher by technology (+2.5%), the only sector in the green alongside energy (+1.9%). The IT sector was abuzz with newsflow that promoted its advance. Hewlett Packard Enterprises (+9.2%), one of the largest makers of computing equipment and Dell’s direct competitor, gave an outlook for annual sales that topped estimates. The company cited impressive growth in demand for servers and networking expected to continue through next year. Nvidia (+6.3%) announced it would be entering the PC market with a new chip called RTX Spark Superchip, in direct competition with Intel (-4.7%) in the laptop and desktop segment. Software companies (+5.6%) continued to rise after bottoming out in the wake of Snowflake’s strong results the previous week and as Nvidia’s CEO Huang challenged concerns the industry is being disrupted by AI innovative tools. AI-leading company Anthropic confidentially submitted draft paperwork for a public listing, jumping ahead of rival OpenAI in the race towards a Wall Street debut as early as this fall. Ex-US stocks underperformed as the MSCI World ended the session little changed. Treasury yields saw some upward pressure especially on the front-end of the curve, with the 2yr gaining 3bps to finish at 4.03% and the 10yr climbing 2bps to settle at 4.45%. Treasuries tracked Middle East developments partially retracing losses as President Trump talked down the latest flareups in the region. Brent crude (+4.4%) rallied to close to \$98 a barrel to then settle at about \$95. The US dollar edged up advancing against most peers, while gold (-1.2%) slipped in listless trade.

The important release of the ISM Manufacturing Index indicated that activity accelerated in May at the fastest pace in four years on a pickup in new orders and production. The index rose to 54 pointing to expansion for a fifth straight month, to a large extent driven by AI investments. Low inventories on the producers’ and customers’ side suggest solid production in the months ahead. Cost pressures remained sustained on elevated oil prices. The final readings of the May manufacturing PMIs were also released for Europe and the UK, with small changes to the previous print. The expansion in the sector was confirmed both in Europe, with some signs of softening though, and in the UK, where activity was firmer versus a month ago. China’s manufacturing expanded as well in May, though softening in the month, according to a private gauge skewed towards smaller and export-oriented companies.

Markets this morning

In the Asian session stocks slipped to fall from all-time highs as investors took a breather from the AI-driven rally that has dominated markets this year. An MSCI Asian gauge dropped 0.5%, with South Korea’s Kospi – a bellwether for AI investments – falling 1.8% as traders locked in gains following its world-beating 105% YTD rally. Nasdaq 100 Index futures fell 0.7%, while Chinese technology stocks bucked the trend, as Tencent jumped 7.5%. Contracts also indicated European stocks to gain at the open. Brent crude pared some of Monday’s advance to trade around \$94.40 a barrel, even as uncertainty over a US-Iran peace deal persisted. Treasuries held their losses from the last session amidst Middle East uncertainty.

Upcoming key events/data

Today’s highlight is the JOLTS report that will offer insights in the demand-supply dynamics of the US labor market, alongside the release of the euro area CPI. Palo Alto Networks will be reporting after hours.

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