CIO OFFICE DAILY OUTLOOK

3 June 2026

Yet again the AI trade and geopolitical issues drove the session's returns. With the Hormuz crisis recording little progress, it was IT that accelerated led higher by semiconductors. The Nasdaq 100 rose 0.5% to record new all-time highs for a sixth consecutive session, while the S&P 500 topped 7,600 though it barely budged. A gauge of chipmakers rose nearly 6%. Marvell Technology soared 33% reporting record revenue the previous week and as Nvidia's CEO said the company would reach $1tn in market cap. Hewlett Packard Enterprises jumped 19% after raising its AI-driven sales forecast. Microsoft announced an updated quantum-computing chip, while OpenAI expanded the functionality of its AI coding agent to include also the financial sector. The Magnificent 7 stocks trailed losing 1%. President Trump remained optimistic a peace deal could be reached soon. According to a media outlet a "final text" was being discussed to be sent to the US. Brent crude traded within the previous day's range to close at $96 a barrel. Treasuries ended mixed and little changed across the curve. The US Dollar Index and gold continued to trade in tight ranges. Most EM currencies gained as investors looked for signs of an accord in the Middle East, with the South African Rand and the Mexican Peso, seen as risk indicators, amongst the top performers.

The US labor market continued to sit in a low-hire and low-fire mode in April. The Job Openings and Labor Turnover Survey was strong on the surface while mixed in the details. Despite the unexpected surge in the number of job openings, the concentration of vacancies and the low churn in employment pointed to limited dynamism in the labor market. Still, the rising vacancy rate is likely to reduce Fed officials' concerns about the growth side of their mandate. Bottom line: this datapoint will do nothing to blunt the emerging hawkish bias of the FOMC. Cleveland Fed's Hammack said yesterday the central bank may need soon to act against inflation, though Minneapolis Fed's Kashkari revealed a more wait-and-see stance in his comments. In the euro area the acceleration of headline and core inflation in May cemented the case for a 25bps rate increase at the ECB meeting next week. Headline CPI accelerated to 3.2% from 3% the previous month in line with median estimates.

Markets this morning

In the Asian session global equities advanced to new highs led by artificial-intelligence stocks. The yen hovered near 160 per dollar, a level likely to raise the attention level of the BOJ. The MSCI All Country World Index rose 0.1% to a record, with gauges in Asia and the US setting all-time highs. Tokyo Electron Ltd. and Taiwan Semiconductor Manufacturing Co. climbed to new peaks after the Philadelphia Semiconductor Index rallied almost 6% to a record. South Korean markets were shut for a holiday. Futures contracts for the S&P 500 and the Nasdaq 100 were little changed. Brent crude rose for a third day on uncertainty over the prospects for a peace deal in the Middle East. European equities were also set for a modest loss at the open. Elsewhere, gold edged lower to about $4,480 an ounce, while Bitcoin slid below $66,000. Treasuries edged lower, with the yield on the 10-year bond rising one basis point to 4.45%. The first of three labor-market reports due this week reinforced wagers that the Federal Reserve's next move will be to raise interest rates. In tariff news, the US is proposing levies of at least 10% on imports from most major trading partners, as President Trump seeks to rebuild the sweeping tariff wall struck down by the US Supreme Court.

Yesterday, the Tactical Asset Allocation Committee decided to implement a modest risk reduction across risk profiles, in order to lock in some profits following recent large market gains.

Upcoming key events/data

Investor's focus today will be on the ISM Services release as well as on durable goods orders in the United States. Broadcom will be reporting in extended hours. The final prints of the PMI Services for the previous month will be published in the major countries. The euro area publishes its PPI data.

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