CIO OFFICE DAILY OUTLOOK

05 June 2026

Rotation. This is the keyword for yesterday's session. It seems investors found reasons to stop overpaying for AI-related securities to bid up old-economy stocks. After all, business activity remains strong, so why not buy also some of the companies more leveraged to the cycle? Was it Broadcom's underwhelming outlook that triggered the shift, or rather yesterday's tumble in oil prices suggesting the easing of geopolitical tensions? It could be a bit of both, though the latter would be carrying more weight in our view. The parties could be closer to a deal, if anything because despite repeated flareups more dramatic confrontation has continued to be avoided. And, yes, first and foremost the economy is strong. This is what business and labour surveys have been telling us. And it is happening in the run-up into the most awaited datapoint of the month, the official jobs report, that should then reserve positive surprises as per market action. The Dow Industrials (+1.7%) recorded new all-time highs, small caps (+1.5%) rallied as well, while the Nasdaq 100 (-0.5%) closed lower with semiconductors (-2.1%) trailing. US large caps recorded their longest streak of weekly gains since 1985, led by healthcare (+3.2%) and financial (2.7%). Overseas stocks underperformed as the MSCI world gained 0.3% only. Elsewhere, Blackstone limited redemptions from its flagship private credit fund after investors sought to pull shares, capping withdrawals at 5%. Brent crude fell (-2.8%) to close at $95 a barrel driving a bull steepening in the Treasury curve. Yields ended up lower by up to 3.5bps across the front end, with the yield on the 2-year note settling at 4.04% and the 10-year 2bps lower at 4.47%. The US dollar edged lower on easing Middle East tensions, and the Japanese yen briefly gained on a report the BOJ is mulling hiking rates this month, as well as later this year. Gold rose almost 1% to still trade below $4,500/oz.

Markets this morning

In the Asian session stocks declined along with US equity-index futures as enthusiasm for the artificial intelligence trade cooled after driving this year's record highs in markets. The MSCI regional equity gauge dropped 1.3%, with South Korea —world's best-performing YTD and bellwether for AI investments — tumbling 4.4%. Futures contracts for the Nasdaq 100 Index dropped 1.1%, pointing to a third day of losses as investors rotate out of tech and chip stocks. Currencies were a focus with the Korean won extending its drop to a new 2009 low. The Indonesian rupiah closed yesterday at its lowest ever against the dollar as foreign investors pull billions of dollars from the country's bonds and stocks. In other corners of the market, Brent steadied around $95 a barrel, while gold was little changed.

Upcoming key events/data

Today, all eyes will be on the monthly US employment numbers. Unexpectedly weak data for May would cause a short squeeze in Treasuries as traders bought into the notion that the Fed would hike in Q1 next year. The May data is projected to show an 85,000 increase in nonfarm payrolls, a three-month low, and an unchanged 4.3% unemployment rate. The report could reshape expectations for Federal Reserve policy and determine whether the AI-fueled rally broadens further or loses momentum.

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