

## CIO OFFICE DAILY OUTLOOK

08 June 2026

A much stronger than expected bounce in US job creations triggered a brutal bear-flattening of the US yield curve and a sudden reversal of risk appetite on Friday. The week ended with US Treasury yields gaining between 15 basis points for the front end and 9 for the 10-year. The dollar strengthened 1%. Stocks fell 2% on average across regions, with US and tech being the most affected by Friday's labor report. Gold lost -5%, silver tumbled -10% and bitcoin -16%.

June doesn't start well and for once risk aversion is not driven by geopolitics – where markets seem to get used to the status quo, with oil being relatively quiet last week. Nervosity comes from elsewhere: the high pressure from the US economy. 172,000 jobs were created in May, double the median forecast, while April's number was revised from 115,000 to 179,000. It confirms that the cyclical uplift we had already noticed, also confirmed by strong May ISM manufacturing, translates into actual hiring. Job substitution from AI is not for now, but the Fed and their new chairman cannot ignore the warnings from the two pillars of their mandate: inflation and labor. Fed fund futures quickly moved to price a 100% probability of a hike in 2026, US Treasury yields and the dollar followed, a perfect trigger for profit taking on stocks after an uninterrupted series of 9 consecutive positive weeks.

It happens that our monthly tactical asset allocation had decided last Tuesday to increase the level of cash across profiles, by reducing both stocks and bonds. This is not genius timing; we simply reckoned that most markets were priced for a blue-sky scenario with limited upside potential. Should we prepare for more trouble ahead? We don't know. First, while markets are right to anticipate Fed hikes given the current fundamental data, the situation can evolve. Second, rate hikes because of growth and inflation are not as adverse as rate hikes for inflation alone. Third, as disturbing as the current turbulences of the bond market may be, there is no world in which seeing the US 10-year above 4.5% is not good news for future returns. Finally, behavioral factors were and still are too hot: a correction is sound. We continue to expect volatility ahead, with some degree of asymmetry as valuations remain rich, but our current positioning is more about waiting and seeing than outright bearishness. We remain confident in selected emerging market stocks, for example, despite the headwind of a strong dollar, as they are a not too crowded play on a global hunger for commodities that is only confirmed for the years to come.

The geopolitical situation came back at the forefront last night with Iran launching missile attacks on Israel, which was followed by retaliation strikes this morning.

### Markets this morning (E)

Risk aversion has all reasons to persist in Asia this morning, where markets are catching up with Friday's repricing, with an additional pressure from geopolitics today. Stocks are down everywhere, from -4% in Korea and Japan, despite a robust first quarter GDP growth, to -1% in Hong-Kong and mainland China. The price of Brent crude oil gains 3% to \$96.2, which pushes US Treasury yields 3 to 4 basis points higher to 4.56 for the 10-year. Gold and the dollar are relatively stable.

### Upcoming key events/data

The week ahead is about monthly inflation reports around the world, culminating with the US on Wednesday where the headline CPI is expected to accelerate to 4.2% year over year, whereas the PPI, released the following day, could exceed 6%. Another interesting release will be the consumer sentiment from the University of Michigan, which had printed a record low last month. Finally the ECB is widely expected to hike their main policy rate by 25 basis points on Thursday, which in our humble opinion could be questioned in the future, as growth in Europe is nowhere near overheating while inflation is thus mostly about energy and petrochemicals.

Chief Investment Office  
Wealth Management, Emirates NBD

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