CIO OFFICE DAILY OUTLOOK

10 June 2026

Volatility was extreme on Tuesday, as illustrated by the Nasdaq 100 opening positive, then losing almost 5% before closing at -1%. Broader developed equity markets ended the day down -0.2% while their emerging peers had a much better session at +3%, led by high-octane Korea once again, up 8%. Meanwhile US Treasury yields shed -4 basis points on average everywhere on the curve from 2-year and above, the dollar slightly weakened but gold didn't benefit, down another -1.5%. Finally, the price of Brent crude oil fell 3% to $91.5.

The only rational explanation for yesterday's session is the irrational sensitivity of richly priced markets to any swing in investors sentiment. Economic data was not a negative catalyst, between China's strong trade numbers, Taiwan's buoyant exports, positive activity surprises in Korea and Germany, or a jump in existing home sales and a stable small business sentiment in the US. Geopolitics could have been the volatility booster, as the situation escalated again when President Trump announced that America would respond to the downing of an Apache helicopter by Iran. Yet factually, US stocks were much lower before his announcement than after. Staying on geopolitics, the US confirmed having carried out strikes on Iran's air defense, ground control stations and surveillance radars near the Strait of Hormuz earlier today. US Central Command specified it was a "proportional response", which indicates a willingness not to escalate further, while Iran's Foreign Minister didn't miss the opportunity to express an intention to respond to the response. Again, oil prices didn't rise yesterday, they materially fell... Markets are getting used to the situation and in a way aligns with our expectation for no radical re-escalation but an informal status quo, with sporadic low intensity flare-ups, and shadow traffic going through the Strait until some minimal agreement is hopefully found. This means that a major re-escalation would probably have a bigger impact than a material progress.

Let's sum it up: global activity continues to be resilient in most major economies, but the combination of high valuations with stretched positioning, together with concentration on a few themes, ahead of the largest IPO ever and a crucial Fed meeting next week, creates the perfect recipe for volatility. We are not unhappy with our slightly defensive positioning. Wait and see.

Markets this morning

Asia is anxious, with stocks down everywhere from -0.6% in Hong-Kong to -4% for high-octane Korea. Bond markets are nervous ahead of today's inflation releases, with US yields currently up 2 basis points on average, to 4.54% for the 10-year. Gold is down again to $4,180 and now in clear negative year-to-date territory.

Upcoming key events/data

Today is all about CPI inflation reports. It started with PPI in Japan printing +6.3% year over year, above expectations, and CPI in China at +1.2%, in line with forecast. The most important for markets is obviously the US release at 4.30PM Dubai time where headline consumer prices are expected to reach a 4.2% annual progression, from 3.8% in April, while the median forecast for the core measure is for 2.9% after 2.8% in April. Tomorrow will add US PPI as well as a probably decisional meeting from the ECB. Be diversified, stomach the volatility, and have a great day.

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