بنك الإمارات دبي الوطني
Emirates NBD

CIO OFFICE DAILY OUTLOOK

29 June 2026

Doubts about the AI trade pushed IT stocks (-5.4%) deeply in the red despite Micron's strong reporting, while Brent crude (-10.6%) crashed to pre-war levels with investors taking the new flareups in the Middle East in their stride. PCE inflation's strong print had silver linings to it, that pushed Treasury gains (+0.5%) across the curve. US markets (-2%) were weak as tech's retreat took its toll, though the mid (+0.7%) and smaller companies (+1%) recorded new highs for the year to close in positive territory as market breadth expanded. A whiff of US exceptionalism continued to blow, with manufacturing activity again strong alongside this year's past US growth statistics revised higher. The US dollar (+0.5%) benefitted, while gold (-1.5%) recorded a new low for the year. Other equity markets underperformed, from DM ex-US (-1.3%) that succumbed to IT losing its lustre, to EM stocks (-4.5%), weighed down by China (-5.2%), where Alibaba was accused by Anthropic of making illegal use of its models.

The global tech wobble seems to have been sparked by a press report in South Korea suggesting that demand for AI memory chips may be plateauing. The Korean KOSPI (-7.1%) crashed to close down for the week. Bad news came in clusters, as OpenAI got inclined to hold off on its listing till 2027 following recent volatility as SpaceX fell below its IPO price. It did not help either that Apple (-4.7%) decided to raise the price of most of its devices in response to memory chips getting more expensive. Departure of top brains from Google (-8.3%) weighed on the stock. The tech sell-off was seen by investors as an opportunity to rotate into other pockets of the market. It was possibly the unwinding of crowded trades, with the momentum investment style in the red, and value doing better than growth. Healthcare (+7.9%) and real estate (+4.0%) were well bid, while the most cyclical sectors rebounded. Other asset markets gave a less comforting message of bad disinflation, with the 2-year real yield rising for three months back-to-back to climb above 2%, and at the same time commodities (-3.2%) weakening. And US Treasuries outperforming gold for the week, as well as the rising dollar, reinforced that signal. It might be an indication that monetary policy is already too tight, despite the Fed chair's hawkish stance at the June FOMC.

PCE inflation in the United States printed in line with expectations on a yearly basis, though reaching a three-year high both in the headline (+4.1% YoY) and core (+2.9% YoY) indices. Real consumption accelerated even amidst growing price pressures, that would help the Fed keep a hawkish bias. The silver lining is that, monthly, headline grew less than expected, 04% versus 0.5% forecast. And the view that lower oil prices in perspective will suppress price pressures seems to be prevailing. Basically, the market is betting inflation is peaking, as indicated by tumbling yields during the week. Yields both on the 10-year and the 2-year note fell over 8bps, and wagers on Fed's tightening eased somewhat.

Markets this morning

US equity-index futures rose after reports the parties to the Middle Eastern conflict backed away from a fresh escalation. Contracts for the S&P 500 Index advanced 0.5%, and those for the Nasdaq 100 climbed 0.6%. MSCI's Asia Pacific benchmark, however, slipped 0.1%. Eight of the index 11 industry groups advanced as investors rotated out of technology and into healthcare and consumer products. Brent crude partially retraced initial gains to trade about 0.4% higher at $72.30 a barrel. Attention today will be on South Korea, where Samsung Electronics and SK Group are set to announce major investment plans running over $1.3tn in the next 10 years. Elsewhere, the dollar was little changed, while gold dropped 0.5% to $4,065/oz. Treasuries were a touch weaker. This week, all eyes will be on a series of US jobs reports, including non-farm payrolls, expected to print 113,000 in June. The annual central banker meeting in Sintra, Portugal, with speakers including Fed chair Warsh, will also be in focus.

Upcoming key events/data

In this holiday-shortened week the highlight will be the US jobs report (Thursday) and the release of the ISM Manufacturing Index (Wednesday) in the United States. Final prints of June PMIs for the major countries will be published as well. The ECB Forum on Central Baking opens in Sintra, Portugal (Monday). The reporting season winds up with Nike (Tuesday).

Have a great day.

Chief Investment Office
Wealth Management, Emirates NBD

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