

GLOBAL MARKETS

WEEKLY MARKET BRIEF**Economic Downshift.**

A softer jobs report may have shifted rate cut expectations forward. Data during the week showed fewer job openings, lower wages and higher unemployment – with some going as far as calling the week's jobs report a 'goldilocks report'. Early as it may be to make goldilocks pronouncements, the hot jobs market may have given its first sign of losing steam, bringing into focus the Fed's rate cut timeline. CME's Fed watch tool now shows reviving hopes of a first 25-basis points cut in September, with markets pricing in nearly two cuts within the year.

Data highlights: The Federal Reserve kept interest rates unchanged at 5.50%. U.S. jobs report came in softer than expected: Nonfarm payrolls printed 175k (315k previous, 238k expected), U.S. unemployment increased to 3.9% (3.8% previous and expected), and average hourly earnings increased less than expected at 3.9% y/y in April (4.1% prior, 4.0% expected). German consumer prices increased 2.2% y/y in April, less than the expected 2.3%, while German GDP shrunk 0.2% y/y in quarter 1. Eurozone CPI came in at 2.4% y/y in April. U.S. Consumer confidence dropped to 97.0 (103.1 previous, 104.0 expected), reflecting waning optimism in the economic outlook.

Week ahead: Reserve Bank of Australia Interest Rate Decision – Tuesday | Bank of England Interest Rate Decision, U.S. Initial Jobless Claims – Thursday | U.K. GDP – Friday.

Global Markets Overview

Treasury yields experienced their biggest weekly decline in at least three months as a tepid jobs report raised rate-cut hopes. The yield on the U.S. 2-year treasury fell 19.4 bps during the week – the largest decline since Jan. The yield on the 10-year U.S. treasury dropped 17 bps during the week – the largest weekly drop since December. Fed Chair Powell also rebuffed the possibility of interest rate increases during the week as the Fed held its rates, contributing to treasuries snapping their four-week winning streak. CME data shows reviving expectations of a September 25-bps interest rate cut.

Equities: Last week was the heaviest first quarter earnings week for the companies on Wall Street. 171 earnings released this week contributed 28.50% to S&P 500 Index. Of these companies that reported during the week, 135 beat estimates. This is currently in-line with the trend so far as 79.4% of the 397 companies to have reported beating estimates. The “upside surprise” this quarter for S&P 500 EPS is +8.4% bigger than the three previous quarters, which were quite strong in the mid to high-single digits. This shows that earnings are decent, and it’s more than just the Magnificent 7. Almost every sector of the S&P 500 except industrials and health care are showing higher expected growth rates for '24 (full year) than at the start of the year. Our stock of the week is Royal Philips NV which soared almost 30% during the course of the week as the Dutch health-technology group announced it would pay a much lower-than-expected \$1.1 billion settlement to resolve personal injury and medical monitoring litigation in the U.S. The settlement is far below the \$4 billion some had expected, with worst-case fears reaching \$10 billion that had weighed down on the stock over the last couple of years.

Currencies: The Japanese Yen was king of currencies for the week – registering its largest weekly gain in seventeen months against all its major counterparts as the market suspected a Bank of Japan intervention. The U.S. Dollar retreated – losing 3.33% against the Japanese Yen, for its largest one-week percentage decline since December 2022. The Dollar index snapped a three-week winning streak as the greenback lost against its major peers following soft labour data. The Euro climbed to an over three-week high, the Australian Dollar hit three-and-a-half-month highs, the Sterling Pound jumped to three-week highs and the Canadian Dollar hit four-week highs.

Commodities: Crude oil prices dropped to one-and-a-half-month lows on easing geopolitical tensions. Natural Gas snapped a three-week losing streak, soaring 32.7% during the week to a 13-week high on emerging supply concerns. Cocoa fell 24% during the week as funds liquidated long positions sparked partly by rising margin calls. Coffee retreated from the previous week’s record high, dropping 12.9% as traders liquidated long positions. Sugar was slightly lower, supported by concerns that hot weather in Thailand could damage sugarcane crops.

Bond Yields	Close	% W/W	% YTD
US 10Y	4.51	-3.33	16.20
Bund 10Y	2.50	-3.11	23.27
Gilt 10Y	4.22	-2.36	19.37
Japan 10Y	0.90	1.12	46.74

Indices	Close	% W/W	% YTD
S&P 500	5128	0.55	7.50
EU Stoxx 50	4921	-1.71	8.85
FTSE 100	8213	0.90	6.21
Nikkei 225	38236	0.79	14.26

Currencies	Close	% W/W	% YTD
EURUSD	1.0761	0.64	-2.52
GBPUSD	1.2547	0.43	-1.45
USDJPY	153.05	-3.33	8.52
USDZAR	18.51	-1.59	0.81

Commodities	Close	% W/W	% YTD
Gold	2302	-1.55	11.57
Copper	456.10	-0.07	17.54
WTI Crude	78.11	-6.85	9.02
Wheat	622.50	0.04	-3.60

Performance of Major Global Financial Assets

% Change.																								
W/W	-3.3	-3.1	-2.4	1.1	-2.3	-2.9	0.5	1.0	-1.7	-0.9	0.9	0.8	4.7	-0.9	0.6	0.4	-3.3	-0.1	-1.6	-6.8	-1.5	-0.1	-10.4	0.0
MTD	7.3	8.6	7.3	26.7	11.5	3.6	-2.4	-2.0	-3.2	-2.7	3.3	-4.8	11.7	0.5	-0.3	-0.6	1.1	0.2	-2.3	-6.1	3.2	13.9	6.8	8.1
YTD	16.2	23.3	19.4	46.7	11.7	3.0	7.5	6.3	8.8	7.5	6.2	14.3	8.4	3.6	-2.5	-1.4	8.5	2.0	0.8	9.0	11.6	17.5	7.8	-3.6
	US 10Y	BUND 10Y	GILT 10Y	JAPAN 10Y	AUSSIE 10Y	ITALY 10Y	S&P 500	NASDAQ	EU STOXX 50	DAX INDEX	FTSE 100	NIKKEI 225	HANG SENG	USD INDEX	EURUSD	GBPUSD	USDJPY	USDCNY	USDZAR	WTI CRUDE	GOLD	COPPER	COFFEE	WHEAT
	GOV. BOND YIELDS						EQUITY INDICES							CURRENCIES					COMMODITIES					

KEY: -100% ← → +100%

Data Sources: Bloomberg, Investing.com, Standard Investment Bank

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