

## WEEKLY VIEW

# The Week After

24 June 2024

## US presidency debate: first round

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## SUMMARY

US presidency candidates square off

EU deficit measures against France and others add to uncertainty

Bumper equity inflows leave market vulnerable to disappointments

## THE WEEK IN REVIEW

The S&P 500<sup>i</sup> eked out a 0.6% gain on the week and the Nasdaq<sup>ii</sup> was basically flat. On closer inspection, **the S&P 500's performance remained highly dependent on a small number of AI-related stocks**, with indexes weighed down by a late-week tumble in the share price of the largest AI chip maker. Despite jitters over the French election, the Stoxx Europe 600<sup>iii</sup> actually did slightly better than the S&P 500, rising 0.8% (in euros), helped by a good performance from French and UK equities. **US Treasury yields ticked up at the end of last week** as the timeline for Fed rate cuts continued to be re-assessed. European bond yields also rose slightly, although spreads on long-term French bonds over Bunds narrowed somewhat. A rate cut from the Swiss National Bank halted the Swiss franc's rise against the euro, while **the US dollar was strong across the board last week**.

## GEOPOLITICS

South Korea fired warning shots at North Korean soldiers who crossed the border before retreating, a day after Russian President Vladimir Putin visited Pyongyang and sealed a partnership deal to deepen security and trade ties.

## KEY DATA

**Headline retail sales in the US rose 0.1% month-on-month (m/m) in May, less than expected**, while the figure for April was revised to -0.2% from zero. Industrial production in the US rose a substantial 0.9% m/m in May (0.4% year on year) whereas it was flat in April.

**The headline consumer price index (CPI) in the UK rose an annual 2% in May, down from 2.3% in April.** The core CPI dropped to 3.5% from 3.9%. Japan's headline CPI rose to an annual 2.8% in May from 2.5% in April, while core CPI rose to 2.5% from 2.2%.

**S&P Global's composite purchasing manager index (PMI) for the euro area dropped to 50.8 in June from 52.2 in May**, according to preliminary readings, with the manufacturing PMI reaching a six-month low. In the US, the index edged higher to 54.6 from 54.5.

## MARKET VIEW

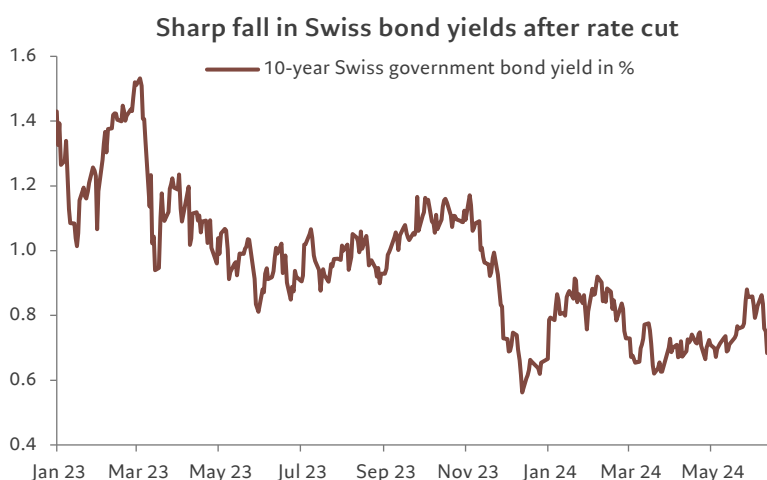
US presidential candidates face off in their first debate on Thursday – without a live audience, at President Joe Biden's request. They meet with the US economy in robust health overall, though the slight weakness in retail sales compared to strength in manufacturing highlights our theme this year of moving focus **from consumers to producers**. Thursday is also a bumper US data day with core PCE, the Federal Reserve's preferred inflation measure, and personal consumption figures. **We expect two Fed rate cuts this year.**

In markets, a heavy week of US Treasury issuance awaits. Equity markets have seen major inflows this year, including a record-breaking flow into tech funds in the week to 12 June, with close to USD9 bn. Add to that declining short interest in vehicles for placing index-level positions on US equities and low cash levels and **the market is vulnerable to any disappointing news.**

In Europe, France and six other countries face budget discipline measures for running deficits in excess of EU limits. Adding to euro area's woes are the weak PMI data, indicating slower growth. Fiscal concerns in France, where a new government will have to find 20bn euros in cuts at the next budget, are unlikely to disappear soon, **supporting the Swiss franc against the euro.**

## SNB out in front

Last week, the Swiss National Bank (SNB) surprised markets again by cutting its policy rate by 25bps for the second time this year, causing the 10-year Swiss government bond yield to drop. With inflation below the SNB's 2% target and a reversal in the Swiss franc's recent weakness, our central scenario is for the SNB to cut rates once more in September. Since markets still need to be convinced of this, we could see a further fall in Swiss bond yields.



Source: Pictet Wealth Management, Bloomberg Finance L.P., as of 24.06.2024

## Asset class performance

Stock Markets	Last close	1 week change %	YTD%
Dow Jones*	39,150.33	1.45%	3.88%
S&P500*	5,464.62	0.61%	14.57%
NASDAQ Comp*	17,689.36	0.00%	17.84%
MSCI World Small Cap \$*	528.95	0.45%	0.07%
MSCI Europe*	172.96	0.76%	7.67%
MSCI EMU*	163.04	1.11%	6.79%
SMI*	12,012.87	-0.26%	7.86%
MSCI China \$*	58.65	-0.63%	5.74%
Nikkei*	38,596.47	-0.56%	15.34%
CBOE Volatility (VIX)*	13.20	4.27%	6.02%

Currency, Commodity, Rates	Last close	1 week change %	YTD%
EURUS**	1.07	-0.05%	-3.30%
GBPUS**	1.26	-0.31%	-0.95%
USDCHF**	0.89	0.34%	6.16%
USDJPY**	159.58	1.40%	13.20%
USDCNY**	7.26	0.08%	2.38%
EURCHF**	0.95	0.29%	2.66%
Gold**	2321.98	-0.47%	12.55%
Silver**	29.55	0.00%	24.20%
Crude Oil**	81.71	2.90%	13.66%
US Investment Grade	3259.57	-0.31%	0.65%
US High Yield	1631.05	0.23%	2.58%
EU Investment Grade	279.15	-0.11%	0.65%
EU High Yield	363.30	0.20%	3.08%
Swiss Bond Index	128.73	0.52%	1.14%

Source: Pictet as of 21.06.2024. Past performance should not be taken as a guide to or guarantee of future performance. Performances and returns may increase or decrease as a result of currency fluctuations. This table may contain information about financial instruments or issuers but does not set out any direct or implied recommendation whatsoever (either general or personalized). YTD stands for year to date. \*\*measured on a non Total Return basis. \*\* showing mid price numbers.

### WHAT TO WATCH THIS WEEK?

#### MONDAY

Germany: IFO (June)

#### TUESDAY

US: Conference Board Consumer Confidence (June)

#### WEDNESDAY

US: New Home Sales (May)

#### THURSDAY

Japan: Retail sales (May)  
Eurozone: Money supply (May)

#### US: Q1 GDP

US: Personal consumption (Q1)

US: Core PCE (Q1)

US: Jobless claims

US: First Presidential Election debate

#### FRIDAY

Japan: Jobless rate (May)

Japan: Tokyo CPI (June)

UK: GDP (Q1)

France: CPI (June)

Italy: CPI (June)

Germany: Unemployment rate (June)

US: University of Michigan Consumer Sentiment

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i) Source: Pictet WM AA&MR, Thomson Reuters. Past performance, S&P 500 Composite (net 12-month return in USD): 2019, 31.5%; 2020, 18.4%; 2021, 28.7%; 2022, -18.1%; 2023, 26.3%.

ii) Source: Pictet WM AA&MR, Thomson Reuters. Past performance, Nasdaq Composite (net 12-month return in USD): 2019, 36.7%; 2020, 44.9%; 2021, 22.2%; 2022, -32.5%; 2023, 44.6%.

iii) Source: Pictet WM AA&MR, Thomson Reuters. Past performance, STOXX Europe 600 (net 12-month return in EUR): 2019, 30.5%; 2020, -5%; 2021, 31.9%; 2022, -6.7%; 2023, 20.1%.