WEEKLY REVIEW (06/03/24 – 06/07/24)

What Happened Last Week

- Bad news was good news and good news was bad news for the US markets. US bond and equity prices rose sharply on weak manufacturing data but pared gains on stronger than expected labor statistics.
  - May ISM Manufacturing Index declined by 0.5 points to 48.7, below the market estimate of 49.5.
  - May Nonfarm payrolls came in at 272k versus expectations of 180k.
  - Average hourly earnings rose to 0.4% month-on-month (m/m), higher than the 0.3% market consensus.

- Local and equity prices gained on lower than expected inflation.
  - May Headline Consumer Price Index (CPI) at 3.9% year-on-year (y/y), below the 4.0% consensus.

- Asset prices WoW
  - The 10-year US Treasury yield initially dropped 22 basis points to 4.2% before rising again to 4.43%.
  - The 10-year PHP benchmark yield ended the week lower by 0.06% to 6.69%.
  - S&P 500 rose by 1.3% to 5,346.99.
  - The PSEi gained by 1.3% to 6,518.76.
  - PHP versus the USD is practically unchanged from 58.51 to 58.52.

What to Expect This Week

- Global markets will watch out for the US May inflation release and the Fed Funds rate announcement.
  - US CPI m/m is expected to rise 0.1% from 0.3% in May.
  - Fed policy rate is expected to be unchanged at 5.50% given mixed data.

INVESThesaurus

Why did US markets rally on bad news and fall on good news? It's all about whether the data will bring the Fed closer or farther from a rate cut. Weak manufacturing data, although bad news, supports lower inflation and encourages the Fed to cut rates. Strong employment data, although good news, sends the Fed in the opposite direction.

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