

# Investment Daily

31 May 2024



## US stocks and Treasury yields fell ahead of PCE inflation data

**US equities** declined on Thursday as investors assessed the latest batch of macro data signalling that the US economy may be cooling, while awaiting April PCE inflation print due later today. The S&P 500 fell 0.6%, led by losses in technology shares.

**US Treasuries** rose (yields fell) following a downward Q1 GDP revision on softer household spending and price index. 10-year yields slid 6bp to 4.55%.

**European stock markets** edged higher on Thursday after the previous session's decline, despite ongoing inflation fears. The Euro Stoxx 50 gained 0.4%. The French CAC rose 0.5% and the German DAX was up 0.1%. In the UK, the FTSE 100 rose 0.6%.

**European government bonds** rose (yields fell), ahead of key US and eurozone inflation data. 10-year German yields decreased 4bp to 2.65% as 10-year French yields fell 4bp to 3.13%. In the UK, 10-year gilt yields dropped 5bp to 4.35%.

**Asian stock markets** extended losses on Thursday, dragged down by the overnight decline in US equities amid ongoing US rate worries. Japan's Nikkei 225 closed 1.3% lower. Hong Kong's Hang Seng also dropped 1.3% while China's Shanghai Composite fell 0.6%. India's Sensex traded 0.8% lower.

**Crude oil prices** dropped on Thursday as investors looked ahead to Sunday's OPEC+ meeting and weighed US weekly crude oil and gasoline inventory data. WTI crude for July delivery settled 1.7% lower at USD77.9 a barrel.

**US stocks and Treasury yields fell ahead of PCE data**

**European equities and government bonds rose**

**Asian stocks extended losses**

## Key Data Releases and Events

### Yesterday

In the **US**, **Q1 GDP** was revised down to a qoq annualised rate of 1.3%, from the previous estimated 1.6% rise, driven by softer consumer spending. **Pending home sales** dropped 7.7% mom in April, the largest monthly drop in three years, more than reversing March's 3.4% mom increase. This suggests higher mortgage rates are crimping housing demand.

### Releases due today (31 May 2024)

Country	Indicator	Period	Survey	Prior
Japan	Tokyo CPI ex fresh food & energy (yoy)	May	1.8%	1.8%
Japan	Industrial Production (mom)	Apr	1.5%	4.4%
China	Official Manufacturing PMI	May	50.5	50.4
Eurozone	CPI (yoy)	May (P)	2.5%	2.4%
India	GDP (yoy)	Q1	7.0%	8.4%
US	Core PCE Deflator (yoy)	Apr	2.8%	2.8%

In **Japan**, the **Tokyo CPI** excluding fresh food and energy rose 1.7% yoy in May, slightly below market consensus and after a 1.8% yoy gain in April. **Industrial production** unexpectedly contracted by 0.1% mom in April, after a 4.4% mom rise in March.

**China's official manufacturing PMI** is expected to tick slightly higher to 50.5 in May, remaining in expansion territory for three consecutive months.

**Eurozone CPI inflation** should tick higher to 2.5% yoy in May from 2.4% yoy in April, largely due to unfavourable base effects on energy prices. Goods price inflation has largely normalised but service sector inflation remains sticky.

In **India**, **Q1 GDP** should slow to 7.0% yoy from 8.4% yoy in Q1, though domestic demand should remain strong.

In the **US**, the **core PCE deflator** is expected to remain unchanged in April at 2.8% yoy, above the Fed's 2% inflation target.

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Produced by the [Global Investment Strategy Unit](#)

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