

Weekly Macro and Markets View

1 June 2026



Highlights and View

Asia leads global stocks higher as easing geopolitical stress pulls investors back into risk assets

Strong tech earnings and momentum should keep powering Asia's tech-heavy equities, though parts of the market look stretched near term.

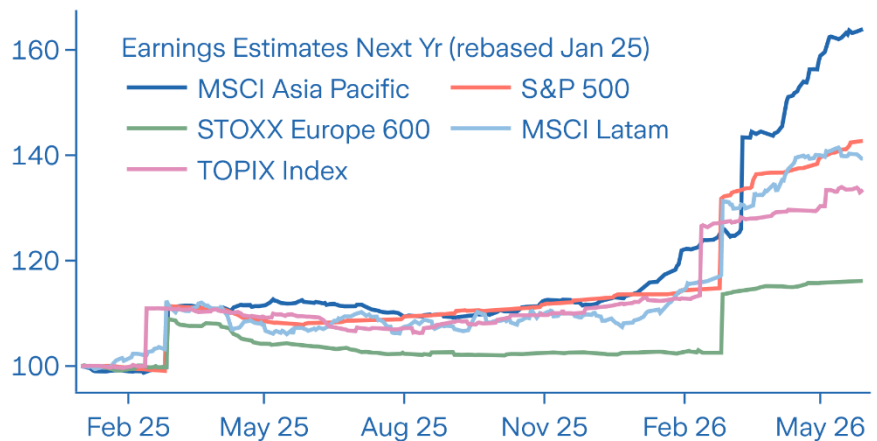
Core PCE inflation slows to 0.2% MoM while the annual rate remains elevated

Any spillovers from high energy prices remain limited so far, but at 3.3% YoY Core PCE inflation is still significantly above the Fed's target.

The pace of inflation rose in the largest Eurozone economies, albeit less than the market expected

While still early, recent inflation data contain limited evidence of spillovers into broader inflation categories.

Tech earnings are supercharging Asia's equities



Source: Bloomberg

Asia is leading global stocks higher as easing geopolitical stress pulls investors back into risk assets. Beneath the surface, however, the rally is increasingly uneven. Tech-heavy markets continue to outperform, while non-tech markets face persistent outflows. Korea, Taiwan and Japan led, driven by relentless AI momentum. The memory-chip rally remained the key engine, with SK Hynix briefly crossing USD 1tn in market cap. Korea stood out as the KOSPI surged after the National Pension Service raised its domestic equity allocation target, alleviating outflow concerns. That said, after a near-vertical move, the KOSPI now looks vulnerable as stretched positioning leaves little room for disappointment despite solid fundamentals. Laggards were equally clear. China H-shares declined on regulatory tightening in cross-border trading and margin pressure in e-commerce. Meanwhile, India and Indonesia continued to experience sustained foreign selling, leaving both equities and currencies among the region's weakest performers. All told, Asia's rally remains highly concentrated. Tech-driven markets continue to absorb capital on strong earnings and momentum while less tech-exposed markets remain vulnerable to outflows, and some highly exposed to oil shock risks.

US

Consumer spending holds up as people dip into their savings

PCE inflation has slowed from 0.7% MoM in March to 0.4% MoM in April while Core PCE ticked down from 0.3% MoM to 0.2% MoM. Both figures were slightly below consensus expectations and helped to support the bond and equity markets last week. The annual rates remain elevated, however, with headline PCE at 3.8% and Core PCE at 3.3%. Consumer spending is holding up despite the lack of income growth as households dipped into their savings. The savings rate has now fallen close to the lowest in more than a decade, potentially putting a lid on

consumer spending in the future, though a lot will depend on how the labour market fares. Durable goods orders continue to show strong activity while the housing market keeps cooling down. House prices fell for the second month in a row with the annual rate now at the lowest in almost three years. Finally, consumer confidence ticked down in May according to the Conference Board's latest survey, driven by a deterioration of the current situation, while expectations improved slightly.

Eurozone

Inflation up, but not spilling over

While we won't receive the full Eurozone consumer price inflation release until later this week, a deluge of country data offered timely insight into the state of price pressures. National HICPs rose, albeit at a slower pace than expected by forecasters and inflation markets. France's May HICP figure rose from 2.2% YoY to 2.5%, Italy's is up to 3.3% and Spain's remained at 3.2% YoY. Germany bucked the trend due to a cut in fuel tax, with inflation falling slightly from 2.9% in April to 2.6%. Producer price figures are up YoY, and above 8% in Italy and Spain. Yet, these

measures fell in the month of May as fears of shortages were allayed. The rise in both consumer and producer measures is primarily the direct result of energy prices, with limited spillovers into other categories. There is evidence that the pricing power of firms is constrained compared to 2022 and 2023. Another slight positive was in business and consumer price evolutions, which remain elevated but fell compared to April.

Australia

Softer CPI backs RBA rate hold... for now

Headline inflation data for Australia was a touch lower than expected for the month of April at 4.2% while the trimmed mean, a less volatile estimate, matched expectations of 3.8% YoY. The headline rate reflected a substantial decline in transportation costs, which fell 2.7% for the month as a result of the Government's temporary halving of the fuel tax excise. It is unclear whether this policy will be extended beyond the current June timetable, implying a transitory impact on reported inflation. Housing remains one of the largest contributors to inflation, not via

house prices or mortgage repayments, but rather rental costs. With the moderation in headline inflation, the Reserve Bank is likely to remain on hold for now as the effect of the three prior rate increases takes hold, but it is noted the most recent result was a one-off distortion to otherwise stubbornly high inflation.

Government Bonds

Government bonds rally as inflation concerns ease

Government bonds rallied last week as inflation concerns eased, reflecting falling oil prices, constructive inflation data, and hopes of a reopening of the Strait of Hormuz. Treasury yields fell across the curve, helped by a dovish repricing of the Fed outlook. Gilts had another strong week, with the 10yr yield falling towards the lower end of its recent trading range. While fiscal fragilities persist, the repricing of gilts has been impressive, with both the 10yr and the 30yr yield down by close to 35bps in the past two weeks. Bund yields also declined, but hawkish

positioning from the ECB is anchoring expectations of a June rate hike, limiting a sharper decline in yields despite last week's softer inflation data. JGBs also benefitted from the global bond rally but recent repricing has been much less impressive than in other regions as fiscal and inflation concerns persist. Following the recent rally, government bonds appear fairly priced, though yields are set to remain volatile and susceptible to oil price moves.

Covered Bonds

Strong demand despite regulatory headwinds

Covered bond spreads tightened by 2bps in May to 36bps, continuing the trend from the highs reached in late March. This move was underpinned by robust investor demand, reflected in well-covered order books and low new issue concessions. Demand remained sufficient to absorb higher issuance, even as relatively low redemptions resulted in an increase in net supply. Notably, strong demand persisted despite less favourable regulatory news. In early May the European Parliament's ECON Committee rejected a proposal to lower the risk weight for highly

rated EU covered bonds from 10% to 5%. The aim was to preserve the competitiveness of covered bonds relative to asset-backed securities (ABS), where capital requirements are being reduced. In the short term, a meaningful impact on covered bond spreads is unlikely given the supportive demand environment. Longer term, however, ABS may become comparatively more attractive. The effect on covered bond spreads remains uncertain and will depend on whether demand gradually shifts towards ABS and how issuers adjust their funding strategies.

What to Watch

- In Asia, BoJ Governor Ueda's speech, Australia and India GDP, RBA Governor testimony, and Asia manufacturing PMIs are on the radar.
- In the US, investors will focus on the latest ISM surveys as well as a broad range of labour market data.
- Eurozone HICP will be released on Tuesday, wherein core inflation details are particularly important. Spanish and Italian PMIs for May will be released on Wednesday.
- GDP, CPI, PMI and trade data will be published in Switzerland.

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