Weekly Macro and Markets View

29 June 2026

Highlights and View

Global equity volatility spikes, marked by wild swings in South Korea's KOSPI

Strong tech earnings will continue to bolster the AI story through short-term jitters even as investors grow more watchful of the earnings outlook.

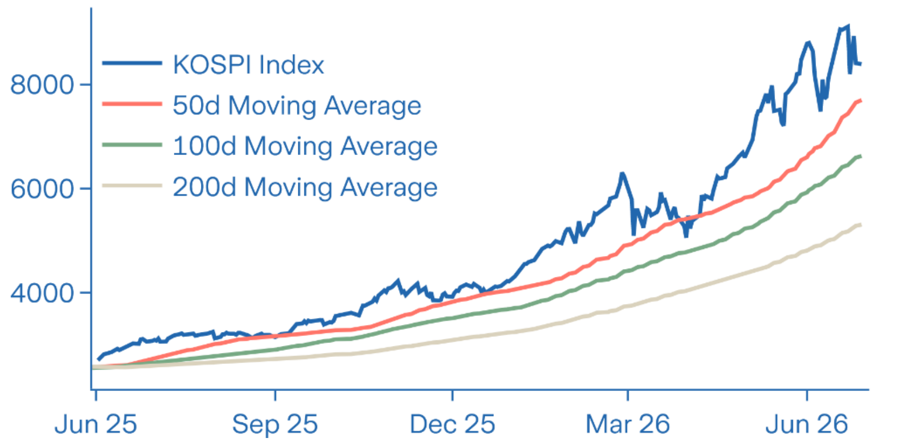
US PCE Core inflation accelerates from 3.3% YoY in April to 3.4% YoY in May

The pickup was in line with expectations but reflects the Fed's challenges in bringing inflation back to target.

Nvidia and SpaceX debt issues propel US Investment Grade market supply to a record in June

The technology sector share in credit markets is rising at a rapid pace, and while this should improve average credit quality, concentration risks and downside exposure to AI will rise.

The KOSPI whipsaws, but the uptrend stays intact



Source: Bloomberg

Last week was challenging for equity investors. South Korea's KOSPI saw sharp swings but ended the week flat. Forced selling in leveraged ETFs tied to Samsung and SK Hynix reportedly amplified the selloff, with contagion spreading across Asian tech, notably to Taiwan and Japan. We view this as a healthy consolidation. Beyond the short-term volatility, the fundamental case for AI remains robust. Korea's 20-day exports in June rose nearly 50% YoY (working-day adjusted), while fast-moving indicators such as DRAM and token prices stayed elevated, pointing to persistent supply bottlenecks and keeping chipmakers highly profitable.

Remarkable earnings from Micron in the US beat analyst estimates by a wide margin and were accompanied by an optimistic outlook, though the stock failed to make progress on the week. Meanwhile, the higher component prices forced Apple to raise its own selling prices, with the stock down 6% on the week. We don't see the market wobbles as a break in the AI story, though investors will grow increasingly watchful of the AI earnings outlook.

US

The PMI survey shows moderate business activity

The latest PMI survey shows that business activity has picked up slightly in June, with manufacturing growing at the fastest rate in four years. The strength in manufacturing was partially driven by front-running of potential supply issues and price hikes associated with the war in the Middle East. Meanwhile, the services sector reported only a modest increase in both output and new orders. Consumer spending remained robust in May, rising by 0.7% MoM. With personal income also growing by 0.7% MoM households did not have to dip into their saving, unlike the month before. PCE Core inflation was 0.4% MoM in May, the same as in April and in line with expectations. This pushed up the annual rate from 3.3% to 3.4%, the highest since October 2023. New home sales fell back to match the lowest level since September 2022, reflecting the ongoing headwinds in the housing market. Finally, GDP growth for Q1 was revised up to 2.1% QoQ, helped by strong growth in investment and despite a soft patch in consumer spending, which was revised down to only 0.5% QoQ.

Eurozone

Stabilising

Last week's Eurozone data were dominated by activity and confidence surveys. The good news is that the region's composite PMI rose to 49.5. Still contractionary, but up from 48.5. France's measure bounced back from a shocking 44.9 in May to 47.6. Less positive news came from Germany. Its PMI fell to 48, while the Services component printed at 46.8. The ifo survey showed a slight, but welcome, uptick in the current assessment of the economy. Yet future expectations remained weak despite the ceasefire and energy price drops. The GfK consumer confidence survey showed limited improvement, consistent with a very wary consumer outlook. The German economy continues to go through a difficult rebalancing as Volkswagen propose to reduce its headcount by 100,000 (~15% of its workforce). In contrast, defence and infrastructure spending are clear growth areas. Lastly, Eurozone market inflation pricing has fallen considerably. While risks remain around the oil situation, it is tough to reconcile continued ECB hawkishness with lacklustre activity data amid inflation relief.

LatAm

Activity rebounds, but structural headwinds persist

Mexico's April GDP proxy surprised to the upside, rising 1.2% MoM after a weak Q1, with annual growth accelerating to 2.3%. The rebound was supported by industrial activity and a more modest pickup in services, although construction was the main driver, which appears to be partly temporary rather than a clear sign of stronger demand. While the print points to better Q2 momentum, the recovery should remain subdued as investment continues to be constrained by USMCA-related uncertainty, weak business confidence, infrastructure bottlenecks, and limited room for public capex. Banxico's latest decision also reflects the soft growth environment. The Board kept the policy rate at 6.50%, while noting that economic slack is expected to persist and that downside risks to activity remain significant. Still, Banxico continues to project inflation convergence to target by Q2 2027—a more optimistic path than both our view and market consensus—which reinforces the Board's relatively dovish bias. Against this backdrop, we continue to expect the monetary authority to keep the policy rate unchanged through year-end.

Credit

Calm waters suggest investors are looking through stock market jitters

Credit markets have been remarkably calm during the recent equity market volatility that was led by large gyrations in technology stocks globally. US Investment grade (IG) credit spreads have been relatively stable since mid-May, although spreads widened modestly this week. The stability in spreads despite a heavy supply calendar is notable as the US IG market witnessed a record June, with volumes exceeding those seen in 2020. SpaceX and Nvidia brought jumbo deals for USD 25bn each, which attracted orders of around USD 89bn and USD 85bn respectively. The share of the technology sector is rising in credit indices and since most of the debt is coming from the highly rated hyperscalers, we consider this to be a positive development since this could lead to an improvement in the credit quality of the market, although concentration risks would rise. That said, credit investors don't share in the upside from AI like equity investors do while being exposed to the downside. All in all, while the calm indicates an absence of fundamental concerns for now, upside is still limited by tight spreads in credit markets.

US ABS

Tightening spreads amid record issuance

US ABS spreads were unaffected by recent equity volatility and ended last week unchanged at 45bps after touching 44bps in early June, the tightest level since January 2025. In autos, Hertz ABS was stable despite a sharp fall in its shares after the company warned on earnings pressure. The tightening in ABS spreads from the April wides has been notable given record H1 2026 issuance, pointing to robust investor demand. Auto ABS remains the largest sector, but data centre ABS is growing quickly on the back of AI-related infrastructure needs. Relative to comparable corporates, the spread pickup in ABS is broadly in line with recent history, though sector nuances remain. Data centre ABS continues to trade relatively wide, suggesting investors remain selective toward a sector not yet tested through a downturn. Overall, the macro backdrop remains broadly supportive for ABS, with unemployment stable and household balance sheets still healthy. While the lower-income borrower segment remains a risk for consumer ABS, it is encouraging that the rate of transition into delinquency is stabilising.

What to Watch

- In the US, the ISM surveys and the latest batch of labour market data will give crucial insights into the current state of the economy and a possible path for monetary policy.
- Central bankers gather at the ECB's Sintra Conference this week. Euro HICP inflation data for June are also due.
- In Asia, Japan's wages and Tankan Survey as well as Asia PMIs are key to watch.
- In LatAm, the focus will be on Chile's May activity and labour market data after recent underperformance.

Disclaimer and cautionary statement

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