Main Events

Azimut Global Network

- Milan
- Abu Dhabi
- Austin
- Cairo
- Chicago
- Dubai
- Dublin
- Hong Kong
- Estoril
- Istanbul
- Lugano
- Luxembourg
- Mexico City
- Miami
- Monaco
- New York
- Santiago
- São Paulo
- Shanghai
- Singapore
- St Louis
- Sydney
- Taipei

US CPI — 10.06
Inflation in the US is expected to exceed 4%, increasing pressure on the Fed to hike interest rates

ECB MEETING — 11.06
A rate hike is now widely expected; what matters most is the guidance on any further policy action

CHINA RETAIL SALES — 16.06
The YoY figure is expected to turn negative, something never seen in the past decades, except during the pandemic

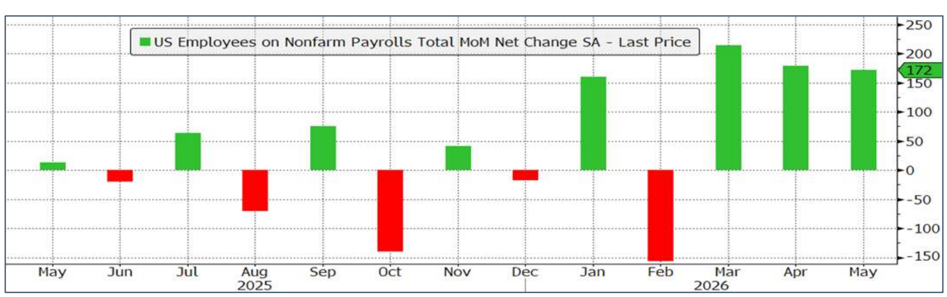
FED MEETING — 17.06
Warsh's views on monetary policy could prove to be the most significant market driver in the near term

MACRO BACK ON THE CENTER STAGE

- **The non-farm payroll report has raised fears that the Fed can no longer cite labor market weakness as an excuse for not raising rates, sparking a stock market correction**
- **The upcoming inflation data and the Federal Reserve's first meeting under Warsh's stewardship could shape the fate of financial markets in the coming months**
- **Our baseline scenario is that Warsh will avoid surprising markets by refraining from signaling either a rate hike or balance sheet reduction, allowing the broader uptrend to resume**

After a long period dominated by geopolitical events—which are difficult to predict or model to form rational expectations—in the first half of June, macroeconomic data may once again take center stage.

The first of these releases, the non-farm payrolls report, last Friday triggered one of the sharpest corrections in recent years. Contrary to what one might expect, the correction wasn't prompted by a bad report. Quite the opposite: the data was perceived as so strong that the market fell on fears that the Fed could no longer justify holding off on raising rates by pointing to a weak labor market. In May, 172k new jobs were created—higher than the highest estimate (125k) and double the median forecast of 88k. But that's not all. The figures for March and April have been revised upward, resulting in an additional 93k jobs compared to previous estimates. All in all, a positive surprise of almost 200k new jobs.



Source: Bloomberg

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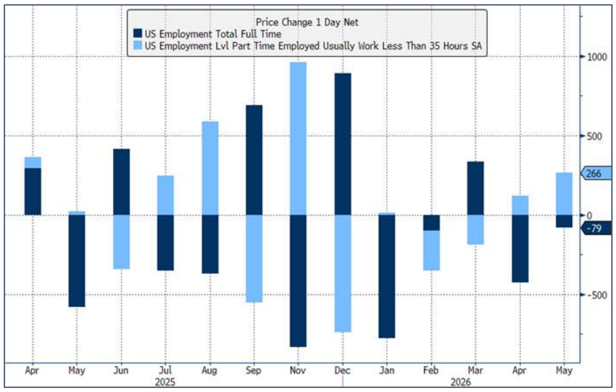


Source: Bloomberg

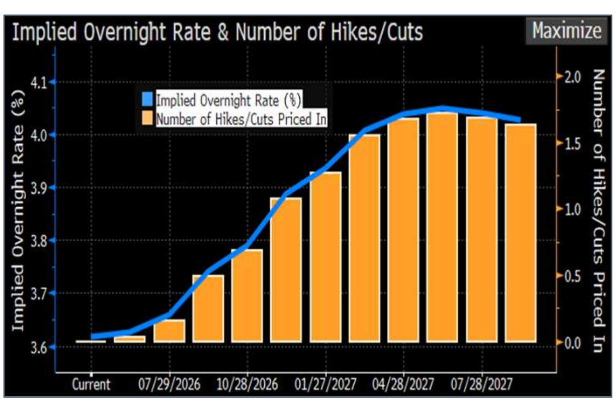
Source: Bloomberg

However, if one scratches beneath the surface, figures are not as positive as they appear at first glance. Full-time jobs have declined every month this year, with the sole exception of March, and nearly 1.2 million full-time jobs have been lost since April 2025. Recently, job growth has been driven by part-time jobs—the non-farm payroll counts the total number of jobs, without distinguishing between full-time and part-time.

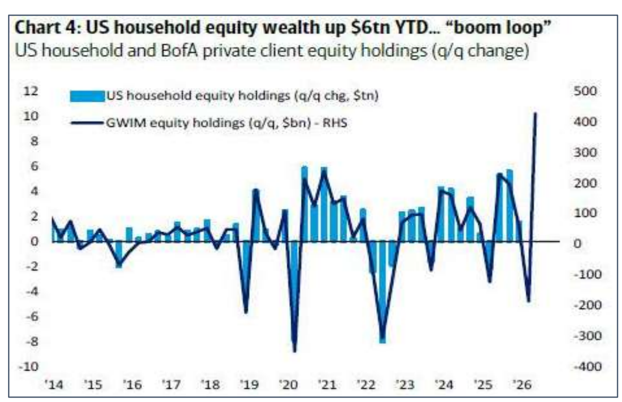
Some studies suggest that a growing share of these lost full-time jobs are due to the increased adoption of AI. If that were the case, it is likely that compensation for these lost jobs would have been above average, whereas compensation for part-time jobs is generally not as high, with unclear effects on aggregate wages. Given the mounting price pressures caused by the conflict in Iran, it is of paramount importance that aggregate wages keep pace with inflation in order to preserve real purchasing power.

The other all-important macroeconomic figure to watch is precisely that on inflation. Forecasts point to a 0.5% increase in May alone. Year-on-year, consumer inflation is expected to rise above 4% for the first time in three years. And further increases in the CPI are possible down the road, considering that the PPI is expected to rise to 6.4% on an annual basis. If the CPI numbers were to surprise to the upside, pressure on rates would intensify even further, as occurred after the release of the employment data, which—despite the caveats outlined above—was nonetheless much stronger than expected. At present, the market is pricing in a full rate hike by the Fed by the end of the year.

The market has therefore given up all hope of a rate cut, even under Kevin Warsh's leadership. And next week's Fed meeting is likely the single most important event that could shape the direction of financial markets in the near future. In recent months, there has been a lot of speculation about how Warsh might shape the Federal Reserve's monetary policy, and the first press conference of his tenure will be crucial for gaining more concrete insights into the objectives he intends to achieve. Obviously, since the Fed is a collegial body, Warsh will have to convince his colleagues if he wants to achieve his goals. What matters is not only the direction of interest rates, but also—and perhaps above all—the evolution of the balance sheet. The huge amount of liquidity created through quantitative easing (QE), particularly in the post-COVID era, has been a key factor behind the rise in stock prices and the spread compressions.



Source: Bloomberg



Source: Bank of America

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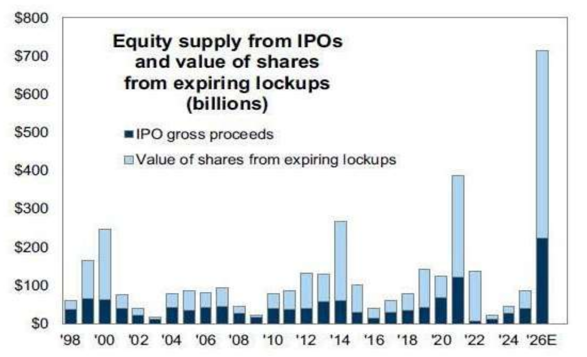
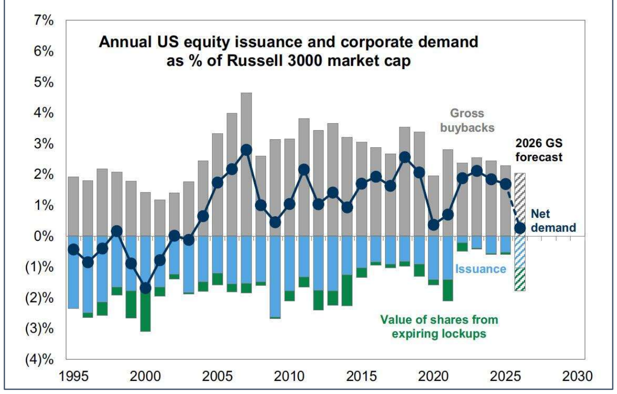
Exhibit 7: In addition to shares floated at IPO, expiring lockups can increase equity supply



Source: Goldman Sachs

Exhibit 14: Corporate equity demand from buybacks should exceed corporate equity supply this year
net demand assumes all shares available after lockups expire are sold



Source: Goldman Sachs

Our baseline scenario is that Warsh will likely push back against the possibility of a rate hike and will refrain from making any specific announcements about the evolution of the Fed's balance sheet at such an early stage. If these assumptions are confirmed, financial markets have room to rebound, and Friday's correction was an excellent buying opportunity.

Otherwise, there is a real risk that the correction could extend further, mainly for two reasons.

The first one is related to the wealth effect. Wealth effect has been one of the main drivers underpinning consumption. Bank of America estimates that U.S. households have realized $6 trillion of capital gains this year. Although stock ownership is highly concentrated, as we all know, the impact on overall consumption is definitely material. Unfortunately, this mechanism works both ways, so if there were a significant and prolonged decline in stock prices, consumer spending—and thus the economy as a whole—would suffer.

The second reason relates to market liquidity, that has so far remained abundant. However, going forward, IPOs and other stock offering confirmed so far (not counting Anthropic and OpenAI) are expected to raise just over $200 billion in 2026. Additionally, there will be an additional $500 billion in potential supply this year, linked to expiring lockups. Moreover, the sharp decline in the hyperscalers' free cash flow—due to the need to finance the massive investments in artificial intelligence—will reduce their ability to carry out share buybacks. Any hint of a possible withdrawal of liquidity by the Federal Reserve would only make the situation worse.

We reiterate that our base-case scenario assumes Warsh will not take the markets off guard during his first conference call and that the economy and corporate earnings will continue to grow for the foreseeable future. Therefore, the bull market still has room to run, and the recent pullback should be viewed as a buying opportunity. Nevertheless, given the highly uncertain environment, it is wise to keep all possible scenarios in mind.

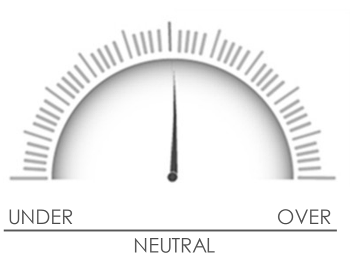
Asset Allocation View

	Under	Neutral	Over
Equity			
Developed Markets		■	
Emerging Markets		■	
Fixed Income			
Developed Markets Sovereign		■	
Developed Markets Corporate			■
Emerging Markets			■
Commodities		■	
Currencies		*Commentary below*	

UNDER NEUTRAL OVER

Equity

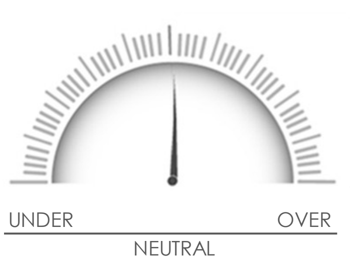
Developed Markets



We maintained the **Neutral** recommendation on Developed Market equities. The recent decline should be viewed as a physiological pullback following two months of sustained gains concentrated in a relatively small number of stocks, rather than the start of a deeper correction. Although there is a possibility that the decline could extend somewhat further, it is viewed as an opportunity to accumulate positions at more attractive prices. Among developed markets, Europe remains the region toward which the committee maintains the most cautious stance.

US	Neutral	**Europe**	Under	**Japan**	Neutral

Emerging Markets

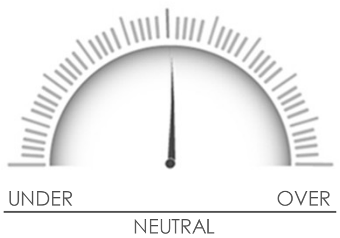


We kept our **Neutral** stance on Emerging Market equities. The same considerations outlined above for developed markets apply equally to emerging markets, which additionally trade at lower valuations, enhancing their relative attractiveness. Many of these markets are also net exporters of commodities, positioning them to benefit from any further rise in commodity prices. Finally, emerging markets offer the greatest rebound potential should the conflict subside and the Strait of Hormuz reopen; particularly in Asia, as the region most reliant on imports passing through that chokepoint.

Asia ex-Japan	Neutral	**EEMEA**	Under	**LATAM**	Over

Fixed Income

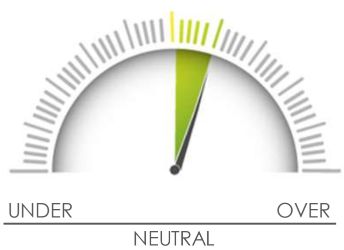
Developed Markets Sovereign



We have kept our **Neutral** recommendation on Developed Market sovereign bonds. In the wake of the significant increases recorded in recent weeks, and particularly following the release of the non-farm payrolls report, global yield curves have reached levels considered appropriate even under most adverse scenarios. However, some caution is still warranted pending the first Fed meeting under Warsh's leadership, as well as in the event of renewed tensions in Iran. In terms of segments, we prefer the short- to mid-ends of the curves.

EU Core	=	**EU Periphery**	=	**US Treasury**	=	**Japanese JGB**	=

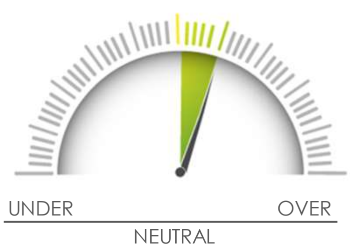
Developed Markets Corporate



We kept our **Slightly Overweight** recommendation on Developed Market corporate bonds. The hunt for yield continues, fueled by ample liquidity, with spreads dipping below their late-February (pre-war) levels and nearing all-time lows. Not even the recent volatility in the stock market, following the release of nonfarm payroll data, has had any impact on credit spreads. This is a sign of strength, and if global growth continues to hold up relatively well, there is no reason to be overly cautious and exit the market prematurely. Within credit, we continue to prefer investment-grade bonds over high-yield.

IG Europe	+	**IG US**	+	**HY Europe**	−	**HY US**	−

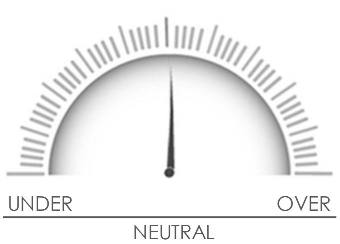
Emerging Markets



We left our recommendation on Emerging Markets Debt unchanged at **Slightly Overweight**. The reasons are the same as those just outlined for developed countries' corporate bonds.

Local Currency	=	**Hard Currency IG**	=	**Hard Currency HY**	=

Commodities



Our recommendation for commodities remains **Neutral**. We maintain a cautious stance on precious metals, given headwinds from central bank selling and the higher-yield environment. Over the medium to long term, however, our view remains positive. On industrial metals, we are more bullish, driven by growing competition for essential raw materials.

Precious	=	**Energy**	=	**Industrial**	=	**Agricultural**	=

Currencies

We maintained our **Neutral** recommendation on the US Dollar, pending greater clarity on the outlook for the US monetary policy after the first Fed meeting under Warsh's leadership.

The view on the Euro remains **Neutral** as well. The market has already largely priced in the rate hike expected at this week's ECB meeting.

We have maintained our recommendation on the **Chinese Renminbi** to **Neutral with a bullish bias**.

The outlook for other **emerging markets currencies** has been confirmed as **Neutral with a bullish bias**, with a preference for currencies of countries that are net exporters of energy commodities.

Euro	=	**USD**	=	**CNY**	=	**Other EM**	+