



Executive Summary

Last week:

- Europe reported lower than expected inflation in May, with headline (core) CPI in Euro Area declining to 6.1% y/y (5.3% y/y)
- US non-farm payrolls topped expectations, coming in at 4-month high of 339,000; however, wage growth eased and unemployment rate rose to 3.7%

Week ahead:

- May services PMIs from the US, Euro Area, the UK, and China
- 1Q23 GDP growth from Euro Area and Japan
- May retail sales from the UK and Euro Area
- May inflation from China

Commentary: a broad-based rally in equities

In past week, global equity markets saw strong gains that were more broad-based than in preceding weeks. All benchmark US indices (S&P 500, Nasdaq 100, and Dow Jones 30) closed the week in green. In contrast to most of the year, the small and medium-cap equity indices as well as the S&P 500 equal weighted index delivered solid gains. This is a positive sign for general equity markets, as typically, bull markets are produced by broad-based rallies rather than by outperformance of few mega-cap stocks (which has largely been the case in 2023).

Unlike the US, in Europe the lower-than-expected inflation data failed to deliver positive performance in equities. This was largely due to the speech from the ECB president, Christine Lagarde, who reiterated the hawkish stance of European monetary authorities. Inflation in Euro Area has been gradually declining since November 2022, with the headline (core) figure now standing at 6.1% y/y (5.3% y/y).

The major macroeconomic highlight from last week was the mixed labor market data from the US. In May, the US economy added 339,000 jobs, almost 80% more than the forecasted figure of 190,000. On the flipside, some softness in labor market is observed as well. Firstly, unemployment rate edged up to 3.7% from 3.4%, which implies less tightness in labor supply and demand. Secondly, the wage growth has moderated slightly to 0.3% m/m (4.3% y/y). Importantly, meaningful softening in labor market conditions is necessary for inflation to retreat further.

Performance of major equity indices

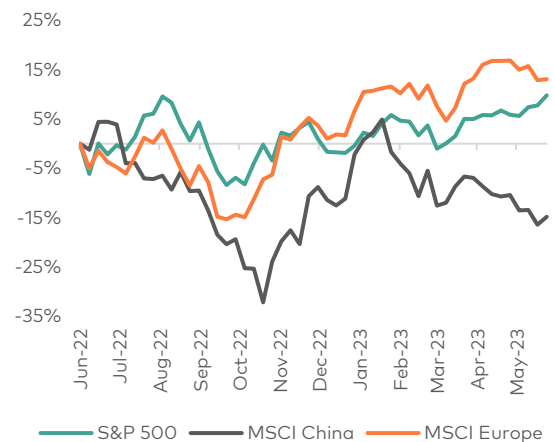
Index	Level	W/W, %	M/M, %	YTD, %
S&P 500	4,282	1.8	4.0	12.0
Nasdaq 100	13,240	2.0	9.6	27.5
Dow Jones 30	33,762	2.0	0.2	1.9
Russell 2000	1,830	3.3	5.7	4.6
FTSE 100 (£)	7,607	-0.3	-2.1	0.7
FTSE 250 (£)	19,149	1.9	-0.9	0.1
STOXX 600 (€)	462.1	0.2	0.2	6.4
MSCI Europe	52.8	0.2	-2.0	10.0
Nikkei 225 (¥)	31,524	2.0	8.1	20.8
MSCI China	45.5	1.9	-2.4	-7.3
MSCI EAFE	72.7	0.7	-0.2	9.7
MSCI EM	39.5	1.4	2.4	3.5
MSCI World	121.8	1.6	2.9	11.7

Source: Bloomberg

Note: All data is denominated in USD unless specified otherwise.

Major global equity indices

YTD indexed price returns (1-Jan-2023 = 100)



Source: Bloomberg

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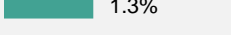
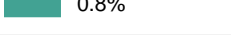
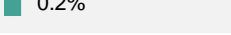
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Sector performance highlights

Consumer Discretionary was the best performing sector last week, with respective ETF gaining 3.3% w/w. The rally was quite broad-based with 84 out of 100 largest stocks closing the week in green. From top 20, only O'Reilly Automotive (ORLY, -4.2%) lost the ground. Best performers from the list were Tesla (TSLA, +16.0%), PDD Holdings (PDD, +15.9%), Airbnb (ABNB, +13.1%), JD.com (JD, +9.2%) and Amazon.com (AMZN, +8.0%).

Consumer Staples was the weakest performing sector, with the associated ETF gaining a mere 0.2%. Performance within the sector was diverse, with 69 out of 100 largest stocks gaining the ground, while 31 declined. From top 20, only 11 stocks managed to rally. Best performers from the list were Costco Wholesale (COST, +5.4%), Monster Beverage (MNST, +3.8%), and Walmart (WMT, +1.8%). Meanwhile, the weakest performers were Target (TGT, -5.4%), Anheuser-Busch InBev (BUD, -3.6%) and Kenvue (KVUE, -3.0%).

S&P 500 sector review: last week performance

Sector	ETF Ticker	Close Price, \$	Weekly change	YTD, %	52-week high, \$	52-week low, \$	12-month outlook
S&P 500	SPY	427.9	 1.9%	12.8	427.9	353.6	Neutral
Discretionary	XLY	157.0	 3.3%	22.3	172.1	126.3	Neutral
Real Estate	XLRE	36.8	 3.1%	-0.7	44.8	33.4	Positive
Materials	XLB	78.6	 3.1%	1.3	86.5	66.9	Positive
Industrials	XLI	100.9	 2.6%	2.6	103.7	82.4	Neutral
Health Care	XLV	130.3	 2.2%	-3.8	139.5	118.4	Positive
Financials	XLF	32.8	 2.1%	-4.4	37.0	30.1	Neutral
Communications	XLC	63.2	 1.6%	63.2	29.9	45.3	Positive
Energy	XLE	79.9	 1.4%	-5.3	93.1	66.1	Positive
Technology	XLK	166.9	 1.3%	35.4	166.9	116.2	Negative
Utilities	XLU	65.1	 0.8%	-7.6	77.0	61.0	Neutral
Staples	XLP	73.6	 0.2%	-0.9	77.5	66.0	Neutral

Source: Galt & Taggart Research, Bloomberg, S&P Capital IQ
 * Percentage price changes given in parentheses indicate w/w changes

Performance of last week's most traded US stocks (top 20 by value)

#	Ticker	Name	Price, \$	W/W, %	M/M, %	YTD, %	52-week high, \$	52-week low, \$	12M price target, \$	12M upside potential, %	
1	SNOW	Snowflake	175.2	16.8	21.0	29.3	198.0	113.3	176.1	0.5	
2	TSLA	Tesla	214.0	10.8	33.5	97.9	309.3	108.1	195.9	-8.4	
3	NFLX	Netflix	400.5	5.7	26.1	35.8	403.1	167.5	362.3	-9.5	
4	ADBE	Adobe	436.4	5.1	18.4	29.5	451.0	275.2	399.4	-8.5	
5	META	Meta Platforms	272.6	4.0	13.9	118.5	272.6	88.9	285.4	4.7	
6	UNH	UnitedHealth Group	499.6	3.8	1.3	-3.7	553.4	449.3	595.6	19.2	
7	AMZN	Amazon.com	124.3	3.4	19.9	44.8	144.8	81.8	137.6	10.7	
8	AAPL	Apple	180.9	3.1	7.4	44.9	180.9	124.8	182.5	0.8	
9	JPM	JPMorgan Chase & Co.	140.5	2.6	1.1	4.7	143.8	101.2	160.1	14.0	
10	BAC	Bank of America	28.7	1.4	2.0	-14.3	38.2	27.0	35.4	23.2	
11	NVDA	NVIDIA	393.3	1.0	39.4	174.7	401.1	112.2	456.2	16.0	
12	MSFT	Microsoft	335.4	0.8	9.8	40.3	335.4	213.1	342.1	2.0	
13	XOM	Exxon Mobil	105.8	0.8	-3.9	0.1	118.3	81.1	130.7	23.6	
14	GOOGL	Alphabet	124.7	0.0	18.4	39.9	125.1	83.4	131.6	5.5	
15	AVGO	Broadcom	812.0	-0.1	32.6	46.7	812.7	423.6	856.8	5.5	
16	CRM	Salesforce	213.0	-1.1	9.9	58.1	223.4	128.3	232.8	9.3	
17	VZ	Verizon Communications	34.6	-1.2	-8.2	-12.5	49.8	34.6	47.4	37.2	
18	TMUS	T-Mobile US	131.2	-2.9	-6.5	-5.6	152.4	124.3	188.6	43.7	
19	AMD	Advanced Devices	Micro	117.9	-7.2	31.1	84.1	127.0	55.9	99.2	-15.8
20	DG	Dollar General	166.1	-19.0	-24.6	-32.7	259.9	161.9	199.3	20.0	

Source: Bloomberg, Capital IQ

Note: Positive 12 month return targets imply an overall "Buy" recommendation by analysts



Week ahead calendar

Macroeconomic releases

Company earnings

	Time (GMT +4)	Country	Event	Company	Ticker	Time	Forecast EPS \$
Monday June 5	05:45	China	Services PMI (May)	Science Applications	SAIC	Premarket	1.79
	12:00	Euro Area	Services PMI (May)				
	18:00	US	Services PMI (May)				
Tuesday June 6	03:00	UK	Retail sales (May)	Ferguson	FERG	Premarket	2.16
	12:00	Euro Area	ECB consumer expectation survey	JM Smucker	SJM	Premarket	2.41
	13:00	Euro Area	Retail sales (May)				
Wednesday June 7	18:00	Canada	BoC interest rate decision	Brown Forman	BFb	Premarket	0.43
	23:00	US	Consumer credit change (Apr)	Trip.com	TCOM	After Market	1.82
				GameStop	GME	After Market	-0.12
Thursday June 8	03:50	Japan	GDP (1Q23)	Toro	TTC	Premarket	1.52
	13:00	Euro Area	GDP (1Q23)	DocuSign	DOCU	After Market	0.55
	16:30	US	Jobless claims (May)				
Friday June 9	05:30	China	Inflation (May)	Nio	NIO	Premarket	-2.63
	05:30	China	Producer Price Index (May)				
	16:30	Canada	Unemployment (May)				

Source: Bloomberg, NASDAQ

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