



10 stories  
to remember

Story #7  
The come-back of the US dollar  
Read more on p3

### A mixed bag for markets in May

May saw First Republic Bank fail, another rate hike in the US and Europe and commodities hit a 2 year low. However, the job market remained resilient, an agreement was found to prevent a US debt default and AI mania propelled tech stocks even higher. Each month, the Syz investment team takes you through the last month in ten charts.

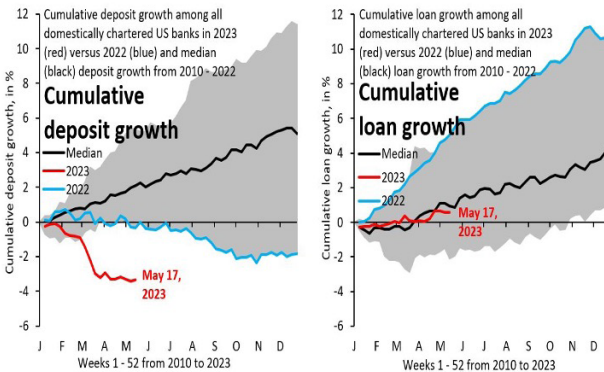
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### Story #1 —

## Another bank failure in the United States; bank lending at a standstill

In the United States, regional banks continue to experience major customer withdrawals, while money market funds are recording record inflows. A new bankruptcy occurred in May, this time involving First Republic Bank, one of the largest regional banks. However, 3 months after the SVB failure, deposits are stabilizing on an aggregate basis. On the other hand, growth in bank lending is at a standstill, which should soon weigh on activity.



Source: Robin Brooks

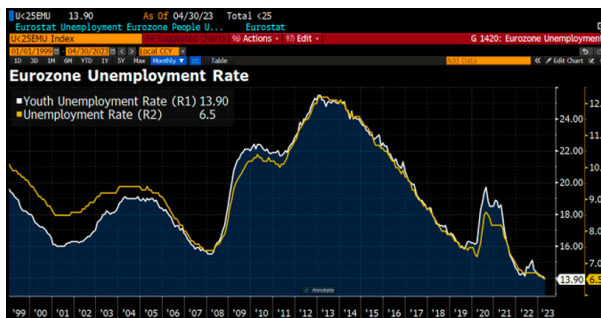
### Story #2 —

## The job market remains resilient

The divergence between services and manufacturing intensified in May. Purchasing managers' opinion surveys (PMIs) for service activities in the US reached their highest level in 13 months (55.1), while these same surveys are also above the 55 level (expansion) in the eurozone and the UK. This positive momentum is underpinned by a buoyant labor market, with unemployment rates at or close to record lows in the eurozone (6.5%), the UK (3.9%) and the US (3.4%), accompanied by rising wages.

Conversely, the manufacturing sector is facing a serious slowdown. The same opinion surveys (PMI) reached 44.6 in May in the Eurozone, their lowest level in 3 years. Manufacturing PMIs are below 50 in the United States and the United Kingdom.

Note that inflation remains high in both the US and Europe, leaving the market to anticipate a potential further rate hike (see point #3).



Source: Bloomberg

### Story #3 —

## Another rate hike by the Fed and the ECB in May

Both the US Federal Reserve and the European Central Bank raised their key interest rates by 25 basis points in May. According to the Fed's Executive Committee, we can expect a pause of a few months. A few weeks ago, the market was anticipating a total of 3 rate cuts in the second half of the year. The US yield curve is now forecasting a rate hike in July (before 1 or 2 rate cuts later in the year).



Source: Bloomberg

### Story #4 —

## US debt ceiling negotiations

In the United States, the impasse in negotiations between Democrats and Republicans over the debt ceiling has dominated the headlines in recent weeks. At the time of writing, an agreement has been reached between the US President and representatives of the House of Representatives. As a result, CDS on US debt are stabilizing.

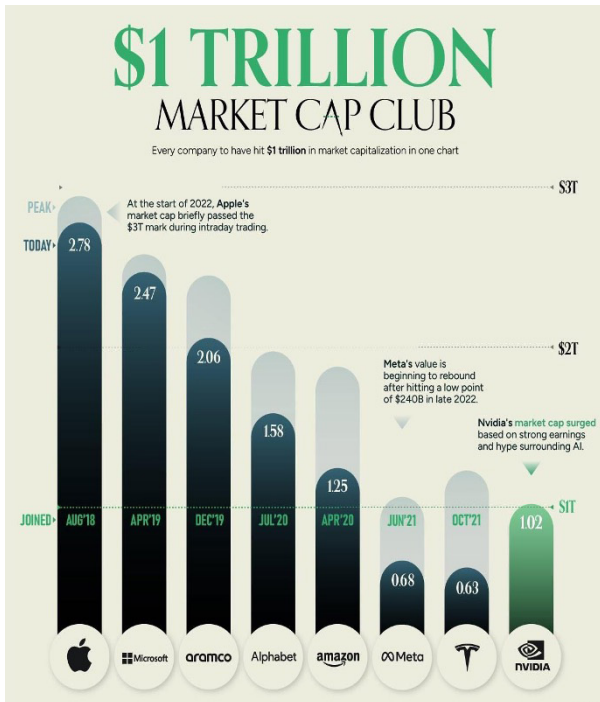


Source: Bloomberg

### Story #5 —

## AI-mania propels Nvidia and technology stocks higher

Large-cap technology stocks (e.g. GAFAs) with exposure to the theme of Artificial Intelligence have attracted investor interest in recent weeks. The FANG+ index (the broader GAFAs) rose by 17.2% over the month, and the Nasdaq benefited from this, posting a monthly gain of 5.9% (the Nasdaq is now up 24.1% year-to-date). Nvidia is undoubtedly the most emblematic stock of the AI bubble, with a gain of 40% in May, enabling it to join the exclusive club of capitalizations in excess of \$1 trillion. Europe is also benefiting from this trend, with an 8.1% gain for the StoxxTechnology index.



Source: Visual Capitalist

## Story #6 – Global equities fall in May

Although there were a few notable exceptions, such as technology stocks, it was not a buoyant month for global equities. The MSCI World Index was down 0.9% in May, and in the U.S., the S&P 500 was up just 0.4%. The equi-weighted version of the S&P 500 fell by 3.8%, reflecting the sharp divergence in performance between technology mega-caps and the rest of the market. Some regions recorded significant losses: Europe's STOXX 600 fell by 2.3%, while the Hang Seng dropped by 7.9%.

In the U.S., the Nasdaq was the only major stock market index to end May with a gain (up 8%), while the Dow Jones underperformed significantly (down around 4%).

Energy stocks were the most disappointing performers in May (-9.8%), while technology stocks posted the biggest gains (+9.5%).



Source: Bloomberg

## Story #7 – The come-back of the US dollar

A readjustment of market expectations regarding the next direction of key interest rates (potentially a hike in July) saw investors flock back to the greenback. It was the best-performing G10 currency in May, gaining 2.6%.



Source: Bloomberg

## Story #8 – Sovereign bonds struggle

US Treasuries fell by 1.2% in May. UK Treasuries fell even more sharply, by 3.8%. In Europe, the performance of sovereign bonds was more mixed, with a slight advance over the period (+0.5%). The resilience of inflation on both sides of the Atlantic partly explains the disappointing performance of sovereign bonds.

## Story #9 – Commodities hit two-year lows

The Bloomberg Commodity Spot Index was down 6% in May, reaching its lowest level since August 2021. Price declines were seen in the energy, metals and agricultural products sectors. For example, the price of Brent crude oil (-8.6%) fell for the fifth consecutive month, closing at \$72.66 a barrel. Gold closed the month below the \$2,000 mark. The decline in industrial metals was also marked during the period under review; a disappointing upturn in activity in China partly explains this poor performance.

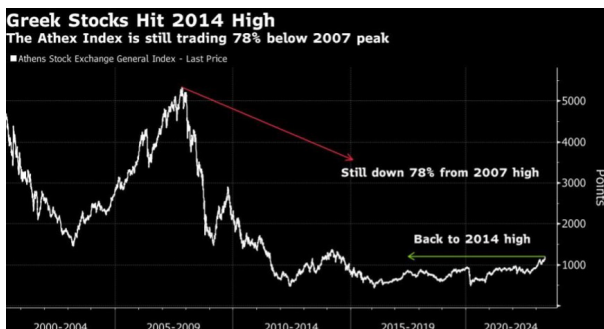


Source: Bloomberg

## Story #10 —

### Strong performance by Greek assets

The Greek elections led to a significant outperformance of Greek assets in May, with the general index of the Athens Stock Exchange up 12.4% over the period (note that this asset is still almost 80% lower than these). Greek sovereign bonds also outperformed, and the spread between 10-year yields and German bunds narrowed by 38 basis points to 150 basis points at the end of May.



Source: Bloomberg

### For further information

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