The week in seven charts

Chart #1

Double-edged job market statistics

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Image source: iStock/Sabeen Zahid

Mixed signals: US job market shows resilience amid Fed's policies, yet wage growth and employment drop raise concerns

The US job market shows mixed signals, the ECB cuts rates and Nvidia overtakes Apple's market cap! Each week, the Syz investment team takes you through the last seven days in seven charts.

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Chart #1

Double-edged job market statistics

The past week saw the publication of several highly anticipated statistics on the US job market. At the start of the week, jobless claims for April came in at 8.06 million, against expectations of 8.4 million. The gap between the published and anticipated figures is relatively wide. A drop in job creation has only been observed 3 times since the year 2000, suggesting that the US job market is indeed slowing down.

But on Friday, another statistic blurred the message. The BLS survey of government entities and private sector companies (yellow bars on the chart below) reported 272,000 jobs created for May, exceeding consensus estimates (+185,000). These job creations are well above those of April (+165,000).

The labour market remains resilient despite the Fed's restrictive monetary policy, reducing the likelihood of a rate cut in September. However, the labour force has shrunk, pushing the US unemployment rate from 3.9% in April to 4.0%, the first time above 4.0% since February 2022.

More bad news for the Fed (and bond markets): wage growth surprised on the upside, perhaps due to reduced labour supply, which could cause bottlenecks given still-steady job creation. Wage growth remains a hard-to-control source of inflation, rising at a rate of 4.1%, which is still far too high for the Fed.

It should be noted that the household employment survey shows the opposite result to the above statistics: it reveals a sharp drop in the number of people employed, with 408,000 fewer jobs (see white bars below). Full-time jobs fell by 625,000, the biggest drop in full-time employment since December 2023, while part-time jobs rose by 286,000.

Between household and establishment surveys, the figures seem to be out of sync. This makes analysis of economic data quite difficult.

Source: Bloomberg

NB: The household survey includes agricultural workers, unincorporated self-employed workers, unpaid family workers and private household workers among the employed. These groups are excluded from the establishment survey. The household survey includes people on unpaid leave among the employed. This is not the case for the establishment survey.

Chart #2

ECB cuts rates with a hawkish bias

The European Central Bank cut rates by 25 basis points, setting the reference rate at 4.25% and the deposit rate at 3.75%. The ECB made no commitment on future rate changes, stating it will depend on upcoming economic data.

The main surprise of the week was the upward revision of inflation forecasts for 2024 (2.5% vs. 2.3%) and 2025 (2.2% vs. 2%), suggesting that the ECB will maintain a relatively restrictive monetary policy, keeping key rates above neutral for the next 12 to 18 months.

Following the ECB's announcement, bond yields rose slightly across all maturities. The market is now anticipating less than two rate cuts for the rest of the year, or one rate cut per quarter.

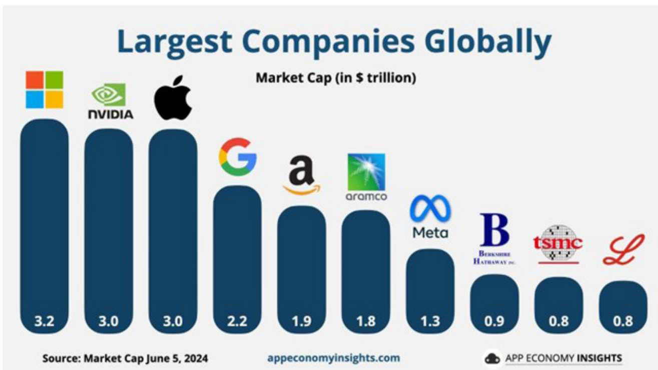
Source: Bloomberg, HolgerZ

Chart #3

NVIDIA reaches $3 trillion valuation and overtakes Apple as the world's 2nd largest market capitalisation

Nvidia has just surpassed $3 trillion in market capitalisation. The stock is up 155% in 2024, adding more than $1.83 trillion in valuation - Amazon's market capitalisation in 5 months, 10 years ago, Apple had a market capitalisation 53 times that of Nvidia. Today, Nvidia has overtaken Apple to become the world's second-largest listed company.

Nvidia is also responsible for almost half of the S&P 500's market capitalisation increase since the beginning of the year.

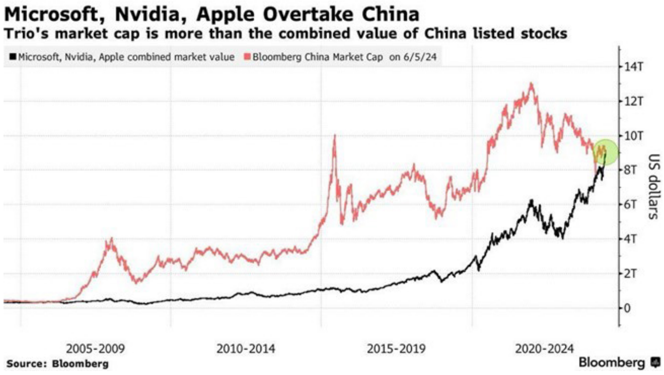


Source: App Economy Insights

Chart #4

The $3 trillion market capitalisation club

Just three stocks - Microsoft, Nvidia and Apple - now account for 20% of the S&P 500. It's also worth noting that these three stocks are now larger than the entire Chinese stock market.

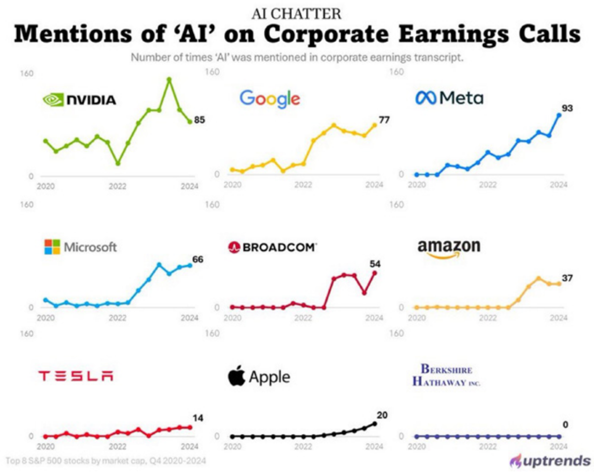


Source: Bloomberg

Chart #5

AI at the core of major U.S. companies' priorities

The chart below shows how many times the word "AI" was uttered during the Q1 earnings conference calls of some of the world's largest companies.

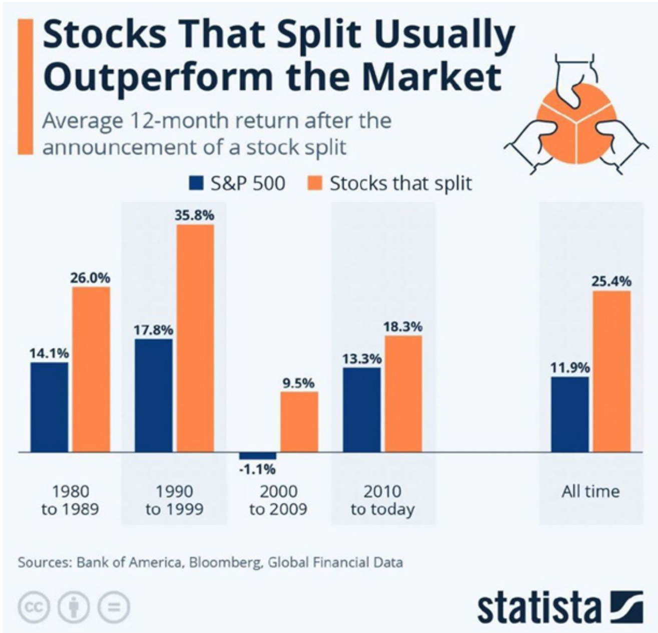


Source: Evan, Uptrends

Chart #6

Stocks that split tend to outperform the market

According to Statista and Bank of America, companies that split their shares recorded an average performance of 25.4% in the 12 months following the announcement of the split. This is more than twice the average performance of the S&P 500 over these periods.

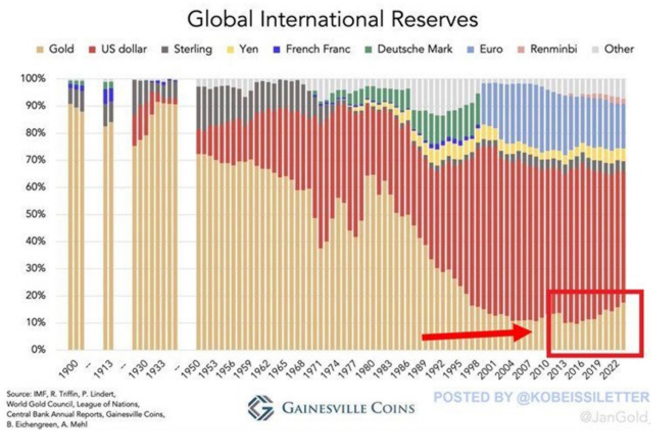


Source: Statista

Chart #7

Gold's share of global international reserves rises to 17.6% in 2023, the highest in 27 years

Strong gold purchases by central banks since 2009 and rising gold prices have increased the precious metal's share of global international reserves, to the detriment of fiat currencies. By the end of 2023, gold will have overtaken the euro in terms of importance in international reserves.



Source: WinSmart, Gainesville Coins, The Kobeissi Letter

NB: A published report showed that China's central bank did not buy any gold last month, ending a massive 18-month buying programme that helped lift the precious metal to a record high in May. The price of an ounce fell by around 1.5% following this announcement.

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