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US Market Wrap - 4th June 2026

AVGO results weigh on Tech as US payrolls report awaits

- **SNAPSHOT**: Equities mixed, Treasuries up, Crude down, Dollar down, Gold up.
- **REAR VIEW**: AVGO rev. misses as does next quarter semiconductor rev. from AI; Trump said US is "in the middle of my final negotiations to end the War"; Initial jobless claims jumps above top end of forecast range; US Challenger job cuts rise; BoJ reportedly mulling June hike, with another by year-end; Hot Swedish inflation; Cooler-than-expected Swiss inflation; Daly reiterates policy in good place; Schmid strikes hawkish tone; CRWD guidance underwhelms.
- **COMING UP**: **Data**: Japanese Household Spending (Apr), French Balance of Trade (Apr), BoE DMP (May), EU Employment Change Final (Q1), GDP 3rd Estimate (Q1), Italian Retail Sales (Apr), Canadian Jobs Report (May), US Jobs Report (May) **Events**: RBI Policy Announcement (Jun) **Speakers**: RBA's Hauser; BoE's Dhingra, Bailey.

MARKET WRAP

Stocks ultimately closed mixed on Thursday, with the Nasdaq underperforming despite finishing well off session lows. The tech-heavy index came under pressure after Broadcom (AVGO) reported a revenue miss and disappointing semiconductor revenue guidance for the next quarter. The results weighed on semiconductor and AI-linked names that have been among the market's strongest performers in recent weeks, driving early weakness in the sector. However, although Broadcom remained sharply lower, much of the broader technology complex recovered through the session, helping the Nasdaq pare losses.

Beneath the surface, market breadth was stronger than the headline indices suggested. Most sectors closed in positive territory, led by Health Care, Financials and Communication Services, while Technology and Consumer Staples were the only sectors to finish lower.

Crude prices settled lower after President Trump described US-Iran negotiations as being in their "final stages" in a Truth Social post. The decline in oil prices supported Treasuries, particularly at the front-end, resulting in a bull steepening move as traders pared Fed rate hike expectations.

In FX, the Swiss Franc outperformed despite softer-than-expected Swiss inflation data, while the Canadian Dollar lagged amid weaker crude prices. The Dollar also traded softer against most major peers.

Fed commentary and economic data once again had limited influence on broader markets. Daly reiterated that policy is in a good place and that the Fed remains prepared to respond in either direction as conditions evolve. Schmid struck a more hawkish tone, questioning whether patience remains appropriate and suggesting higher rates may ultimately be required if inflation fails to move back towards target.

Economic releases were largely overlooked. Jobless claims rose above expectations, and Challenger layoffs accelerated from the prior month, although the Revelio Labs payrolls estimate pointed to stronger hiring. Elsewhere, Q1 productivity and unit labour costs were both revised lower.

Attention remains firmly on geopolitics, although Friday's US nonfarm payrolls report is now the key event risk for markets.

US

JOBLESS CLAIMS: Initial jobless claims (w/e May 30th) rose to 225k from 212k, above the expected 213k, and outside the top end of the forecast range; this left the 4-wk average rising to 214.75k from 208.25k. Continuing claims (w/e May 23rd) dipped to 1.777mln from 1.785mln, and beneath the forecasted 1.780mln. In the unadjusted numbers, initial claims totalled 187,978 (-0.1% W/W), and the seasonal factors expected a decrease of 10,803 (-5.7%). Looking at the state breakdown, for the unadjusted metrics, the largest increases were seen in California (+3,930), Tennessee (+1,702), and Minnesota (+1,701), and the biggest declines were in Texas (-2,157) and New Jersey (-1,204). Overall, and as Oxford Economics quips, the data set is largely consistent with other labour market indicators showing a stable-to-improving job market, allowing the Fed to keep policy steady while it focuses on the inflation side of its dual mandate.

CHALLENGER LAYOFFS: US challenger layoffs rose to 97.006k, up from April's 83.387k, and saw the highest May total since 2020. Technology announced 38,242 job cuts in May, the highest monthly total for the sector since August 2024. Overall, AI led all reasons for job cuts for the third month in a row, with 38,579 announced cuts, the highest monthly total ever recorded for the reason since Challenger began tracking it in 2023, and it accounted for 40% of all cuts announced in May. Within the report, Andy Challenger said, "On top of the headline AI story, we're seeing a sharp rise in cuts tied to M&A's and a jump in bankruptcy-related losses, which tells me companies are restructuring aggressively as they reposition for an AI-driven economy", and he added the labour market is being reshaped by technology in real time.

PRODUCTIVITY AND LABOUR COSTS: The Final Q1 Nonfarm Productivity data was revised lower to 0.3% from 1.6%, below the 0.8% forecast. The 0.3% productivity growth was due to a 1.0% increase in output, while hours worked increased by 0.3%. Meanwhile, Unit Labour costs were revised down to 1.8% from 4.6%, below the 2.3% forecast. This was led by a 2.1% increase in hourly compensation and a 0.3% increase in productivity. Oxford Economics highlights how, although the data was revised down in

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Q1, annual trends are diverging. The consultancy highlights productivity growth of nearly 3%, above previous cycle averages. Meanwhile, annual growth in unit labour costs fell to 0.5%, the slowest pace of growth in five years. Oxford Economics summarises "The signs of a warming labour market amid weak labour supply growth could imply tightening in labour market conditions. Even if this is sustained, though, productivity growth, anchored inflation expectations, and a weak quits rate mean the labour market won't be a source of inflationary pressure."

SCHMID (2028 Voter, Hawk): Incoming data suggests the economy is performing well, but inflation remains too high, and the Fed is still assessing the appropriate policy response. He argued that the biggest risk facing the economy currently is inflation, noting that much of the increase in energy prices remains within the US economy rather than being transferred abroad. Schmid highlighted that the key question for oil markets is how long elevated prices persist, describing that as largely a political issue. Looking ahead, he said the central policy debate is whether the Fed can remain patient on rates or whether it may ultimately need to raise rates to "tamp this thing down" and return inflation to target. He also stressed the importance of maintaining a clear and simple 2% inflation target, warning against blurring the Fed's message around its inflation objective.

DALY (2027 voter, Neutral): Inflation remains her primary concern, with getting inflation back to the Fed's 2% target the number one priority. She noted that recent inflation pressures are being driven by tariffs, which she hopes will gradually roll off, while higher oil prices are also feeding through to energy and food costs. Looking further ahead, Daly suggested AI-driven productivity gains could ultimately be disinflationary, though the timing of those benefits remains uncertain, emphasising that monetary policy decisions are focused on the next 12 months. On policy, Daly stressed that the economic outlook remains uncertain and that the Fed does not yet know how conditions will evolve. As a result, she believes policy is in a good place and that the Fed is well-positioned to respond in either direction if necessary. She added that forward guidance is not particularly useful in the current environment, given the high degree of uncertainty. Regarding the labour market, Daly said it is difficult to argue that conditions have firmed, but she described the labour market as resilient and broadly stabilised. Despite some concerns around employment, she continues to view inflation as the more pressing issue at present.

FIXED INCOME

T-NOTE FUTURES (M5) SETTLED 4+ TICKS HIGHER AT 109-19

T-notes bull steepen as falling crude prices ease inflation concerns and reduce Fed hike pricing. At settlement, 2-year -3.7bps at 4.047%, 3-year -3.4bps at 4.098%, 5-year -3.2bps at 4.184%, 7-year -2.7bps at 4.324%, 10-year -2.0bps at 4.473%, 20-year -1.9bps at 4.980%, 30-year -1.5bps at 4.977%,

THE DAY: T-notes rallied across the curve on Thursday, once again taking direction from energy markets. Crude benchmarks declined throughout the session amid ongoing mediation efforts aimed at brokering a US-Iran peace deal following recent flare-ups and retaliatory strikes.

Oil prices came under additional pressure after President Trump, in a Truth Social post criticised Republicans and Democrats who voted against his war powers, and described negotiations with Iran as being in their final stages. The comments helped reinforce optimism around a potential deal and weighed on crude throughout the session, supporting Treasuries.

The decline in oil prices helped ease inflation concerns and prompted traders to pare Fed hike expectations, resulting in a bull steepening move in the Treasury curve. Front-end yields led the decline, while longer-dated maturities were comparatively more stable.

Fed speakers largely maintained a cautious stance. Daly reiterated that policy is in a good place and that the Fed is prepared to respond in either direction as the outlook evolves. Schmid struck a more hawkish tone, questioning whether patience remains appropriate and suggesting the Fed may ultimately need to consider higher rates if inflation does not move back towards target.

Economic data once again took a back seat. Jobless claims rose above expectations, and Challenger layoffs accelerated from the prior month, although the Revelio Labs payrolls estimate pointed to stronger hiring ahead of Friday's official employment report. Elsewhere, Q1 productivity and unit labour costs were both revised lower.

Attention now turns to Friday's nonfarm payrolls report, while geopolitics and crude price swings remain the dominant drivers of Treasury price action ahead of next week's supply slate.

SUPPLY

Notes

- US Treasury to sell USD 58bln of 3-year notes on June 9th, USD 39bln of 10-year notes on June 10th and
- USD 22bln of 30-year bonds on June 11th

Bills

- US sold 4-wk bills at high-rate 3.615%, B/C 3.07x; sells 8-wk bills at high-rate 3.610%, B/C 3.20x
- US to sell USD 65bln of 6-week bills on June 9th
- US to sell USD 89bln of 13-week bills and 77bln of 26-week bills on June 8th
- US to sell USD 590bln of 52-week bills on June 9th.

STIRS/OPERATIONS

- Fed Pricing: 16.3bps (prev. Dec 20.2bps)
- EFFR at 3.62% (prev. 3.62%), volumes at USD 119bln (prev. USD 133bln) on June 3rd
- SOFR at 3.61% (prev. 3.63%), volumes at USD 3.098tln (prev. USD 3.148tln) on June 3rd
- NY Fed RRP op demand at 1.12bln (prev. 2.06bln) across 18 counterparties (prev. 35) on June 4th

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- NY Fed T-Bill Purchases (1-4 month): Accepts USD 6.58bln of USD 46.33bln offered; Offer-to-cover 7.04x
- Treasury Buyback (Cash management, 1mth to 2-year, Max USD 12.5bln); Accepts USD 12.5bln of USD 41.662bln offered; Offer to cover 3.33x

CRUDE

WTI (N6) SETTLED USD 2.98 LOWER AT 93.04/BBL; BRENT (Q6) SETTLED USD 2.78 LOWER AT 95.03/BBL

The crude complex was lower, due to ongoing mediation efforts to broker a US–Iran peace deal following recent flare-ups and retaliatory strikes. Highlighting this, and sparking benchmarks falling to intra-day troughs, was a Truth post from US President Trump, who said the US is "in the middle of my final negotiations to end the War". Aside from that, US and Iran updates were fairly sparse on Thursday, aside from in late trade, whereby a US official told Al Jazeera that the ceasefire with Iran is in place, but they will continue to protect its forces and impose a blockade on its ports. Elsewhere, the Hezbollah chief rejected the US-brokered Israel-Lebanon ceasefire, which caused prices to climb off lows. In late trade, WTI and Brent tested earlier lows on the aforementioned Al Jazeera remarks, alongside remarks from Putin who said Trump's peace proposals could be a basis for peace deals with Ukraine, and Trump sincerely seeks to resolve the Ukrainian crisis. WTI traded between USD 91.91-95.91/bbl and Brent USD 93.93-97.44/bbl, ahead of US NFP on Friday.

EQUITIES

CLOSES: SPX +0.41% at 7,585, NDX -0.54% at 30,408, DJI +1.73% at 51,562, RUT +1.46% at 2,936

SECTORS: Health +3.20%, Financials +2.71%, Communication Services +2.16%, Real Estate +2.11%, Industrials +1.27%, Utilities +0.63%, Consumer Discretionary +0.59%, Materials +0.05%, Energy +0.04%, Consumer Staples -0.02%, Technology -1.37%.

EUROPEAN CLOSES: Euro Stoxx 50 +0.81% at 6,103, Dax 40 +0.48% at 24,916, FTSE 100 +0.27% at 10,360, CAC 40 +1.15% at 8,244, FTSE MIB +0.27% at 50,174, IBEX 35 +0.55% at 18,276, PSI -0.88% at 8,920, SMI +0.93% at 13,341, AEX +0.27% at 1,047.

STOCK SPECIFICS:

- **Broadcom (AVGO):** Rev. missed as did next Q quarter semiconductor rev. from AI guidance, alongside only reiterating FY guidance.
- **SK Hynix** told investors this week its proposal to list in the US has received a very positive response from shareholders.
- **CrowdStrike (CRWD):** Q metrics narrowly beat & underwhelming guidance, that was only roughly in line.
- **Futu Holdings (FUTU)** to reportedly restrict trading for accounts in Mainland China. As a reminder, SCMP reported that mainland branches of Hong Kong banks are tightening rules on offshore account access for mainland China residents amid Beijing's increased scrutiny of capital outflows.
- **Amazon (AMZN)** to invest over €10bln on European fulfilment centres.
- **PVH (PVH):** Updated guidance disappointed amid pressure on EMEA consumers from Middle East conflict.
- **Costco (COST)** May net sales jumped.
- **Manchester United (MANU):** Reports of the Glazer Family possible sale of ownership stake.
- **Blackstone (BX)** private credit fund caps investor redemptions at 5%, Bloomberg reports.
- **Boeing (BA)** explores hiking 737 production close to rival Airbus's (AIR FP) stratospheric target, according to Air Current

FX

The dollar was slightly weaker against most G10 peers, although the DXY traded in tight ranges as traders awaited US NFP on Friday. On Thursday, US initial jobless claims rose to 225k from 212k, above the top end of the forecast range, while Challenger layoffs rose to 97.006k from 83.387k. From the Fed, Daly (2027 voter) said policy was in a good place and the central bank was prepared to respond either way, while known hawk Schmid said the issue was whether the Fed needed to raise rates to "tamp this thing down" and meet the inflation target. Geopolitical updates were frequent but brought little fundamentally new, although Trump said the US was "in the middle of my final negotiations to end the War".

G10 FX mostly gained against the buck, albeit not sharply, with the Swissy outperforming and the Loonie lagging, likely due to weaker oil prices. The yen ended the day flat, with USD/JPY trading between 159.59-160.08, after the currency strengthened overnight on Bloomberg source reports that the BoJ was considering a June rate hike, with another possible in 2026. For the Swissy, inflation was cooler than expected, though it is unlikely to shift the dial for the SNB as the headline remains towards the lower half of the 0-2% target band and the SNB continues to make clear that inflation meets its medium-term stability objective. As such, policy is expected to remain at the ZLB for the foreseeable future.

NZD, EUR, AUD and GBP all eked out marginal gains to varying degrees, with currency-specific news flow fairly thin. That said, the Australian trade balance overnight showed a surprise surplus of 1.791bln, against an expected deficit of -1.61bln. For the pound, BoE Governor Bailey said markets had been orderly but stretched at times. He added that debt market leverage raised questions on vulnerability.

In Scandi FX, Swedish inflation was hot in May, with headline CPIF rising from the prior month on M/M and Y/Y bases and coming in above expectations, largely driven by higher energy and services prices. The core metrics reflected this, as Y/Y rose 0.5% M/M, below the 1.3% consensus. Overall, the data set is unlikely to shift the dial for the Riksbank, which at its last meeting pointed to a "wait and see" approach.

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