

## What happened last week:

- **Semis:** NVDA's "beat and raise" earnings report reignited the AI trade and propelled mega-cap tech to fresh all-time highs.
- **Hawkish Fed speak:** Governor Waller strongly pushed back on rate cuts this summer, driving 2-year yields close to 5% once again.
- **Lack of Breadth:** Last week's action was narrowly focused on the mega-cap tech trade; small caps and internationals were down on the week.

## What we're watching this week

- **Global Inflation:** Eurozone and Tokyo CPI reports are important for the dollar and the level of global yields.
- **U.S. Data:** Revised 1Q GDP data and personal income and spending for April round out the U.S. economic calendar.

## Market Perspectives

- Last week was all about earnings from the chip giant Nvidia (NVDA), and the firm's beat and guidance raise was enough to reignite the AI trade and drag the S&P 500 up less than 0.1% to its fifth straight week of gains. Under the hood, last week's action highlighted just how narrow the market has become; the average S&P 500 stock was off over 1%, NVDA's gains contributed almost 80 bps for the S&P 500 Index's performance, and only 2 of 11 sectors finished in the green. The lack of breadth was visible outside the S&P 500 as well, with international markets and domestic small caps lagging sharply. Heading into the new month, investors expect continued back-and-forth price action in equity markets as trading desks slip into summer mode early.
- While the equity market focused on semiconductors, fixed-income investors faced continued hawkish rumblings from Fed members and upside surprises to business activity surveys in the U.S. and Europe. Fed Governor Waller, an important guidepost for monetary policy, all but ruled out a rate cut this summer, lessening the potential impact from this week's PCE report. Last week's news on the U.S. consumer was marginally positive as well, although once again driven by trading down behavior in search of value amidst high prices. Yields rose across the curve last week, led by the front end, while credit spreads were roughly flat. With the 2-year yield flirting with the 5% level once again and the European Central Bank set to cut rates in a few weeks, investors are watching the dollar for direction on equities and commodities.
- This short week is another light one for market catalysts. U.S. economic data is the main focus, with the Fed's preferred inflation measure on Friday and a revised look at 1Q GDP on Thursday. Inflation readings in Europe and Japan will add to the outlook for global monetary policy. Equity price action is also an area of focus after last week's extremely narrow trading.

CPI = Consumer Price Index, PPI = Producer Price Index, PMI = Purchasing Managers' Index, PCE = Personal Consumption Expenditures Price Index.

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