

## What happened last week:

- **Revenge of the Meme Traders:** Small- caps outperformed large-caps on resurgent trading in “meme-stocks.
- **Slightly Softer U.S. Data:** 1Q U.S. GDP was revised lower last week, cooling but not entirely halting the trend towards higher Treasury yields.
- **AI Theme:** Reports from some tech companies led to significant underperformance in the sector.

## What we’re watching this week

- **U.S. Labor Market Data:** Important implications for the U.S. consumer from May’s jobs report; investor views on the consumer have deteriorated recently.
- **Other Economic Data:** Global PMIs (including U.S. PMIs) and emerging market inflation reports.
- **Global Monetary Policy:** Policy announcements from the European Central Bank (ECB) and Bank of Canada.

## Market Perspectives

- As expected, last week’s holiday-shortened trading week was light on the catalyst front. However, there were a few surprises from the retail crowd: price action in smaller-cap U.S. equities was driven by surging “meme-stocks,” driving gains in small-cap indices relative to large-cap ones. On the data front, a downward revision in 1Q U.S. GDP cooled but did not entirely extinguish the trend towards higher rates, with the 10-year U.S. Treasury yield ending the week just a few basis points higher.
- A trickle of tech earnings and guidance also had an outsized impact over the last week, driving substantial underperformance in the technology sector relative to the broader U.S. equity market. Companies like Dell, Marvell Technologies, and Salesforce (among others) valued as beneficiaries of AI adoption and integration were hit with significant losses last week following softer-than-expected earnings and guidance. However, the AI company, Nvidia, outperformed all major indices - this comports with the view that the beneficiaries of the AI theme continue to be the “picks and shovels” type companies, with Nvidia the most exposed to the AI infrastructure buildout.
- This week, the primary U.S. catalyst comes from the all-important labor market. May’s nonfarm payrolls and accompanying wage releases on Friday will have important read-throughs for the U.S. consumer. Outside the U.S., a hotter-than- expected inflation reading out of the Eurozone may have implications for the ECB’s upcoming policy meeting this week, potentially impacting currency and rates markets. Additionally, global PMI readings could confirm or reject the recent rebound in economic activity, as proxied by corporate sentiment, across the manufacturing and services sectors. In emerging markets, investors will also closely watch consumer inflation figures’ updates.

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

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