



PKB's Market Espresso

Short. Rich. Strong.

Something For Everyone

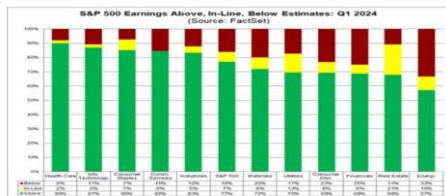
- Friday's **US labour data** bring some good news
- **Payrolls** increase by **175k**, below the 240k expected
- **Unemployment** ticks up by 0.1% to 3.90%
- Average **hourly earnings** tick down 0.1% to 3.90%
- The **participation rate** remains unchanged at 62.7%
- Markets **anxious for some sign of cooling** in the economy salute the data with a **rally in equities and bonds**
- As usual, a pinch of salt is recommended: the payroll estimate error is **45k**, and the data is subject to ample **revisions**
- The **first rate cut** has now been brought forward from December to **September**
- But, a **data-dependent Federal Reserve** will be eagerly parsing the next **inflation data**

US Earnings – On track

Q1 earnings so far are **7.0% above expectations**

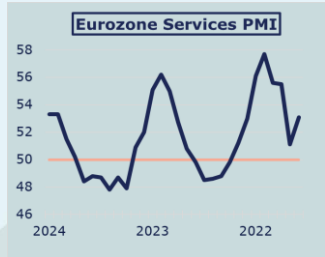
- 80% of the companies in the S&P 500 have reported actual results for Q1 2024 to date
- Of these companies, **77%** have reported actual EPS **above estimates**, above the 10-year average of 74%.
- More than 55% of S&P 500 companies have reported **expanding margins**
- Expectations have been low for Healthcare, high for Energy
- This week, 56 S&P 500 companies are scheduled to report results for the first quarter.

Q1 2024: Scorecard



Meanwhile, in Europe...

- **Eurozone's services PMI*** shows some positive momentum. **At 53.3**, the index is steadily above 50 and improving on the previous month



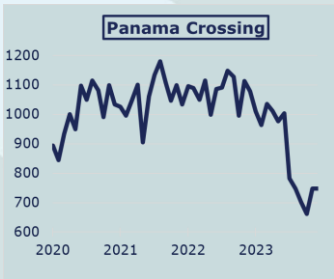
- This, coupled with an improvement in the **Sentix Investors' Confidence**, seems to confirm some improvement in the area's economic momentum. At country level, **periphery beats core**

EUR IG Bonds, well supported...

- First four months of the year with a **large supply** of new issues accompanied by **great** underlying **resilience**
- The end of the earning season could herald another **intense phase** for new issues
- Spreads are **less attractive** now, **but** it is still a buyers' market in light of an **underlying improvement** in the macroeconomic environment and **solid issuer fundamentals**
- The market seems well disposed to **medium-long duration** as well
- Despite the large volume of issues, there is **no market imbalance**, in the second half of the year it will be necessary to **observe** the **absorption capacity** of high yield

Elsewhere...

- **Some JOY For JPY:** after a sharp decline, evidence of intervention by the Bank of Japan, estimated in **\$30bn**, revives the currency, but... will it last? The **markets will test** the BOJ's resolve



- Better rainfall allows a welcome recovery in traffic through the **Panama canal**.
- A detour via the Magellan Strait adds **23+ days and 6'000+ miles** to a ship's journey

Macron Alert

- President Macron returns to the Sorbonne and paints a somber picture of **Europe's future**. Macron flags three major dangers:
- **Geopolitics:** Russia's threat to Europe require a new **European security framework**
- **Technology and China:** Europe must invest massively in five areas: artificial intelligence, quantum computing, space, biotech and new forms of energy such as hydrogen and SMRs*. **Building industrial scale** is paramount, as is containing China's drive to export its way out of the domestic slowdown
- A **challenge to democracy** coming from resurgent nationalisms and disinformation
- Macron will meet **Xi Jinping** who is visiting Europe for the first time since March 2019. After France, Xi will visit Hungary and Serbia --an odd itinerary which is hardly accidental

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