



PKB's Market Espresso

Short. Rich. Strong.

ECB – Back to hawkish cuts?

Two years after its first hike, as expected, the **ECB cut interest rates** by 25bp from 4.50% to 4.25% - the first time ever that it has anticipated the Fed in starting a cutting cycle.

- Lack of guidance by Governing Council on future path and **higher inflation** forecasts was slightly **hawkish**
- **Data dependency** was once again the leitmotiv of President Lagarde's conference
- Emphasis on accumulating data "much later in the summer", suggests that a **July rate cut** is effectively **off the table**.
- September anyone?

Fed Preview

- The **Fed** meets this week and will announce its monetary policy **decision** on **Wednesday** evening (*an unchanged outcome is widely expected*)
- It will be anticipated by a few hours by the **US CPI** data in an **interesting coincidence** - **Core CPI** for May expected at **0.3% MoM***
- Friday's **payrolls data** showed a robust **labor market**.
- Macro data seems increasingly **unlikely** to usher a **rate cut before December**
- The Dollar remains well supported



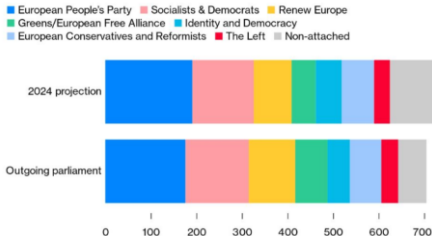
* month-over-month

Macron's gambit

- The big news of the night is French **President Macron calling snap parliamentary elections** for June 30 after he received a drubbing at the hands of his far-right rival Marine Le Pen
- His German counterpart Olaf Scholz didn't fare much better, with his Social Democrats suffering their **worst performance** in an EU election in history
- Italian Prime Minister Giorgia Meloni **secured top spot** in Rome
- The three centrist groups (EPP, the Socialists and the liberals) will **hold a comfortable majority**, despite the far-right gaining seats, while the Greens suffered losses
- The euro **slipped** vs USD and CHF

EU Parliament Elections 2024: EPP Set to Expand Top Position

Distribution of seats by political group



Source: Bloomberg

Water – Growing opportunity

Global resource scarcity drives demand for more sustainable solutions through increasing regulatory requirements, water reuse and recycling systems, and boosting integration of the circular economy and resource-efficient design.

- Main demand for water resources and infrastructure is driven by **population growth, urbanisation, climate change, water scarcity and pollution**.
- Leaking water infrastructure (c.**30%-40% of water is lost annually** through leakage in water infrastructure).
- Water and flow solutions are also requested in industrial water treatment, water distribution, semiconductor, marine, waste-/stormwater management, chemical process industry, cooling, life science and **data centres** (dramatically rising).
- The **US has announced a \$55bn** investment in water infrastructure. **Saudi Arabia has allocated \$105bn** for 3,300 water sector projects, plenty of others are on the way.
- Water infrastructure construction activity is projected to **grow by 5% (CAGR)** between 2023 and 2028.

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