

Weekly Market Wrap

Week Ending 5th June 2026



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Executive Summary

The week ending 5th June 2026 was defined by a dual shock: the May non-farm payroll (NFP) print of 172,000, which was more than double the ~80,000 consensus abruptly repriced the Federal Reserve's rate path from pause to potential hike, while Broadcom's Q2 earnings disappointed relative to elevated analyst expectations and triggered a 10% collapse in the PHLX Semiconductor Index (SOX) on Friday alone. The S&P 500 broke its nine-week win streak (-2.6% WoW), NASDAQ registered its worst week in over a year (-4.5%), and rate hike probability moved above 70% by market close.

The Strait of Hormuz remains effectively closed at approximately 5% of pre-conflict vessel volumes; US-Iran ceasefire talks deteriorated sharply across the week (Iran halted negotiations on June 1; US forces shot down Iranian missiles targeting Gulf allies on June 5), sustaining WTI crude at \$90.5/bbl (+3.6%) as the sole advancing major asset class.

Key Themes

- NFP Shock Reprices the Fed:** May payroll jobs came in at 172,000 vs a ~80,000 estimate; prior two months revised up 93,000 combined. Over 500,000 US jobs created in the first five months of 2026, already nearly double all of 2025. Probability of at least one 25 bps hike by December moved from ~50% pre-NFP to >70% (CME FedWatch); markets are pricing meaningful odds of two hikes in 2026. New Fed Chair Kevin Warsh faces his debut FOMC meeting (June 16-17) having inherited a labor market that no longer justifies accommodation and an inflation backdrop shaped by a structural energy supply shock.
- Semiconductor Valuation Reset. Good Results Were Not Good Enough:** Broadcom Q2 AI chip revenue hit \$10.8B (+143% YoY, record), but Q3 AI guidance of \$16B missed analyst estimates of ~\$17.2B and Broadcom declined to raise its full-year AI chip target. The stock fell 12-15% across Thursday-Friday. The Friday's selloff mostly indicates a valuation compression, not fundamental deterioration.
- Oil Defies Risk-Off (+3.6%):** The Hormuz supply shock is structural, where strikes this week moved well above the low-level friction pattern. Iran halted negotiations, threatened full strait closure on June 1, attacked Kuwait Airport, and directed strikes at the US Navy fleet, while the Hezbollah-Israel war continues to delay US-Iran ceasefire talks. US forces shot down Iranian missiles on June 5, and further strikes followed over the weekend. WTI intraweek peaked near \$96/bbl before settling at \$90.5 on Friday. WTI is +58.0% YTD.
- Gold's Safe-Haven Failure (-4.7%):** Gold fell to \$4,328.5, its lowest level of 2026, during a week of escalating geopolitical tension.
- Crypto Collapse Confirms High-Beta Thesis:** Bitcoin -16.2% WoW, reached sub \$60,000 (first time since October 2024); Bloomberg Crypto Index -20.1%. May saw \$2.4B in Bitcoin spot ETP outflows, largest since November 2025.

Week Ending	S&P 500	NASDAQ	Dow Jones	Sensex	Nikkei	S&P BDC	Gold	Silver	Oil	Nat Gas	Crypto Index
2-Jan	(1.0%)	(1.7%)	(0.7%)	0.8%	(0.8%)	0.1%	(4.4%)	(8.1%)	1.0%	(17.1%)	5.1%
16-Jan	(0.4%)	(0.9%)	(0.3%)	(0.0%)	3.8%	1.1%	1.9%	12.9%	0.5%	(2.1%)	4.9%
30-Jan	0.3%	(0.2%)	(0.4%)	(1.0%)	(1.0%)	(2.3%)	(1.9%)	(17.4%)	6.8%	(17.5%)	(7.9%)
13-Feb	(1.4%)	(1.4%)	(1.2%)	(1.1%)	5.0%	(0.0%)	1.6%	(0.5%)	(1.0%)	(5.2%)	(1.5%)
27-Feb	(0.4%)	(0.2%)	(1.3%)	(1.8%)	3.6%	(4.0%)	3.4%	10.8%	0.9%	(6.2%)	(3.4%)
13-Mar	(1.6%)	(1.1%)	(2.0%)	(5.5%)	(3.2%)	(3.1%)	(2.9%)	(4.7%)	8.6%	(1.7%)	4.9%
27-Mar	(2.1%)	(3.2%)	(0.9%)	(1.3%)	(3.4%)	(2.2%)	0.0%	2.7%	1.3%	-	(6.3%)
10-Apr	3.6%	4.5%	3.0%	5.8%	8.5%	0.0%	1.6%	3.9%	(13.4%)	(5.4%)	8.0%
24-Apr	0.5%	2.4%	(0.4%)	(2.3%)	2.1%	(4.0%)	(2.5%)	(6.4%)	12.6%	(5.6%)	(2.4%)
8-May	2.3%	5.5%	0.2%	0.5%	5.4%	(3.7%)	2.2%	6.6%	(6.4%)	(0.8%)	2.4%
22-May	0.9%	1.2%	2.1%	0.2%	3.1%	(2.2%)	(0.7%)	(0.6%)	(8.4%)	(1.8%)	(5.9%)
5-Jun	(2.6%)	(4.5%)	(0.3%)	(0.7%)	0.4%	(1.0%)	(4.7%)	(9.9%)	3.6%	(1.9%)	(20.1%)
YTD Return	7.7%	14.9%	5.1%	(13.4%)	32.3%	(13.2%)	(0.1%)	(6.8%)	58.0%	(10.8%)	(43.4%)

Asset Class Performance

Equity Market

Week ending >>>					
	29-May-26	5-Jun-26	YTD Returns	Growth for the month	Growth for the week
Equity Indices					
S&P 500 (USD)	7,580.1	7,383.7	7.7%	2.1%	(2.6%)
NASDAQ (USD)	30,333.2	28,957.6	14.9%	4.5%	(4.5%)
Dow Jones (USD)	51,032.5	50,866.8	5.1%	2.8%	(0.3%)
SENSEX (INR)	74,775.7	74,243.3	(13.4%)	(3.5%)	(0.7%)
Stoxx 600 (EUR)	626.0	622.7	4.4%	1.8%	(0.5%)
Nikkei (JPY)	66,329.5	66,588.1	32.3%	11.9%	0.4%
Hang Seng (HKD)	25,182.4	24,962.0	(5.2%)	(3.2%)	(0.9%)

- **US Equities:**

- S&P 500 fell (2.6%) WoW to 7,383.7, snapping its nine-week winning streak as a hot NFP print repriced rate expectations and a semiconductor selloff wiped over \$1T from markets on Friday alone.
- The dominant trigger was Friday's NFP print (172,000 vs ~80,000 estimate; prior two months revised up 93,000 combined), which undercut the soft employment narrative that had kept the Fed on hold — reigniting inflation expectations and pushing rate hike probability above 70%, with the 10Y yield hitting ~4.54% intraday. That said, roughly 56,000 of those 172,000 jobs were transient World Cup-related event hiring in leisure and hospitality (sector total: +70,000 vs trailing monthly average of 14,000; restaurants and bars alone: +48,000). Stripping out this component, underlying NFP is ~116,000 - a solid beat, but not the structural tightening signal the headline implied.
- Semiconductors Face Valuation Reset: Broadcom's failure to raise its 2027 AI chip outlook (\$100B announced in Q1) on Wednesday night triggered the initial rotation out of the semiconductor group on Thursday. The selloff spread across AI names, with NVIDIA, Micron, and Marvell also declining sharply on Friday. Marvell was a notable outlier, gaining 28.5% for the week after Nvidia CEO Jensen Huang called it the "next trillion-dollar company" and the firm launched its Teralynx T100 AI networking chip.
- Mega IPO Index Inclusion: Nasdaq and FTSE Russell fast-tracked their inclusion rules (15 and 5 trading days respectively) ahead of the SpaceX, OpenAI, and Anthropic listings, while the S&P 500 denied fast-track entry — requiring at least a year post-listing plus profitability and float criteria. The passive buying impact is likely overstated regardless: index weights are based on free float, not full valuations, and even at the high end of IPO estimates (~\$280B over the next 12–24 months), new listings would represent roughly 0.4% of total US market cap.

- **Sensex:**

- BSE Sensex fell (0.7%) WoW to 74,243.3. At (13.4%) YTD, India faces a persistent structural underperformance driven by elevated oil import bill (~85% of oil imported), unprecedented FII outflows, and a stagflationary policy environment.
- The RBI MPC held the repo rate at 5.25% (neutral stance) but simultaneously downgraded FY2026 GDP growth to 6.6% (from 6.9%) and raised its CPI target to 5.1% (from 4.6%). This simultaneous downgrade-and-upgrade communicates precisely the stagflationary bind, signalling that the central bank cannot ease without fuelling inflation, cannot tighten without further compressing growth. The RBI's ~\$110/bbl oil assumption underpinning its growth projection (vs spot Brent at ~\$95/bbl) reflects scenario conservatism and signals how material a durable Hormuz resolution would be for India's macro trajectory.
- FII Exodus: YTD FII net equity outflow has crossed Rs 2.54 lakh crore (~\$26.8B), already exceeding the full-year 2025 total, with Rs 8,776 Cr sold on June 5 alone. FII ownership has fallen to a 14-year low of ~14.7%, down from ~16.9% at end-2025, and now sits below DII ownership (18.9%) for the first time. The capital is rotating into Korea and Taiwan — both have overtaken India by market cap on the back of TSMC, Samsung, and SK Hynix, after trailing India by 2–3.5x just 18 months ago. India has no meaningful presence in LLMs or chipmaking, and the IT

services sector - its traditional FII anchor - has seen foreign ownership drop over 36% YTD. DIIs continue to absorb the selling through record SIP inflows, but the structural displacement of foreign capital creates a persistent valuation overhang.

- Sectoral performance: Nifty Media led (+6.69%); PSU Bank +1.26%. Underperformers: Nifty Financial Services ex-Bank (3.29%), MidSmall Financial Services (2.73%), FMCG (2.19%). Non-bank financial sector weakness echoes global private credit stress; FMCG weakness reflects energy-driven input cost pass-through and demand elasticity compression at the consumer level.

- **Stoxx 600:**

- Stoxx Europe 600 fell (0.5%) WoW to 622.7. European markets navigated a triple headwind: (1) eurozone Q1 GDP revised to contraction at (0.2%), from the initial +0.1% estimate; (2) eurozone retail sales fell 0.4% MoM in April; (3) the Trump administration announced Wednesday new tariffs of 10-12.5% on multiple countries, adding a terms-of-trade headwind on top of the existing energy shock.
- Within major markets: Germany's DAX fell 1.38% as its manufacturing export base dually exposed to US tariffs and energy input costs. France's CAC rose +0.43%, partly reflecting April industrial production (+0.1% MoM vs (0.2%) expected) and a narrowing trade deficit. Italy's FTSE MIB (0.29%); UK FTSE 100 (0.40%).
- The ECB faces a structurally difficult June 11 decision: a eurozone economy in technical contraction alongside sticky energy-driven inflation that does not permit easing. Europe's energy import dependence (~85% oil import reliance in Germany) keeps the cost-push inflation channel fully open at \$90-95/bbl Brent. The new US tariff layer adds a compounding growth headwind that is disproportionately borne by export-dependent manufacturing economies.

- **Nikkei:**

- Nikkei 225 gained +0.4% WoW to 66,588.1 -- the only major index in positive territory and the most counterintuitive result of the week. At +32.3% YTD, the Nikkei remains the GIA universe's strongest performer by a wide margin.
- The weekly outperformance during broad risk-off is explained by JPY dynamics. At Y160.29/USD, a weaker yen directly expands yen-denominated revenues for Japan's export-oriented corporate base (autos, electronics, precision machinery), partially offsetting the energy import cost burden. Japan's nominal wage growth of 3.5% YoY (above the 3.2% estimate; real wages positive for a fourth consecutive month via government gasoline subsidies) sustains domestic earnings expectations.

- **Hang Seng:**

- Hang Seng fell (0.9%) WoW to 24,962.0, extending YTD underperformance to (5.2%). China's official manufacturing PMI eased to 50.0 (from 50.3), at the threshold between expansion and contraction. The private-sector Caixin PMI held at 51.8, reflecting greater resilience among privately-owned and export-oriented firms. For investors, the divergence supports targeted policy stimulus rather than broad-based easing.
- Technology-related news limited losses: Tencent shares rose on reports of an embedded AI agent being tested for WeChat (~1.4B monthly active users), with regulatory approval potentially beginning as early as June 2026 -- a commercially meaningful shift from AI development to consumer-scale deployment. DeepSeek reportedly exploring a fundraising round at ~\$52B valuation. These developments provide a structural technology bid even as property stress, demographic aging, and US tariff risk cap broader upside.

Credit Market

Week ending >>>					
	29-May-26	5-Jun-26	YTD Change (bps)	Change for the Month (bps)	Change for the Week (bps)
Credit					
US Bond Yield (%)	4.44	4.53	33.96	16.05	9.48
JGB yield (%)	2.69	2.67	60.50	15.10	(2.10)
Week ending >>>					
	29-May-26	5-Jun-26	YTD Returns	Growth for the month	Growth for the week
Credit					
S&P BDC Index	48.448	47.953	(13.2%)	(6.8%)	(1.0%)

- **US Bond Yield:**

- **US Treasuries & Rate Expectations:** The 10Y yield rose to 4.53% (+9.5 bps WoW), with the move concentrated on Friday's NFP release. The 2Y moved more sharply, rising ~19 bps to ~4.17% — the highest since early 2025. This bear flattening is the classic pre-rate-hike signal: a hot labor market pushes prices up through wage growth while increasing spending velocity, deepening inflation through both channels. Rate expectations have fully inverted from pricing multiple cuts at year-start to >70% chance of at least one hike and ~25% odds of two by December. The NFP beat and persistent energy-driven CPI (April: 3.8% YoY, energy accounting for 40% of the March–April increase) leave the Fed with no soft data to justify accommodation.
- Investment-grade corporate bond issuance YTD is at its fastest pace since 2020, as hyperscalers raise debt to fund AI capex. New issues were generally oversubscribed despite rising yields.

- **JGB Yield:**

- **10Y JGB:** Fell marginally to 2.67% (-2.1 bps WoW) despite hawkish BoJ signalling on June 3 — domestic safe-haven buying offset rate-hike pricing, suggesting the market isn't fully pricing a June hike. YTD +60.5 bps. BlackRock remains underweight, expecting further yield rises.

- **S&P BDC Index / Private Credit:**

- The S&P BDC Index fell (1.0%) WoW to 47.953. At (13.2%) YTD and (6.8%) for the month, private credit/BDC markets continue to underperform materially.
- Partners Group and Blackstone both gated flagship fund redemptions last week after investor withdrawal requests hit double their quarterly caps — Blackstone's first instance of not honouring all redemption requests on the \$79B BCRED. BoE Governor Bailey compared the sector's loan structuring to pre-2008 "slicing and dicing" and flagged a possible system-wide stress test. The overhang remains: a \$162B maturity wall, doubled PIK usage, and AI disruption across software portfolios that make up ~40% of sponsor-backed private credit.
- The week's rate hike repricing is a compounding headwind specific to BDCs: middle-market borrowers carry predominantly floating-rate debt, so rate hikes nominally boost BDC interest income but simultaneously elevate debt-service burdens on weaker borrowers, accelerating credit quality deterioration.

Currencies

Week ending >>>					
Currency	29-May-26	5-Jun-26	YTD Growth	Growth for the month	Growth for the week
EUR/USD	1.1659	1.1522	(1.7%)	(1.7%)	(1.2%)
GBP/USD	1.3456	1.3342	(0.8%)	(1.8%)	(0.8%)
USD/INR	95.0038	94.9437	5.3%	0.7%	(0.1%)
CHF/USD	1.2804	1.2563	(0.5%)	(1.8%)	(1.9%)
USD/JPY	159.2700	160.2900	2.2%	2.1%	0.6%

- **Currencies:**

- **USD Strength Dominates FX Markets:** The dollar strengthened broadly on higher-rate expectations, pushing the euro (-1.2% WoW), pound (-0.8%), and Swiss franc (-1.9%) lower. EUR and GBP were further pressured by weaker regional growth outlooks and trade concerns, while the franc underperformed as widening US rate differentials outweighed its traditional safe-haven appeal.
- USD/JPY at ~160 is near the ~162 level that triggered the July 2024 carry trade unwind - a crash from 161 to 141 in three weeks, taking the Nikkei down 12% in a single session. The NFP beat has only piled more money into the same carry trade, increasing exposure to a violent reversal. A BOJ hike, MOF intervention, or geopolitical shock could snap it again.
- In contrast, the Indian rupee remained broadly stable, supported by Reserve Bank of India intervention, despite a stronger USD environment:
This likely reflects the RBI's selective deployment of its currency defence toolkit: OMO interventions, FPI tax exemptions, higher NRI deposit rates, PSU forex-hedged borrowing incentives, and in acute episodes, FCNR(B) rate hikes of up to 200 bps with RBI-provided forex protection (last deployed during the 2013 taper tantrum).

Commodities

Week ending >>>					
	29-May-26	5-Jun-26	YTD Returns	Growth for the month	Growth for the week
Commodities					
Gold (USD per troy ounce)	4,540.3	4,328.5	(0.1%)	(6.2%)	(4.7%)
Silver (USD per troy ounce)	75.3	67.8	(6.8%)	(10.0%)	(9.9%)
Oil (USD per barrel)	87.4	90.5	58.0%	(11.2%)	3.6%
Natural Gas (Henry Hub)	3.3	3.2	(10.8%)	16.2%	(1.9%)
Copper (US cents per pound)	638.9	628.5	10.4%	5.9%	(1.6%)
Aluminium (USD per metric tonne)	3,718.6	3,627.6	20.9%	1.0%	(2.4%)
Wheat (US cents per bushel)	610.5	580.0	14.5%	(7.1%)	(5.0%)
Sugar (US cents per pound)	14.1	14.1	(3.2%)	(5.4%)	0.6%

- **Oil:**

- WTI crude rose +3.6% WoW to \$90.5/bbl (Brent ~\$95/bbl), defying the broad risk-off environment that drove equities, gold, and crypto lower. Oil is the week's defining cross-asset anomaly: the Hormuz supply shock is structural enough to override the demand-destruction signal from rate-hike pricing.
- The Hormuz situation deteriorated materially: Iran halted negotiations on June 1 and threatened to "completely block" the strait; US forces shot down Iranian missiles and drones targeting Gulf allies on June 5, the most direct military exchange in recent weeks. Vessel traffic remains at ~5% of pre-conflict levels (~20% of global oil and LNG in normal times).
- ADNOC Hormuz Bypass: ADNOC announced plans for the UAE's first multi-fuel pipeline (gasoline, diesel, jet fuel) bypassing the Strait of Hormuz, alongside a crude oil West-East Pipeline now ~50% complete and targeted for 2027 that will double export capacity through Fujairah. Saudi Arabia is already moving ~7 mb/d through its Red Sea pipeline. Gulf producers are actively re-plumbing oil logistics around Hormuz - reducing long-term chokepoint risk but doing nothing for the near-term supply constraint.
- WTI peaked near ~\$96/bbl intraweek on Wednesday before pulling back to \$90.5 on Friday -- the NFP demand-destruction concern and brief optimism from unverified negotiation reports providing the offset. WTI is +58.0% YTD, by far the strongest major asset class. The base case is prolonged structural Hormuz closure rather than near-term resolution. A durable reopening would be the single macro event most capable of reversing the week's cross-asset dynamics simultaneously: easing oil inflation, creating space for Fed dovishness, lifting India's import bill, and relieving European industrial margin pressure.

- **Gold:**

- Gold fell (4.7%) WoW to \$4,328.5 -- its lowest level of 2026 (-0.1% YTD) and the largest weekly decline in months. The move is analytically significant because it occurred during a week of escalating geopolitical tension -- the textbook environment for gold to appreciate. The explanation is a real yield shock: Friday's NFP blowout pushed nominal Treasury yields sharply higher; inflation expectations did not fully offset this move; real yields rose materially. Gold, as a non-yielding asset, faces a direct opportunity cost when real yields increase.
- Despite this, gold has overtaken US Treasuries as the world's top reserve asset, driven by years of relentless central bank buying and a near-doubling in price over two years.

- **Silver:**

- Silver fell (9.9%) WoW to \$67.8; more than double gold's percentage decline, reflecting its higher beta and dual precious/industrial metal character. Rising real yields compressed its precious metal premium; the semiconductor and tech selloff simultaneously weakened industrial demand signals (data centers, EVs, solar panels all draw on silver). At (10.0%) for the month and (6.8%) YTD, silver's underperformance signals that industrial demand narratives are vulnerable to rate-hike-driven growth slowdowns even within the commodity complex.

- **Natural Gas (Henry Hub):**

- Henry Hub fell (1.9%) WoW to \$3.2/MMBtu. US domestic dynamics (robust production, high storage) continue to decouple Henry Hub from global LNG pricing. While Hormuz disruption has severely impacted Middle East and Asian

LNG spot markets, the Henry Hub market is structurally buffered by US domestic supply. At (10.8%) YTD, Henry Hub reflects abundant US gas supply regardless of Hormuz. Key risk: sustained Qatar LNG production curtailment could eventually transmit to Henry Hub via LNG export demand acceleration.

- **Copper & Aluminium:**

- Copper (-1.6% WoW) and aluminium (-2.4% WoW) declined as stronger US data increased rate-hike expectations and raised concerns about industrial demand, while softer Chinese PMI data added to growth worries. Despite the weekly weakness, both metals remain strong performers in 2026.

- **Wheat & Sugar:**

- Wheat fell 5.0% WoW on improving crop conditions and a favorable harvest outlook, easing concerns around supply disruptions and higher input costs. Despite the decline, wheat remains up 14.5% YTD. Sugar was broadly unchanged (+0.6% WoW), outperforming most commodities as Brazilian ethanol demand and seasonal supply dynamics supported prices, indicating a relatively balanced supply-demand backdrop.

Cryptocurrency

Week ending >>>					
	29-May-26	5-Jun-26	YTD Returns	Growth for the month	Growth for the week
Crypto					
Bloomberg Crypto Index	1,901.8	1,519.6	(43.4%)	(26.3%)	(20.1%)
Bitcoin (USD)	73,582.0	61,625.1	(32.3%)	(20.9%)	(16.2%)
Ripple	1.3	1.1	(46.8%)	(19.4%)	(15.6%)
Solana	82.1	64.6	(51.7%)	(22.6%)	(21.3%)

- **Cryptocurrency:**

- **Crypto Suffers Sharp Risk-Off Selloff:** The Bloomberg Crypto Index fell 20.1% WoW, making it the worst-performing asset class of the week. Bitcoin declined 16.2% to \$61.6K, while Solana fell 21.3% and remains down 51.7% YTD. The selloff was driven by rising rate expectations, weaker risk appetite, and institutional outflows from Bitcoin ETFs, reinforcing crypto's sensitivity to liquidity conditions.
- **Liquidity Rotation:** US spot Bitcoin ETFs saw 13 straight days of outflows (\$4.4B), flipping 2026 YTD flows negative for the first time. Strategy chairman Michael Saylor attributed the drawdown to ~\$400B in AI infrastructure financing over the past six months, with banks aggressively marketing mega-IPOs (SpaceX, OpenAI, Anthropic) to institutional clients - understandably so, given the underwriting fees at stake on what could be the largest IPO pipeline in history. The result: liquid risk assets like Bitcoin are being sold to fund allocations elsewhere.
- **Crypto Trades Like a Risk Asset, Not a Hedge:** Despite elevated inflation, higher oil prices, and geopolitical tensions, crypto failed to attract safe-haven demand. Instead, its performance continued to track growth equities, particularly the NASDAQ, highlighting its role as a high-beta risk asset rather than an inflation or geopolitical hedge.

Updates in AI sector over the week

- **General Updates & Releases** Anthropic called for an industry-wide pause mechanism on frontier AI development, warning models are approaching recursive self-improvement - citing that Claude now writes over 80% of code merged into its systems, up from low single digits pre-2025. The timing, days after a confidential IPO filing at ~\$1T valuation, invites scepticism on whether this is genuine alarm or narrative-building. Separately, Anthropic expanded its restricted Mythos cybersecurity model to ~150 new organizations across 15+ countries under Project Glasswing, with Samsung, NATO, and ENISA among new partners.
- **Marvell AI Networking Momentum:** At Computex 2026, Nvidia CEO Jensen Huang endorsed Marvell Technology as the "next trillion-dollar company" while Marvell launched its 102.4 Tbps Teralynx T100 AI networking chip. Record Q1 revenue (\$2.4B) and a >\$10B custom-chip revenue target by FY2029 drove a 28.5% WoW share price surge. The endorsement reinforces the attractiveness of AI networking and connectivity infrastructure as a key value-creation layer within the AI ecosystem.
- **Broadcom Delivers, but Market Wanted More:** Broadcom reported record Q2 AI revenue of \$10.8B (+143% YoY) and total revenue of \$22.2B (+48% YoY), yet shares fell 12-15% as guidance and AI targets failed to exceed elevated expectations. Despite the selloff, contracted demand from customers including Google, Meta, Anthropic, and OpenAI supports a strong long-term outlook, with the weakness reflecting valuation reset rather than business deterioration.

- **AI Capex Boom Raises Financing Questions:** BlackRock identified AI infrastructure expansion and energy-market disruption as the defining themes of 2026. Hyperscaler AI capex is projected to approach \$1T annually by 2028, increasingly funded through debt markets, highlighting the growing tension between aggressive AI investment and a higher-rate environment.
- **China AI Commercialization Accelerates:** Tencent Holdings is testing an AI agent within WeChat's 1.4B-user ecosystem, while DeepSeek is reportedly seeking funding at a ~\$52B valuation. These developments underscore the rapid commercialization of AI in China and provide a supportive backdrop for Hong Kong-listed technology equities.

Geopolitical News

- **Hormuz Disruption Deepens:** The April ceasefire has largely broken down, with the Strait of Hormuz operating at only ~5% of pre-conflict vessel volumes. Iran suspended indirect negotiations on June 1 and threatened a full blockade, while a direct US-Iran military exchange on June 5 pushed WTI toward \$96/bbl. A reopening of Hormuz remains the most significant potential catalyst for easing global inflation, lowering energy costs, and creating room for Fed policy easing.
- **US Announces New Tariffs:** The Trump administration unveiled plans for 10–12.5% tariffs on multiple countries, adding trade-related pressure to economies already exposed to higher energy costs. Markets are focused on the final country list and implementation timeline, with major implications for European and Asian exporters if included at the higher tariff range.
- **Colombia Runoff in Focus:** Right-wing candidate Abelardo de la Espriella advanced to the June 21 presidential runoff against Ivan Cepeda, boosting Colombian assets on expectations of more market-friendly policies. With Colombia benefiting from higher oil prices, markets will closely monitor polling and policy developments ahead of the vote.

Insights from the Street



Private payroll growth has genuinely shifted higher in 2026, reaching its best reading in over three years off near-zero lows in mid-2025. Critically, the improvement is broad-based: roughly one-in-five of the 500,000 jobs created in the first five months came from the goods sector across construction, manufacturing and mining, with services gains spreading through professional services, transport and retail. The World Cup hospitality effect is a real contributor to May's spike, but it does not explain the full picture. The underlying trend remains moderate, genuine recovery, though still well below the pace that would signal overheating. Against a backdrop of disposable income down ~4% annualized from the energy price spike, this broadening in hiring is the primary offset keeping the US consumer on a sustainable footing, which makes it consequential well beyond the rate debate it triggered on Friday.

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