BNY

iFlow
WEEK AHEAD

June 30, 2024

Dreaming

“The future belongs to those who believe in the beauty of their dreams.” – Eleanor Roosevelt
“Every morning you have two choices: continue to sleep with your dreams, or wake up and chase them.” – Carmelo Anthony

Summary:

Whether we are living the dream or not, the waking up from the first half of 2024 will require some strong coffee for investors as they decide if the weekend results from the French vote to the weaker China PMI are a nightmare or an opportunity. The week ahead has something for everyone with the French and UK elections, with the US holiday and non-farm payrolls report to the ECB Sintra forum and central bank minutes from ECB, FOMC and Riksbank along with further rate decisions, key inflation reports and global PMI surveys. Some investors will dream of an extension of the first half as equities rally, bonds are flat and FX mostly benign with the seasonal expectation that July is the best month of the year for risk. Others will be more reluctant given the uncertainty of politics, wars, weather and a sagging global outlook for growth against sticky inflation with the old tools of rates and FX failing central bankers.

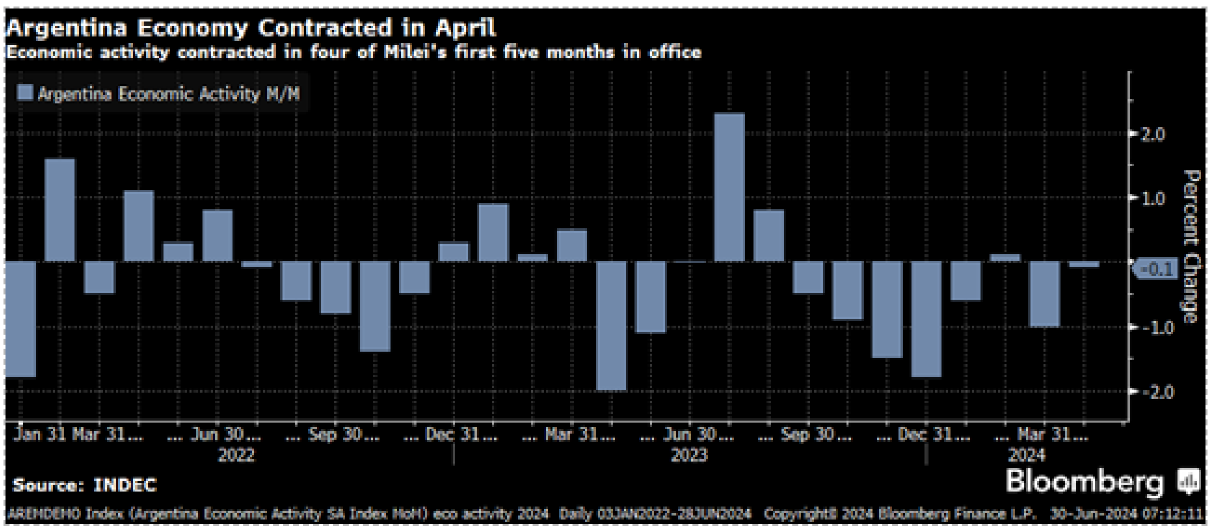
Themes:

- **Fiscal concerns dominate around elections – where is the fix?** The selling of French bonds stands out into the vote, with two of three scenarios adding to fears about the budget ahead. The US election is seen as unable to bring fiscal discipline to Congress regardless of outcomes, while the UK election risks too much optimism from a Labour win. Further risks from the fragility of German coalition over budgets, the ongoing noises from the coalition in South Africa, the focus on India and its budget and the aftermath of the Argentina election last year. All fiscal concerns eventually land in rates and risk across markets.

- **ECB Sintra and the risk of slower easing**. The Annual ECB conference takes place in Sintra Portugal, with headliners including ECB President Lagarde (Jul 1, 2), Fed Chair Powell (July 2), SARB Gov Kganyago (July 3). Focus is going to be on Powell's comments whether he offers new insights given recent weakness in US economic data. The Fed Chairman clearly leaned more heavily on the dual mandate in recent remarks and there have been questions on the extent to which he believes in a September easing need. Should Powell err in this direction again it could weigh on yields awaiting the key jobs and CPI data ahead making USD performance a notable risk in the week. Similarly, it is not clear that there is incentive for ECB President Lagarde to deviate from recent rhetoric and offer stronger forward guidance, which may limit pass through to EUR and add to FX volatility particularly if the flash CPI falls as the French and Italian reports suggest.
- **Slowing China means more stimulus?** The rebalancing of growth to tech sector isn't yet showing up. The June NBS manufacturing PMI composite fell to 50.5 from 51.0 but more concerning to market is the drop for services PMI from 51.1 to 50.5 and the ongoing 4th monthly contraction of manufacturing at 49.5 flat. Services did expand for the 18th month but it's the worst growth since December, as new orders (46.7 vs 46.9 in May) and new export orders (48.8 vs 47.5) remained weak. Moreover, a decline in employment quickened (45.8 vs 46.2). Concurrently, delivery time lengthened a bit (50.5 vs 51.0). On the price side, input cost fell for the second month (49.5 vs 49.7). In the meantime, selling prices fell for the ninth straight month, with the rate of drop the steepest in the sequence (47.6 vs 47.8). Lastly, business confidence strengthened slightly (57.2 vs 56.9) for services while in manufacturing it rose to 54.4 from 54.3 3-month highs.
- **Fixing fiscal means slower growth? - Argentina and the Phase II economic reforms.** As Argentina goes so goes the region and world? Markets will be paying attention to how this fiscal crisis rights itself. Politics were part of the story clearly, but the reform itself may lead to higher rates still and something different to spark growth. The Milei government will swap out notes held at the central bank for new Treasury debt, for which it's still

negotiating the terms with private banks. The central bank will phase out one-day repo notes that currently pay an interest rate of 40% effectively setting the institution's policy instrument. Now, new Treasury notes will serve as the country's primary instrument for administering monetary policy, Economy Minister Luis Caputo and Central Bank Governor Santiago Bausili announced during a Friday afternoon press conference. The shift will allow the Argentine central bank to move comfortably toward interest rates that exceed inflation — or real positive rates — without ballooning its own debt. The stock of one-day repo notes stood at some ARS17.5 trillion ($19.2 billion) through June 27, according to Central Bank data. Positive real rates have long been a demand set by the International Monetary Fund, which Argentina owes $44 billion. An IMF official said it gave its stamp of approval to the measures Argentina announced Friday afternoon.

Exhibit #1: Argentina growth and fiscal reform risks



Source: Bloomberg, INDEC, BNY Mellon

What are we watching:

- **Economic Releases**: **Monday** – Canada Holiday, UK, EU PMI, US ISM; **Tuesday** – EU CPI, US JOLTS; **Wednesday** – US ADP, weekly jobless claims; **Thursday** – US holiday, UK elections**; Friday** – US jobs
- **Central Banks**: **Monday** – ECB Sintra Forum with Lagarde speech; **Tuesday** - Fed Powell, ECB speakers; **Wednesday** – Poland NBP decision, FOMC Minutes, Fed Williams, more ECB speakers; **Thursday** - ECB Minutes, Riksbank Minutes; ECB speakers; **Friday** – Romania central bank decision, more Fed and ECB speakers

- **US Issuance: No coupon sales – cash flow is negative -$43.57bn** with issuance higher than the $139.5bn paid against coupons and redemptions July 1. **Monday** - $73bn in 3M and $70bn in 6M; **Tuesday** - $65bn in 4M CMB; **Wednesday** - 1m and 2M bills
- **EU Issuance: Estimated E23bn of coupon sales - cash flow positive E8.4bn** with offset of E22bn in coupons paid from Italy and Germany. Tuesday – Germany E0.5bn 6Y Green Bobl and E0.5bn of 26Y Green Bund; Wednesday – Germany E5bn of 10Y Bunds; Thursday – Spain 36bn of 3Y, 7Y and 11Y SPGB as well as E0.5bn of 9Y SPGBei, France sells E10bn f 9Y, 10Y, 29Y and 42Y OATS; Friday – Belgium sells 0.5bn of ORI

What changed this week:

Global asset allocation remains in an extreme condition with no one factor leading investors – we are in historically low factor centrality according to iFlow (0.44% percentile) – making the obvious addition of bonds to stocks and commodities and foreign exchange risks more difficult. The 1H2024 had the US and Japan stock outperformance joined by USD gains while bonds were near flat in the US but sold in Japan. The LatAm leadership in carry and investments that dominated 2023 has reversed with Brazil the notable loser in equities, FX and fixed income. The commodity rise from copper to crude oil suggests ongoing demand and inflation risks for 2H2024.

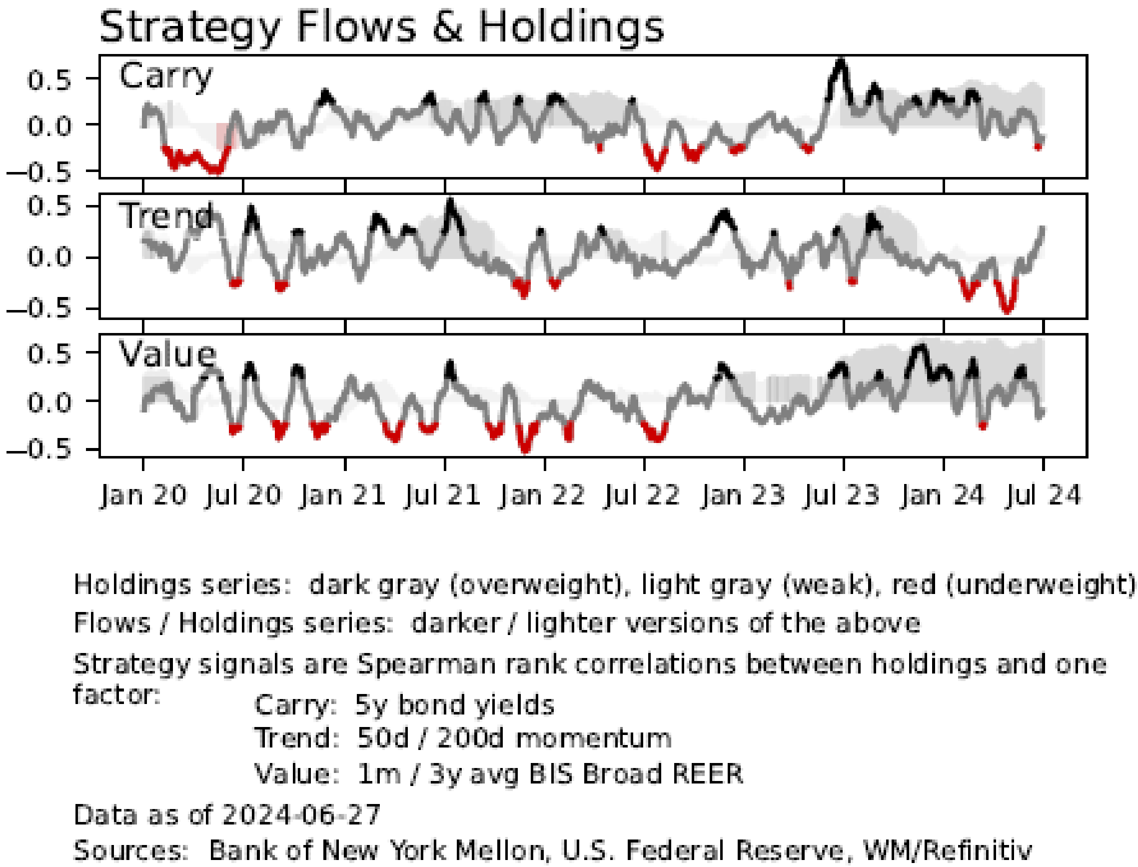
In Equities, the US markets were mixed with the S&P 500 off 0.08% along with the DJIA while the NASDAQ rose 0.24%. This was a rebalancing for the Russell week and rotational plays across sectors were notable. Globally, Japan Nikkei led gains up 2.56% while Hong Kong Hang Seng off 1.71% dragged but not as much as the CAC40 off 1.96% into the vote. In EM both Mexico and Brazil rose while the global MSCI squeaked out a 0.08% gain.

Exhibit #2: USD up along with US equities how long can that last?

Source: Bloomberg, BNY Mellon

FX markets saw the USD rally stall on the week at 105.85 narrow index but keep 0.7% gains on the month and 2.5% on the quarter. The biggest mover was BRL down 2.9% on the week, followed by ZAR and MXN both off 1.2% while KRW, PLN and HUF all were up 0.5% against the USD. Our iFlow data shows 1W buying of COP, CHF and CNY and more importantly ongoing negative factors for carry and value while trend rose.

Exhibit #3: Carry and Value negative, Trend positive



Source: iFlow, BNY Mellon

The fixed income markets were mixed in the last week with focus on UK and French bonds being sold into the election risk this week. The US bond markets stuck to ranges and again had no issue with supply with 2-5-7-year sales. The US curve notably steepened with 2/10 up 7bps on Friday last week to -35bps. The move on the month was more dramatic and the split of the market on FOMC rate cuts vs. Fed speakers stands out. The best bond winner last week was China 10Y -4.5bps to 2.20% while the worse was Canada as higher CPI put BOC easing faster into question with 10Y there up 17bps to 3.5%. UK 10Y Gilts rose 9bps to 4.17% while French OATs rose 11bps to 3.30% while German Bunds rose 8bps to 2.495%. Also notable the Riksbank dovish tilt drove bonds there 10Y -3bps to 2.185% on the week.

Exhibit #4: US bond curve bull steepened in June

US Bond	High	Low	Current	% from Low	1M change
30Y	5.35	0.99	4.56	3.72	-0.01
20Y	5.44	0.87	4.66	3.97	0.00
10Y	5.26	0.52	4.4	4.1	-0.07
5Y	5.18	0.19	4.38	4.48	-0.15
2Y	5.22	0.09	4.75	4.9	-0.20
3M	5.63	0	5.34	5.37	0.07
FFR	5.41	0.04	5.33	5.28	0.01
The Yields and Fed Funds Rate data from January 2007					

Source: Bloomberg, BNY Mellon

News Agenda and Weekly Themes – FOMC minutes and Jobs data, ECB Sintra forum, EU flash CPI, Global PMIs and Japan Tankan

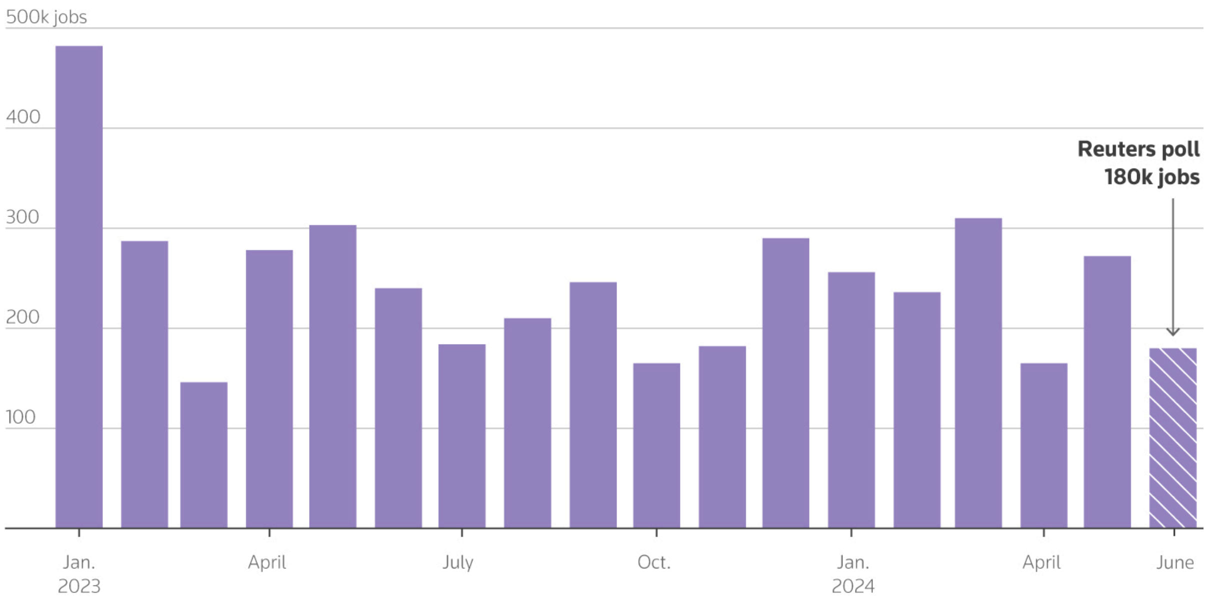
In the United States, investors' attention will focus on payrolls report and FOMC minutes. Other important releases include ISM manufacturing and services PMI, JOLTs Job Openings, factory orders and foreign trade data. In Europe, parliamentary elections in France and the United Kingdom will shape the week. Also, inflation rates for the Euro Area, Germany, Switzerland, South Korea, Turkey, Indonesia, and the Philippines will be of paramount interest. In Germany, factory orders and industrial production data will be critical, while Canada will release the Ivy PMI. Japan's Tankan manufacturers index and China's Caixin manufacturing and services PMI will be important. Finally, services PMI data will be published for Italy, Spain, and Brazil, while manufacturing PMI for Italy, Spain, Canada, South Korea, and Russia.

1. US Jobs – will this confirm a slowdown? Investors assessing when the Federal Reserve could start to cut interest rates will get a critical economic datapoint with the monthly US. jobs report released on July 5. Economists are forecasting an increase of 180,000 jobs for the month of June. For May, non-farm payrolls increased by 272,000, far more than expected, underscoring the resilience of the labor market. While stronger focus may remain on whether the CPI continues to moderate, investors will be especially attentive to any cooling in the labor data, and this will in turn inform expectations for Chairman Powell's semi-annual testimony later in the month along with any pre-data comments from Sintra. A number of Fed speakers have hinted that we may be closer to an inflection point in terms of labor cooling with Fed Williams perhaps the key speaker this week along with the FOMC Minutes themselves. Any surprises to the downside will add to US market easing expectations.

Exhibit #5: US jobs growth or wages and unemployment what matters most?

Poll projects US jobs growth slowed from May surprise

Economists polled by Reuters expect non-farm payrolls to have added 180,000 jobs in June, much lower than May's higher-than-expected result of 272,000 new jobs.



Sources: LSEG Datastream, Reuters polling

Prinz Magtulis • June 26, 2024 | REUTERS

Source: Reuters, BNY Mellon

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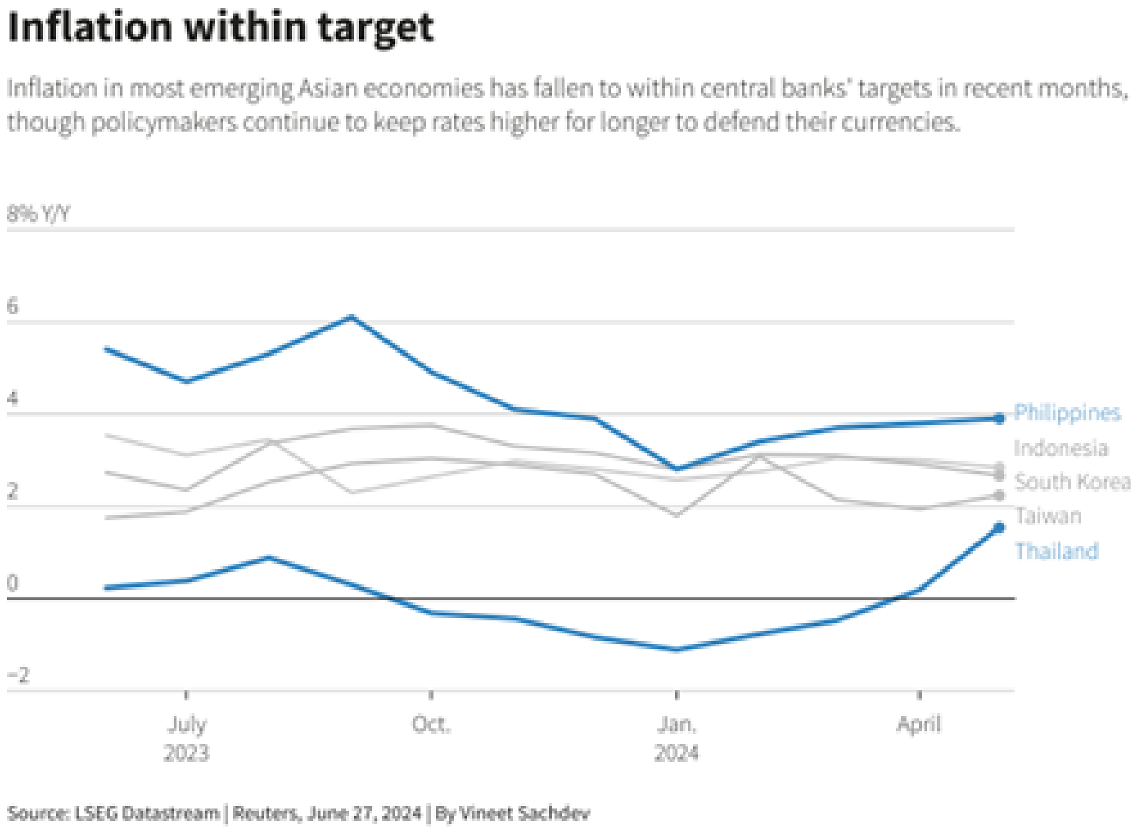
3. APAC rates vs. FX conundrum. Inflation readings across countries in emerging Asia scatter the data calendar, though with consumer prices seemingly coming to heel for most economies it begs the question of how much longer policymakers will need to keep rates higher for. Yet their hands are tied, with a foot-dragging Federal Reserve and a towering dollar leaving little to no room for any imminent rate cuts in Asia. It's that or running the risk of their currencies getting hammered further. In Thailand, that dissonance has sparked a months-long spat between the central bank and government. The latter insists an urgent rate cut would revive Southeast Asia's second-largest economy, while the Bank of Thailand (BOT) has said rates remain appropriate. BOT Governor Sethaput Suthiwartnarueput speaks to the media on Thursday and will likely reiterate the central bank's stance.

Exhibit #6: FX not inflation dominates all EM rate decisions?



Source: Reuters, BNY Mellon

4. BOJ Tankan and rate expectations. The July 1 Tankan survey is expected to show business sentiment broadly holding steady in the second quarter, with the gauge for large service-sector firms edging lower from a three-decade high in the previous period. Capex forecasts for this fiscal year are expected to rise to double digits. Later in the week, Japan's household spending data may show outlays perking up in May, an outcome that would keep the BOJ on track for a rate hike as early as July.

Exhibit #7: BOJ and JPY key fear for July

Source: Bloomberg, BNY Mellon

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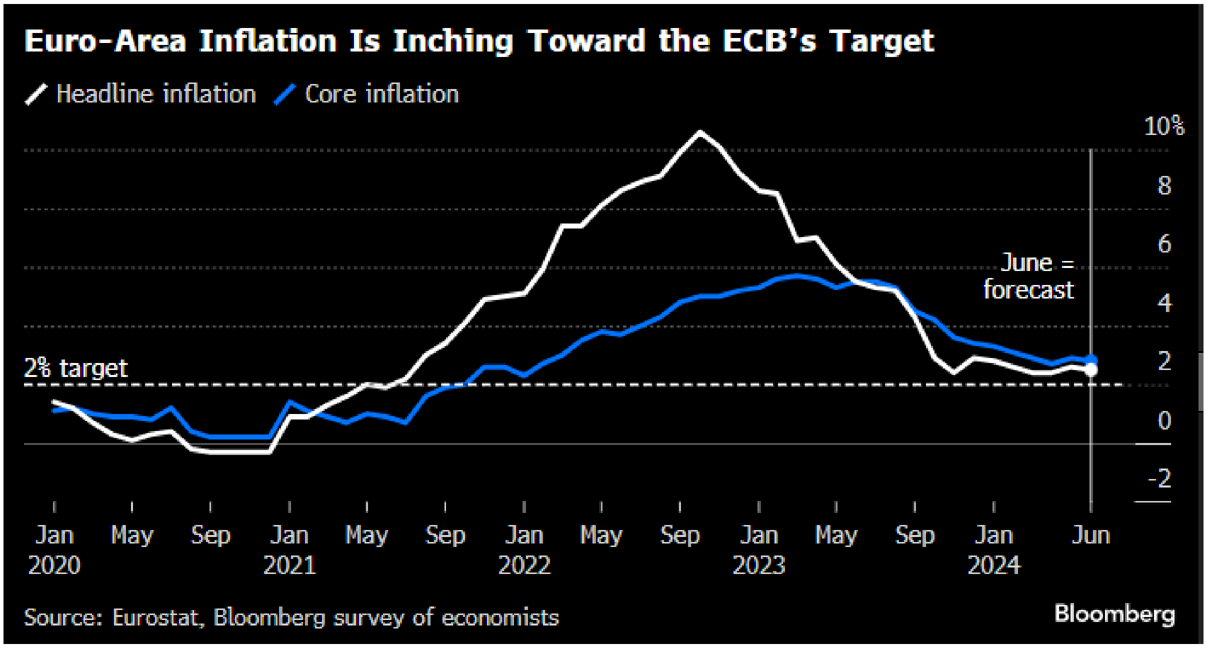
4. ECB and the flash June CPI – the ECB's annual retreat in the Portuguese resort of Sintra starts Monday with Lagarde and also FOMC Powell speaking, global officials will convene to discuss the economic issues. Key focus will be the latest inflation reading for the Eurozone, also due on Tuesday, following Germany's report on Monday. Economists anticipate a slight slowdown in both the headline and underlying measures of price growth after a setback in May. Also due from the ECB will be an account of its recent policy decision, due on Thursday, a day after Sweden's Riksbank releases minutes of its own meeting from June 27. Investors will be listening to see if the data reactions from the ECB match the numbers with many concerned about growth over inflation now.

Exhibit #8: ECB and flash CPI will EUR react?



Source: Bloomberg, BNY Mellon

Calendar for July 1-5– US Holiday July 4th, UK Election July 4th

Central Bank Decisions

Poland NBP (Wednesday, July 3) – Polish rates are expected to stay unchanged again as the NBP continues to manage real rates-based tightening. The ECB's lack of easing expectations will continue to constrain policy space and inflation at close to 4% is still uncomfortable, even though the latest sequential prints have fallen sharply, and employment levels continue to decline, with the -0.2%m/m contraction in May weaker than expectations. PLN continues to hold well in iFlow but markets will want to see whether the NBP opens the door a little wider to rate cuts later this year.

Romania NBR (Friday, July 5) – There is no consensus on whether the central bank in Romania will ease another 25bps from its current 7% policy on Friday. The NBR Governor Isarescu's comments in May when the bank defied expectations of an ease vowed "We are data dependent and our strong preference is to see inflation easing slowly but surely - it's not easy." Since then, CPI has crept lower to 5.12% y/y for May, but wages rose +14.3% y/y on a net basis in April – making the data less clear cut for further easing actions

Date	BST	EDT	Country	Event	Period	Cons.	Prior
06/30/24	2:30	21:30	CH	Manufacturing PMI	Jun	49.5	49.5
07/01/24	0:50	19:50	JN	Tankan Large Mfg Index	2Q	11	11
07/01/24	1:30	20:30	JN	Jibun Bank Japan PMI Mfg	Jun F	--	50.1
07/01/24	2:30	21:30	AU	Retail Sales MoM	May	0.30%	0.10%
07/01/24	2:45	21:45	CH	Caixin China PMI Mfg	Jun	51.5	51.7
07/01/24	7:00	2:00	UK	Nationwide House PX MoM	Jun	0.00%	0.40%
07/01/24	7:00	2:00	UK	Nationwide House Px NSA YoY	Jun	1.20%	1.30%
07/01/24	7:30	2:30	SW	Swedbank/Silf PMI Manufacturing	Jun	--	54
07/01/24	8:00	3:00	TU	S&P Global/ICI Turkey Manufacturing PMI	Jun	--	48.4
07/01/24	8:00	3:00	PD	S&P Global Poland Manufacturing PMI	Jun	44.9	45
07/01/24	8:30	3:30	CZ	S&P Global Czech Republic Mfg PMI	Jun	45.5	46.1
07/01/24	8:55	3:55	GE	HCOB Germany Manufacturing PMI	Jun F	43.4	43.4
07/01/24	9:00	4:00	EC	HCOB Eurozone Manufacturing PMI	Jun F	45.6	45.6
07/01/24	9:00	4:00	NO	DNB/NIMA PMI Manufacturing	Jun	--	52.3
07/01/24	9:30	4:30	UK	S&P Global UK Manufacturing PMI	Jun F	--	51.4
07/01/24	13:00	8:00	GE	CPI YoY	Jun P	2.30%	2.40%
07/01/24	13:00	8:00	GE	CPI MoM	Jun P	0.20%	0.10%
07/01/24	14:00	9:00	BZ	S&P Global Brazil Manufacturing PMI	Jun	--	52.1
07/01/24	14:45	9:45	US	S&P Global US Manufacturing PMI	Jun F	51.7	51.7
07/01/24	15:00	10:00	US	ISM Manufacturing	Jun	49.2	48.7
07/02/24	10:00	5:00	EC	CPI MoM	Jun P	0.30%	0.20%
07/02/24	14:30	9:30	CA	S&P Global Canada Manufacturing PMI	Jun	--	49.3
07/03/24	2:30	21:30	AU	Building Approvals MoM	May	2.00%	-0.30%
07/03/24	8:00	3:00	TU	CPI YoY	Jun	72.55%	75.45%
07/03/24	12:00	7:00	US	MBA Mortgage Applications	28-Jun	--	0.80%
07/03/24	13:00	8:00	BZ	Industrial Production YoY	May	--	8.40%
07/03/24	***0:00***	***19:00***	***PD***	***Poland Base Rate Announcement***	***3-Jul***	***5.75%***	***5.75%***
07/03/24	13:15	8:15	US	ADP Employment Change	Jun	163k	152k
07/03/24	13:30	8:30	US	Initial Jobless Claims	29-Jun	--	233k
07/03/24	15:00	10:00	US	Factory Orders	May	0.30%	0.70%
07/03/24	15:00	10:00	US	Durable Goods Orders	May F	--	0.10%
07/04/24	7:30	2:30	SZ	CPI YoY	Jun	1.40%	1.40%
07/04/24	7:30	2:30	SZ	CPI MoM	Jun	0.10%	0.30%
07/05/24	2:00	21:00	PH	CPI YoY 2018=100	Jun	3.90%	3.90%
07/05/24	7:00	2:00	GE	Industrial Production SA MoM	May	0.30%	-0.10%
07/05/24	8:00	3:00	SZ	Foreign Currency Reserves	Jun	--	717.6b
07/05/24	13:30	8:30	CA	Unemployment Rate	Jun	6.30%	6.20%
07/05/24	13:30	8:30	US	Change in Nonfarm Payrolls	Jun	188k	272k
07/05/24	13:30	8:30	US	Unemployment Rate	Jun	4.00%	4.00%

Key speeches/events

Date	BST	EDT	Country	Event
06/30/24	14:00	9:00	US	Fed's Williams Speaks at Bank for International Settlements
07/01/24	13:15	8:15	EC	ECB's Nagel Speaks
07/01/24	***20:00***	***15:00***	***EC***	***ECB's Lagarde Speaks in Sintra***
07/01/24			EC	ECB Forum on Central Banking in Sintra
07/02/24	2:30	*21:30	AU	RBA Minutes of June Policy Meeting
07/02/24	8:30	3:30	EC	ECB's Guindos Chairs Sintra Discussion
07/02/24	9:30	4:30	EC	ECB's Elderson Chairs Sintra Discussion
07/02/24	11:30	6:30	EC	ECB's Schnabel Chairs Sintra Panel
07/02/24	14:30	9:30	EC	Powell, Lagarde, Campos Neto Speak in Sintra
07/03/24	8:30	3:30	SW	Riksbank minutes from June meeting published
07/03/24	9:00	4:00	EC	ECB's Guindos Chairs Sintra Panel
07/03/24	10:00	5:00	EC	ECB's Cipollone Chairs Sintra Panel
07/03/24	11:30	6:30	EC	ECB's Lane Chairs Sintra Panel
07/03/24	12:00	7:00	US	Fed's Williams Speaks on Panel at ECB Forum
07/03/24	14:30	9:30	EC	ECB's Knot, SARB's Kganyago Speak in Sintra
07/03/24	15:15	10:15	EC	ECB'S Lagarde Speaks
07/03/24	***19:00***	***14:00***	***US***	***FOMC Meeting Minutes***
07/04/24	12:30	7:30	EC	ECB Publishes Account of June Policy Meeting
07/04/24			***UK***	***United Kingdom General Election***
07/04/24	14:00	9:00	PD	Polish Central Bank Governor Glapinski Holds News Conference
07/04/24	23:00	18:00	CO	Colombia Monetary Policy Minutes
07/04/24			EC	ECB's Cipollone speaks at Istat event in Rome
07/05/24	8:00	3:00	EC	ECB's Nagel Speaks
07/05/24	10:40	5:40	US	Fed's Williams Gives Keynote Remarks
07/05/24	18:15	13:15	EC	ECB's Lagarde Speaks in Aix

Source: Bloomberg, BNY Mellon

Conclusions: Where are we in the global cycle?

Election cycles are confusing to investors particularly when they are snap calls. The French and UK risks for the week ahead are going to dominate and leave economic data from the US jobs or global PMI reports less important to bonds and stocks. There are many ways of looking at the economic cycle – with equity sectors and stocks into 2Q earnings next week a big focus – many see ongoing US soft-landing hopes with the growth beating value factors in play. The way companies deal with slowing growth, sticky inflation will matter in 2H. Global M&A volumes in the first half of 2024 have seen an uptick of 20% compared with 2023, and deals exceeding $5 billion have surged by 53%, according to data provided by Dealogic. This is usually a late cycle signal for investors. Despite the recovery, deal volumes as of June 24 remain 15% below the last decade's average, largely impacted by the slowest Q2 in the Asia-Pacific region since 2009. This is where upside surprise could matter in 2H and pivot on China stimulus. The number of deals announced in Q2, 2024 is the lowest of the past 16 years, even worse than in Q2, 2020, when COVID-19 forced a worldwide pause in M&A activity. The remainder of the world is less rosy for mergers, with upcoming elections in France, Britain, and particularly in the US causing corporate boards and private equity funds to reconsider their decisions and wait for clarity on policy, taxes and the like.

Breaking down the global election risks is important for the week and month ahead as the US gets significantly more focused on its own election given the Supreme Court ruling Monday on the Trump immunity case, given the sentencing for the former President ahead of his July convention and given his pick for VP. Throw in the uncertainty from the debate last week and what it means for Biden's race to re-election, and you have the makings of volatility around policy. That alone will slow business investment and activity.

- **US Election and the candidate switch risk**. The New York Times editorial board, which endorsed Biden in 2020, called on him to drop out of the race to give the Democratic Party a better chance of beating Trump by picking another candidate. "The greatest public service Mr. Biden can now perform is to announce that he will not continue to run for re-election," the editorial said. If Biden were to step aside, the party would have less than two months to pick another nominee at its national convention, which starts on Aug. 19 - a potentially messy process that could pit Kamala Harris, the nation's first Black female vice president, against governors and other officeholders whose names have been floated as possible replacements.
- **Iran Election – unlikely to alter policies but will shape Khamenei succession**. Low turnout – estimated at 40% with run-off election very likely. More than 14 million votes have been counted so far from Friday June 28's vote, of which the sole moderate candidate Massoud Pezeshkian had won over 5.9 million votes and his hardline challenger former nuclear negotiator Saeed Jalili over 5.5 million, provisional results by the interior ministry showed. Pezeshkian's views offer a contrast to those of Jalili, advocating detente with the West, economic reform, social liberalization and political pluralism. A staunch anti-Westerner, Jalili's win would signal the possibility of an even more antagonistic turn in the Islamic Republic's foreign and domestic policy, analysts said.
- **French Election – not fully priced**? The first round of the snap election June 30 is here with polls suggesting 36% RN, 29% RFP and just 20% for Macron's Ensemble – this has already rattled markets. Investors will look out for any hints the results of the second round on July 7. But a 577-constituency race where candidates just need 12.5% of the vote to make it to the second round, also featuring three-way races, many of the seats will have significant uncertainty as to the final July 7 vote. The expected scenarios – 1) hung parliament with no one willing to help get Le Pen to 289 majority leads to another round of voting. 2) RN gets a majority with fear of "Frexit" and more

spending further priced. 3) New Popular Front (the left alliance) does better – adding to fiscal fears.

- **UK Election – are Gilts vulnerable?** Polls predict a landslide British election win for the opposition Labour Party on July 4, boosting UK stocks and government bonds, as trade-weighted GBP has bounced back to levels not seen since 2016's Brexit vote. Traders see a return to stability after heavy political turbulence during the Conservatives' 14-year rule and have speculated Labour leader Keir Starmer will rebuild trade links with Europe. But Britain has vast fiscal challenges that neither Labour nor the Conservatives have clarified how they would solve, the Institute for Fiscal Studies think-tank warns. Economic growth is tepid, public debt-to-GDP has hit a 63-year high and taxation as a share of national income is approaching its highest since 1949. If voters expect better public services without tax hikes and investors want government borrowing to stabilize, Starmer could find it tough to keep both sets of stakeholders on side.

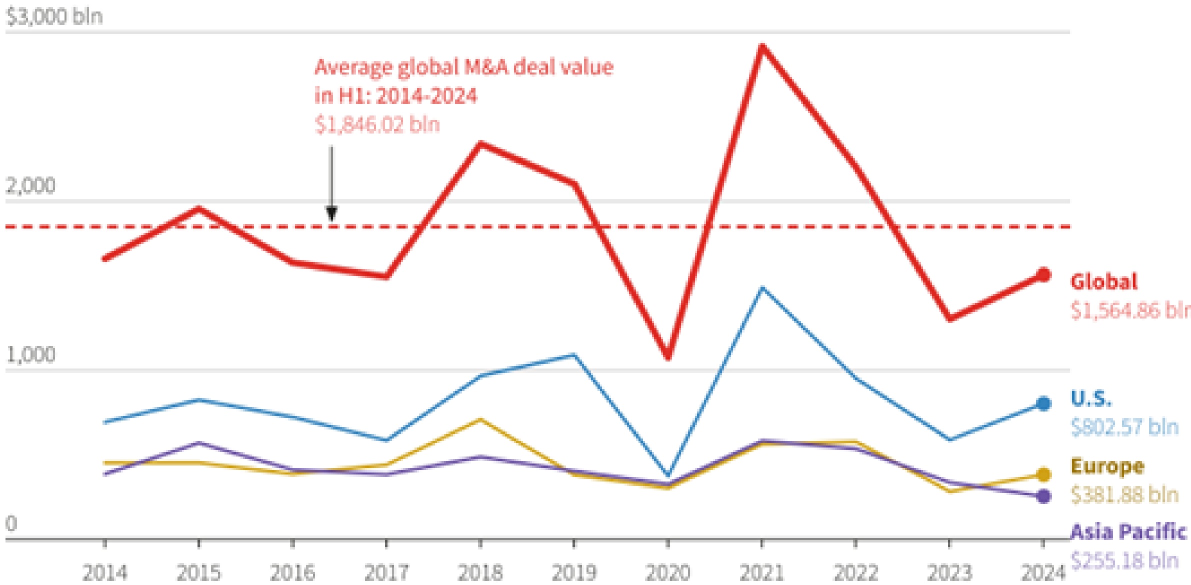
Bottom Line: Understanding the elections this week and what they show for democracy and voter mood matters for the summer markets. There is no dreaming about what could be anymore as many see the year half-over and more than completely done for the easy money returns. The risk of Fed higher for longer leading to less global growth and a US recession in 2025 is on the rise. The USD exceptionalism squeezes out room for other policy abroad adding to growth problems. China and Germany lag in growth and options for fixing it while politics everywhere add an element of risk not familiar to many who spent a decade in passive programs chasing growth and relative value in equities and private credit. The world seems set for a wake-up call, and whether investors chase their dreams for more in 2H or crawl back under the covers to snatch another wink this summer pivots on the results of the week ahead.

Exhibit #10: Global M&A recovery = late cycle?

The M&A glass. Is it half empty or half full?

Deal activity has recovered during the first half of 2024 but is still below the 10-year average.

Deal value in H1, 2014-2024 (data as of June 24, 2024)



Source: Dealogic | Reuters, June 26, 2024 | By Pasit Kongkunakornkul

Source: Reuters, BNY Mellon

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HEAD OF MARKETS STRATEGY AND INSIGHTS

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