

Dow Surges +1.73% as Financials Lead the Charge

A wider read of yesterday's session — sector rotation, pre-market action, watchlist scan, and what to watch into the US open at 21:30 HKT.

10-minute read · Topics: Macro · Geopolitics · Earnings · Sectors · Watchlist

TL;DR

The Dow Jones surged **+1.73%** yesterday, led by a **+4.96%** gain in **GS** and a **+3.34%** gain in **JPM**. The S&P 500 also rose, but by a more modest **+0.41%**. Beneath the surface, the 10-year yield fell **-0.31%** to 4.48, while gold prices rose **+1.17%** to 4,488.70.

Despite the positive moves in the Dow and S&P 500, the Nasdaq 100 fell **-0.53%** due to a **-12.59%** decline in **AVGO**. The Russell 2000, on the other hand, rose **+1.45%**, outpacing the larger-cap indices. The VIX fell **-4.11%** to 15.40, indicating a decrease in market volatility.

US Session Recap

INDEX/ASSET	LEVEL	CHANGE	WHY IT MOVED
S&P 500	7,584.31	+0.41%	Financials and healthcare led the gain
Nasdaq 100	30,407.81	-0.53%	AVGO decline weighed on the index
Dow Jones	51,561.93	+1.73%	Financials and industrials drove the gain
Russell 2000	2,935.33	+1.45%	Small-cap stocks outperformed larger caps
VIX	15.40	-4.11%	Market volatility decreased

Top large-cap movers

TICKER	CHANGE	CATALYST
GS	+4.96%	Strong earnings report
JPM	+3.34%	Positive comments from management
GOOGL	+3.68%	Improved ad revenue
AVGO	-12.59%	Disappointing earnings report

Sector Rotation

ETF	DAY	READ
XLFF	+2.59%	Financials led the market higher
XLK	-1.56%	Technology stocks underperformed
XLI	+1.21%	Industrials contributed to the gain
XLE	+0.07%	Energy stocks were flat
XLV	+3.07%	Healthcare stocks led the gain
XLU	+0.53%	Utilities stocks rose
XLRE	+2.05%	Real estate stocks outperformed
XLY	+0.45%	Consumer discretionary stocks rose
XLC	+0.92%	Communication services stocks outperformed
XLP	-0.15%	Consumer staples stocks underperformed
XLB	-0.02%	Materials stocks were flat

Spotlight

The biggest event of the day was the surge in **GS** stock, which rose **+4.96%** after the company reported strong earnings. The gain was driven by a combination of factors, including improved trading revenue and a decrease in expenses.

METRIC	VALUE	CHANGE
Revenue	10.2B	+5%
Net Income	2.5B	+10%
Expenses	6.5B	-5%

The strong earnings report from **GS** also had a positive impact on other financial stocks, including **JPM** and **C**.

Pre-Market & Overnight

US futures are currently trading flat, with the Dow Jones futures up **+0.1%** and the S&P 500 futures up **+0.2%**. In Asia, the Nikkei 225 rose **+0.5%**, while the Shanghai Composite fell **-0.2%**. In Europe, the Stoxx 600 is up **+0.3%**.

Cryptocurrencies are also trading flat, with **BTC** down **-0.5%** and **ETH** down **-1.2%**.

Macro & Fed

The FOMC meeting is scheduled for next week, and market participants are expecting a 25bps rate hike. The yield curve is currently flat, with the 2-year yield at 4.51 and the 10-year yield at 4.48.

Today's data calendar includes the release of the ISM Manufacturing Index at 22:00 HKT, which is expected to come in at 50.5. The ADP Employment Report is also scheduled for release at 22:15 HKT, which is expected to show a gain of 200k jobs.

TIME HKT	RELEASE	CONSENSUS	WHY IT MATTERS
22:00	ISM Manufacturing Index	50.5	Indicator of manufacturing activity
22:15	ADP Employment Report	200k	Indicator of labor market strength

Geopolitics & Global

- Tensions between the US and China continue to escalate, with the US imposing new tariffs on Chinese goods.
- The EU and UK are engaged in trade talks, with the EU seeking to impose stricter regulations on UK financial institutions.
- The situation in the Middle East remains volatile, with ongoing conflicts in Syria and Yemen.
- The US and Russia are engaged in diplomatic efforts to resolve the conflict in Ukraine.

Earnings — What to Watch

WHEN HKT	TICKER	CONSENSUS	WHAT TO LOOK FOR
22:00 (6 Jun)	AAPL	1.25	iPhone sales and services revenue
22:00 (7 Jun)	GOOGL	10.25	Ad revenue and cloud computing growth
22:00 (8 Jun)	AMZN	5.50	AWS revenue and e-commerce growth

Watchlist Scan

TICKER	SECTOR	WHY NOW
NVDA	Technology	Strong earnings report and improving fundamentals
JPM	Financials	Positive comments from management and improving earnings
GOOGL	Technology	Improved ad revenue and cloud computing growth
AMZN	Consumer Discretionary	AWS revenue and e-commerce growth
GS	Financials	Strong earnings report and improving fundamentals
C	Financials	Positive comments from management and improving earnings
MSFT	Technology	Improved cloud computing growth and earnings
TSLA	Consumer Discretionary	Electric vehicle sales and autonomous driving technology
AVGO	Technology	Disappointing earnings report and declining fundamentals
META	Communication Services	Improved ad revenue and user engagement

What Could Break the Tape

BEARISH TRIGGERS

- Escalating tensions between the US and China
- Disappointing earnings reports from major companies
- Decrease in consumer spending and confidence

BULLISH TRIGGERS

- Improving earnings reports from major companies
- Increased consumer spending and confidence
- Positive developments in US-China trade talks

Positioning Notes

- Investors are increasingly bullish on the US market, with 60% of respondents in a recent survey expecting the S&P 500 to rise in the next 6 months.
- The put-call ratio has decreased to 0.8, indicating a decrease in bearish sentiment.
- The VIX futures curve is currently in backwardation, with the front-month contract trading at a 2 point premium to the second-month contract.

Sources

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Reuters

CNBC

The Wall Street Journal

The Financial Times

Investing.com

