

Global economic growth shows signs of weakening as downside risks hinder the outlook, and central banks gear up for interest rate cuts.

Economic Update

Economy: US recession concerns ease as inflation pressures remain mute.

US: In July, new orders for manufactured *durable goods* surged by 9.9% (c: 5.0%; p: -6.9%), the most since May 2020.

Orders for *non-defense capital goods excluding aircraft* – a closely watched proxy for business spending plans – fell by to -0.1% (c: 0%; p: 0.5%), suggesting a loss of momentum in business spending on equipment that extended into of Q3.

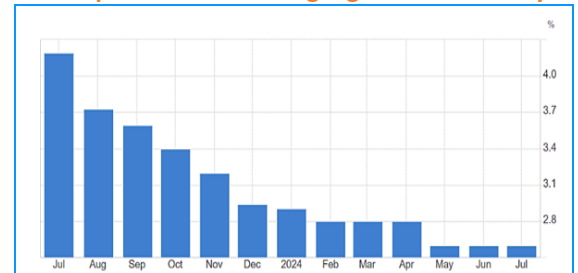
In Q2, *GDP* advanced to 3.1% y-o-y (p: 2.9%) driven by increases in consumer spending, private inventory investment, and nonresidential fixed investment.

For the week ending on August 24, the number of *unemployment benefit claims* fell by 2k to 231k (c: 232k; p: 233k).

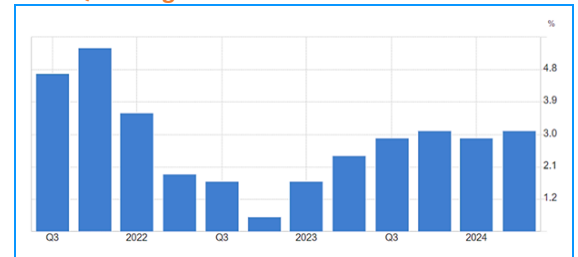
In July, the *PCE price index* increased by 0.2% m-o-m (c: 0.2%; p: 0.1%), as service prices rose by 0.2%, while goods prices remained flat, while the *core-PCE index* also rose 0.2%, matching June's pace and forecasts.

Annually, the *PCE inflation rate* held steady at 2.5% y-o-y, below the 2.6% forecast, while the *core-PCE inflation rate* remained at 2.6% y-o-y, also below expectations.

Fed's preferred inflation gauge remains steady.



US Q2 GDP gains on robust consumer demand.



Market Update

Equities: Stocks rise on hopes of rate cuts from the Fed and ECB this month.

US: The **S&P 500** was up (+0.2% w-o-w to 5,648), as investors assessed key inflation data closely watched by the Fed, which bolstered hopes for rate cuts.

Eurozone: Equity markets gained (**Eurostoxx 50**, +1.0% w-o-w, to 4,958), as sharply slower inflation supported the case for the ECB to cut interest rates in September.

EMs: Equities pulled back (**MSCI EMs**, -0.1% w-o-w, to 1,100), as Chinese stocks declined (**Shanghai Comp.**, -0.4% w-o-w, to 2,842), as economic uncertainties, deflationary pressures and the lack of strong policy support weighed on equities.

Fixed Income: 10-year UST rise after PCE data; German bund yield rises.

Global fixed incomes fell (**BAML Global**, -0.1% to 274.1), and **UST yields** rose (+10bps, to 3.91%), as markets assessed the latest data for hints on the magnitude of rate cuts that the FOMC will deliver in its upcoming cutting cycle.

In the EZ, the yield on the **German 10-year Bund** gained (+7bps to 2.29%), as investors anticipate future rate cuts by the ECB after the annual inflation rate fell to its lowest since July 2021.

FX: DXY rebounds on eased recession fears; EUR falls from 13-month high.

The **DXY index** strengthened (+1.0% w-o-w, to 101.698), as the latest US GDP numbers and initial jobless claims data helped alleviate recessionary fears.

The **EUR/USD** fell (-1.3% w-o-w, to 1.105), as recent inflation data bolstered expectations for an ECB rate cut on September 12.

Commodities: Oil prices drop further on demand outlook; Gold loses appeal.

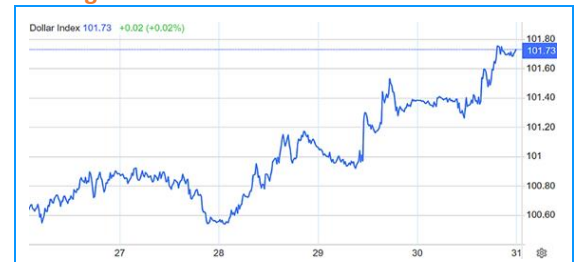
Oil prices fell (Brent, -0.3% w-o-w, to 78.8 USD/b), as investors factored in the likelihood of a rise in OPEC+ supply starting in October, coupled with diminished hopes for a significant US interest rate cut this month.

Gold prices eased (-0.4% w-o-w, to 2,503 USD/Oz) amid some pressure from a stronger USD and higher bond yields after new economic data eased the Fed's urgency to ease monetary restriction.

US stocks edge up on Fed rate cut outlook.



DXY gains for the week as recession fears ease.



Brent prices fall on demand outlook concerns.



Week Ahead

In the US, investors will be paying close attention to labor market data for insight into how aggressive the Fed will cut rates at their September meeting. In the Eurozone, markets will be watching August's PMI data, July's PPI price reports, and retail sales figures. In the China, investors will look out for August's PMI data, and balance of trade numbers. Elsewhere, Turkey will release inflation data, and Q2 GDP figures. In terms of central bank meetings, the Bank of Canada is expected to cut its key policy rate by 25bps again on Wednesday.