Weekly Newsletter – August 26, 2024

Global growth to slow as inflationary pressures ease, and central banks pivot towards rate cuts – enhancing liquidity conditions – boosting *'risk-on'* sentiment.

Economic Update

Economy: US business growth slows; Kuwait's inflation ticks up.

US: In August, the *S&P Global US Composite PMI* fell slightly to 54.1 (*c:* 53.5; *p:* 54.3) hitting a four-month low, and indicating that US business activity continues to grow, marking 19 consecutive months of expansion.

Despite the slower pace, the growth remains strong, particularly in the *service sector* (*a:* 55.2; *c:* 54.0; *p:* 55.0), which saw solid and increased expansion.

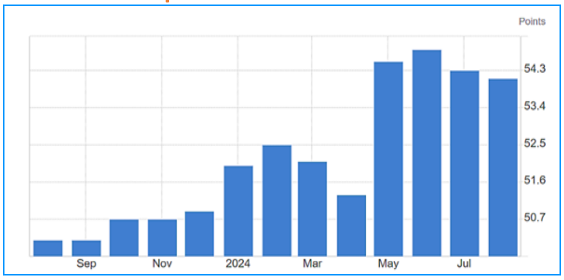
In contrast, *manufacturing output* declined at its fastest rate in 14 months (*a:* 48.0; *c:* 49.6; *p:* 49.6), contributing to employment challenges, as hiring nearly stalled.

Over the previous week, the number of people *claiming unemployment benefits* rose by 4k to 232k (*c:* 230k; *p:* 228k), marking a three-week high, and backing bets that the Fed will deliver rate cuts in every decision remaining this year.

Kuwait: In July, the *annual inflation rate* ticked up to 3.0% y-o-y, away from the November 2020 low of 2.84% reached in June.

Prices accelerated for recreation, food and beverages, as well as miscellaneous goods and services; meanwhile, transport prices eased.

US Composite PMI hits 4-month low.



Kuwait inflation rate rises to 3% in July.

Market Update

Equities: Stocks rise on Central Bank rate cut signals at Jackson Hole event.

US: The **S&P 500** was up (+1.4% w-o-w to 5,635), as investors appeared to celebrate Fed Chair Powell's announcement that interest rate cuts would soon be coming. The gains were broad-based, with small-caps outperforming large-caps.

Eurozone: Equity markets gained (**Eurostoxx 50**, +1.4% w-o-w, to 4,909), amid growing hopes that the Fed and the ECB would cut interest rates next month.

EMs: Equities rose (**MSCI EMs**, +0.6% w-o-w, to 1,101), while Chinese stocks pulled back (**Shanghai Comp.**, -0.9% w-o-w, to 2,854), as ongoing geopolitical and trade tensions with other major economies also put downward pressure on local stocks.

Fixed Income: 10-year UST falls after Powell speech; German bund yield falls

Global fixed incomes rose (**BAML Global**, +0.5% to 275.1), and **UST yields** fell (-9bps, to 3.81%), hitting its lowest level in 14 months after Fed Chair Powell gave clear signals that the Fed will cut rates in September.

In the EZ, the yield on the **German 10-year Bund** dropped (-4bps to 2.22%), as rate-setters downplayed concerns about high inflation, with minutes from the July vote indicating a possibility of cutting rates at the next policy meeting.

FX: DXY weakens below 101-mark; EUR rises to 13-month high.

The **DXY index** weakened (-1.7% w-o-w, to 100.718), after Fed Chair Powell confirmed the expectation that the FOMC will pivot towards monetary easing.

The **EUR/USD** gained (+1.5% w-o-w, to 1.119), boosted by the USD's decline following Fed Powell's hint at potential interest rate cuts.

Commodities: Oil prices drop; Gold sees modest gain; wheat prices fall.

Oil prices fell (Brent, -0.8% w-o-w, to 79.0 USD/b), after signs of lower fuel demand from other top energy consumers.

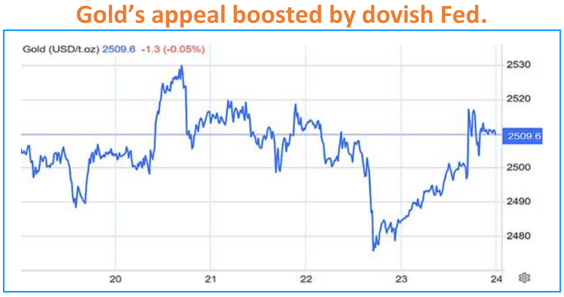
Gold prices rose (+0.2% w-o-w, to 2,512 USD/Oz) as confirmation of a dovish Fed raised demand for non-interest-bearing bullion assets.

Wheat prices fell further (-5.2% w-o-w, to 502/Bu.), driven by improved supply.

US stocks rally after Powell speech.

DXY hits lowest level since July 2023.

Gold's appeal boosted by dovish Fed.



Week Ahead

In the US, investors will be paying attention to durable goods orders, and business spending plans. Additionally, markets will be looking at housing price data, EIA's energy report, and second estimates for Q2 GDP. At the end of the week markets will closely watch PCE data for further clues on the Fed's monetary policy pivot. In the Eurozone, investors will look out for August's inflation data, unemployment rate, and consumer confidence numbers. Elsewhere, Turkey will release trade data, and economic confidence figures.

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