

Global economic activity to slow the remainder of this year, while inflationary pressures ease, and central banks pivot towards rate cuts; geopolitical risks continue to hinder the growth outlook.

Economic Update

Economy: US business and consumer inflationary pressures ease, while demand remains strong; UK GDP grows the most in nearly 2 years.

US: In July, *factory gate prices* increased 0.1% m-o-m (c: 0.2%; p: 0.2%), with prices of goods rising the most since February, mainly due to energy costs.

Y-o-y, *PPI inflation* eased to 2.2% from 2.7% in June, while the core rate was unchanged on the month, and 2.4% on the year.

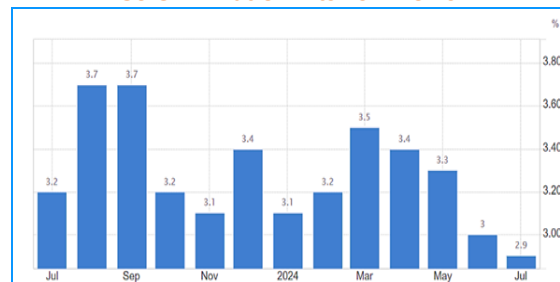
The annual *CPI inflation* rate slowed for a fourth consecutive month to 2.9% y-o-y (c: 3.0%; p: 3.0%), the lowest since March 2021.

Retail sales soared 1% m-o-m (c: 0.3%; p: -0.2%), marking the biggest increase since January 2023, with sales at motor vehicle and part dealers rising the most, followed by sales at electronics and appliance stores.

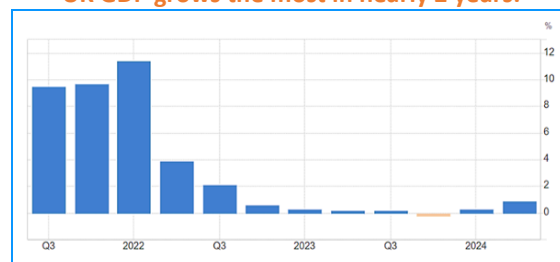
UK: In Q2, the economy expanded 0.9% y-o-y (c: 0.9%; p: 0.3%), the biggest *annual growth rate* since Q3-2022.

The *services sector* increased 1.3%, but production declined 0.6%, reversing from a 0.3% rise in Q1, mostly due to *manufacturing*.

US CPI inflation hits 2021-lows.



UK GDP grows the most in nearly 2 years.



Market Update

Equities: Stocks continue recovery from August 5 sell-off.

US: The **S&P 500** was up (+3.9% w-o-w to 5,554), as investors appeared to celebrate positive news on both the inflation and growth fronts, which together bolstered hopes that the economy might achieve a “soft landing.”

Eurozone: Equity markets gained (**Eurostoxx 50**, +3.5% w-o-w, to 4,841), as hopes grew for another round of interest rate cuts as early as September.

EMs: Equities rose (**MSCI EMs**, +2.8% w-o-w, to 1,094), and Chinese stocks advanced (**Shanghai Comp.**, +0.6% w-o-w, to 2,879), as investor sentiment was largely unaffected by weaker-than-expected economic activity.

Fixed Income: 10-year UST falls on inflation data; German bund yield rises.

Global fixed incomes rose (**BAML Global**, +0.3% to 273.9), and **UST yields** fell (-5bps, to 3.89%), as signs of cooling US inflation reinforced bets on FOMC interest rate cuts.

In the EZ, the yield on the **German 10-year Bund** gained (+4bps to 2.26%), after positive US data on inflation, jobless claims, retail sales, and consumer confidence reassured investors, as inflation remains under control without hampering growth.

FX: DXY weakens to 7-month low; EUR continues to strengthen.

The **DXY index** weakened (-0.7% w-o-w, to 102.462), as markets continued to assess the latest economic data for hints on the Fed’s outlook.

The **EUR/USD** gained (+1.0% w-o-w, to 1.103), as traders are concerned the Fed might be more aggressive than the ECB in cutting rates.

Commodities: Oil prices end the week flat; Gold sees new record high.

Oil prices were mute (Brent, 0.0% w-o-w, to 79.7 USD/b), after prices had initially risen on fears of Iranian retaliation, but saw corrections as those risks subsided.

Gold prices rose to fresh highs (+3.1% w-o-w, to 2,507 USD/Oz) amid strong demand for safe-haven assets as markets continued to assess the policy outlook for the Fed.

All 11 US S&P500 sectors finish higher.



DXY ends week below 103 mark.



Gold see strong safe-haven demand



Week Ahead

In the US, investors will be paying attention to the S&P Global Composite PMI, and Initial Jobless Claims data. Additionally, markets will be looking at FOMC minutes for clues on a September rate cut. In the Eurozone, investors will look out for HCOB Composite PMI data, as well as final inflation numbers for July. Interest rate decisions will be made in China, Sweden, and Turkey, where policymakers are set to keep rates on hold. In Kuwait, inflation data for July will be released on Tuesday.