

Global economic growth to weaken the remainder of this year, but remain positive – as inflationary pressures ease, and central banks pivot towards looser monetary policy stances.

Economic Update

Economy: US services PMI rebounds, as the labor market remains tight; China's trade surplus widens as exports grow at the softest pace in 3 months

US: In July, the *ISM Services PMI* rose more-than-expected to 51.4 (c: 51.0; p: 48.8) away from the April 2020-low in the previous month, and indicating a moderate rebound in US services activity.

For the week ending on August 3, the number of people claiming *unemployment benefits* in the US fell by 17k to 230k, below market expectations of 240k.

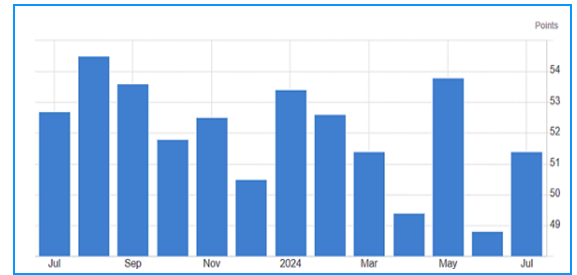
It follows an upwardly revised 250k in the previous week, the highest in a year.

Despite this decline, the claim count remained significantly above this year's average, as the US labor market has softened since its post-pandemic peak, although it remains historically tight.

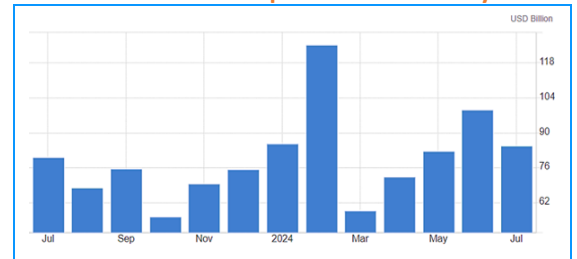
China: In July, China's *trade surplus* widened to USD 84.65bn from USD 80.22bn in the same period a year earlier, but below the market expectations of USD 99bn.

Exports rose 7.0% y-o-y, softer than forecasts of a 9.7% gain and slowing from an 8.6% growth in June, the softest pace in three months.

US Services PMI rebounds.



China's trade surplus widened in July.



Market Update

Equities: Markets volatile on growth worries and technical factors.

US: The **S&P 500** was down (-0.1% w-o-w to 5,344), driven by concerns around the growth outlook, and its impact of the Fed's monetary policy.

Eurozone: Equity markets gained (**Eurostoxx 50**, +0.8% w-o-w, to 4,675), as markets continued to assess the validity of recession concerns in the US and how global risk sentiment is recovering from Monday's shock.

EMs: Equities rose (**MSCI EMs**, +0.3% w-o-w, to 1,063), as Chinese stocks pulled back (**Shanghai Comp.**, -1.5% w-o-w, to 2,862), as a stronger-than-expected increase in consumer prices failed to offset concerns about deflationary pressures.

Fixed Income: US 10-year yield bounces back; German bund yield gains.

UST yields rose (+14bps, to 3.94%), as better-than-expected US labor market data allayed fears of a recession, prompting markets to rotate back into riskier assets.

In the EZ, the yield on the **German 10-year Bund** gained (+6bps to 2.22%), as concerns about the global economic outlook triggered a global stock market sell-off and drove investors toward the safety of government bonds.

FX: DXY weakens on growth outlook; EUR hits 7-month high.

The **DXY index** weakened slightly (-0.1% w-o-w, to 103.154), as the market recovered losses from Monday's selloff, with the safe-haven JPY and CHF pulling back from recent highs amid an improving macroeconomic outlook.

The **EUR/USD** gained (+0.1% w-o-w, to 1.092), as traders continue to assess the economic and monetary outlook from the Fed and ECB.

Commodities: Oil rebound on supply concerns; Gold eases from record high.

Oil prices were lower (Brent, +3.7% w-o-w, to 79.7 USD/b), driven by positive economic data and indications from Fed officials that they might cut interest rates as soon as September, which alleviated some concerns about demand.

Gold prices eased from record highs (-0.5% w-o-w, to 2,431 USD/Oz) losing its safe-haven demand, as recession fears eased after the US jobless claims report.

US S&P 500 eases on recession fears.



DXY ends week slightly lower.



Brent posts weekly gain driven by supply risks.



Week Ahead

The focus in the US will be on the CPI and PPI reports, and speeches by FOMC officials. Additionally, key data releases will include retail sales, consumer confidence, export and import prices, housing data, and industrial production. In the UK, it will be a busy week with the release of data on unemployment, inflation, GDP growth rates, industrial production, and retail sales. China will report on new CNY loans, the house price index, retail sales, and the unemployment rate. Finally, interest rate decisions are expected from New Zealand, and Norway.