Weekly Newsletter – July 29, 2024

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Global economic growth is cooling but remains positive, inflation is easing, while the central banks look poised to cut interest rates in the second half of this year.

Economic Update

Economy: US PCE inflation inches closer to Fed's 2% target; EZ PMIs the lowest in five months.

US: In June, new orders for manufactured *durable goods* slumped to -6.6% m-o-m (*c:* 0.3%; *p:* 0.1%), after four consecutive monthly increases.

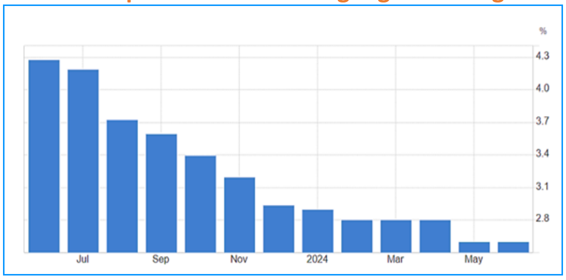
Orders for *non-defense capital goods excluding aircraft*, a closely watched proxy for business spending plans, rose by 1% m-o-m (*c:* 0.2%; *p:* -0.9%), as businesses gear up for the FOMC to start cutting interest rates in September.

The PCE price index edged up 0.1% m-o-m (*c:* 0.1%; *p:* 0%), as prices for services increased 0.2% and cost of goods decreased 0.2%.

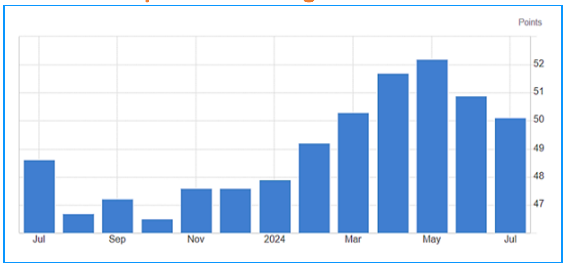
The annual PCE rate decreased to 2.5% y-o-y (*c:* 2.5%; *p:* 2.6%), but the annual core-PCE inflation – The Fed's preferred inflation gauge – steadied at 2.6%, failing to decrease to the expected 2.5%.

Eurozone: In July, the HCOB Flash Composite PMI declined to 50.1 (*c:* 51.1; *p:* 50.9), marking the lowest in five months, and signaling a near-stagnation of the Eurozone private sector – as the bloc's economic recovery continued to wane.

US Fed's preferred inflation gauge unchanged.



EZ private sector growth stalls.



Market Update

Equities: Investors see rotations from mega-caps into small-cap stocks.

US: The **S&P 500** was down (-0.8% w-o-w to 5,459), declining for another consecutive week, after disappointing results from Alphabet and Tesla, and a broader rotation into small caps.

Eurozone: Equity markets advanced (**Eurostoxx 50**, +0.7% w-o-w, to 4,863), as earnings reports lifted investors' mood.

Hermes rose 3.6% after reporting a better revenue growth, and Saint-Gobain gained after recording sales growth in North America and record operating margin.

EMs: Equities fell (**MSCI EMs**, -1.6% w-o-w, to 1,072), as Chinese stocks dropped (**Shanghai Comp.**, -3.1% w-o-w, to 2,891), after unexpected rate cuts by the central bank failed to instill confidence in the economic outlook.

Fixed Income: US 10-year yield ticks down; German bund yield falls further.

Global fixed incomes were higher (**BAML Global**, +0.2% to 269.2), and **UST yields** dropped (-4bps, to 4.20%), as markets assessed US consumption and income data while continuing to gauge the impact that it may have on the Fed's policy outlook.

In the EZ, the yield on the **German 10-year Bund** dropped (-6bps to 2.40%), as investors took profits following a drop in short-dated yields to six-month lows.

FX: DXY weakens on lower PCE trend; EUR falls after weak PMI data.

The **DXY index** weakened (-0.1% w-o-w, to 104.316), as price pressure eased last quarter, while the latest initial jobless claims were roughly in line with forecasts.

The **EUR/USD** weakened (-0.2% w-o-w, to 1.086), after weak PMI data for the EZ raised expectations that the ECB will slash interest rates twice more this year.

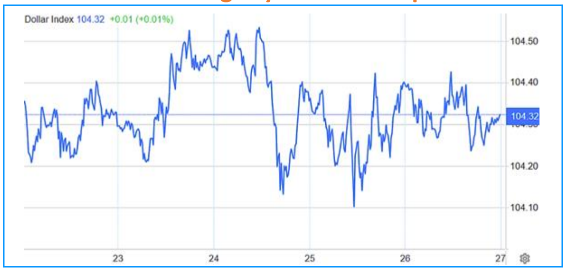
Commodities: Oil prices continue to drop; Gold falls on weaker demand.

Oil prices were lower (Brent, -1.8% w-o-w, to 81.1 USD/b), due to weak Chinese demand despite positive US inventory data.

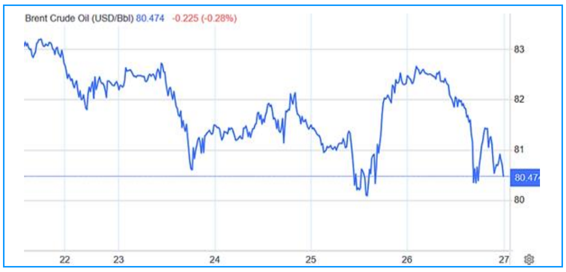
Gold prices fell (-0.46 w-o-w, to 2,386 USD/Oz) following the sluggish demand for physical gold in China.

US S&P 500 falls on weak investor sentiment.

DXY falls slightly after PCE report .



Brent falls amid demand worries.



Week Ahead

In the US, key highlights will include the Fed's interest rate decision and the nonfarm payrolls report. Other important events will feature JOLTs job openings, CB Consumer Confidence, and the employment cost index. Earnings season will enter one of the busiest weeks, with mega-caps Microsoft, Meta, Apple, and Amazon taking center stage. Globally, BoE, and BoJ will provide updates on their monetary policy. Inflation rates will be released for Eurozone, and Australia. Additionally, GDP growth rates will be announced for the Eurozone.