

Global economy to remain fragile, as downside risks continue to hamper growth outlook; central banks begin to shift monetary policy stances.

Economic Update

Economy: US consumer demand eases; UK inflation steadies; China's GDP expands less than expected.

US: In June, retail sales stalled, following an upwardly revised 0.3% rise in May. On a y-o-y basis, retail sales increased 2.3% (c: 2.1%; p: 2.6%).

Momentum has, however, slowed from the 7.7% gain logged in January 2023.

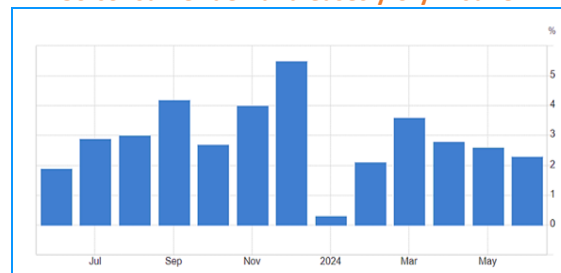
After a period of high inflation, households are trading down and seeking cheaper alternatives, as evident in earnings data from major retailers and manufacturers.

UK: In June, the annual inflation rate was steady at 2% y-o-y (c: 1.9%; p: 2.0%), holding at 2021-lows.

The annual core-inflation rate stood at 3.5%, holding steady for the second straight month while staying at its lowest level since October 2021.

China: In Q2, the economy expanded 4.7% y-o-y, (c: 5.1%; p: 5.3%), marking the weakest yearly advance since Q1-2023, amid a persistent property downturn, weak domestic demand, falling CNY, and trade frictions with the West.

US consumer demand eases y-o-y in June.



UK inflation rate steady at 2% in June.



Market Update

Equities: Global Equities pull back on global IT outage concerns.

US: The S&P 500 was down (-2.0% w-o-w to 5,505), marking its worst week since April, as investors continued to take profits following recent record highs in major indices.

Additionally, a global IT outage added to the unease after an already turbulent week, affecting services from airlines to banks.

Eurozone: Equity markets pulled back (Eurostoxx 50, -4.3% w-o-w, to 4,827), amid sustained pressure from potential trade barriers by the US, as traders assessed the impact of a global tech outage caused by issues from CrowdStrike.

EMs: Equities fell (MSCI EMs, -3.0% w-o-w, to 1,090), as Chinese stocks gained (Shanghai Comp., +0.4% w-o-w, to 2,982), as investors reacted to the recent updates from the Third Plenum.

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

Global fixed incomes were lower (BAML Global, -0.1% to 268.6), and UST yields rose (+5bps, to 4.24%), rebounding slightly from 4-month lows as investors reassessed the outlook for US monetary policy in light of the latest economic data.

In the EZ, the yield on the German 10-year Bund dropped (-3bps to 2.46%), due to investors seeking safety amid a global IT outage.

FX: DXY rebounds on strong economic data; EUR falls from 4-month high.

The DXY index strengthened (+0.3% w-o-w, to 104.396), reaching two-month highs against the NZD amid dovish bets in New Zealand.

The EUR/USD weakened (-0.3% w-o-w, to 1.091), as markets assessed the policy outlook for the ECB this year.

Commodities: Oil prices drop; Gold drops on stronger USD.

Oil prices were lower (Brent, -2.8% w-o-w, to 82.6 USD/b), as a stronger USD and concerns over China's economic outlook exerted downward pressure on prices.

Gold prices fell (-0.4% w-o-w, to 2,401 USD/Oz) driven by a rebound in the USD.

US S&P 500 falls after global IT outage.



DXY rebounds on strong US data.



Gold retreats further from record highs.



Week Ahead

In the US, key highlights will include the advance Q2 GDP growth rate, PCE inflation, and personal spending and income. Additionally, other notable releases will feature the S&P Global Manufacturing and Services PMI, durable goods orders, and existing home sales. Earnings season will hit a crescendo with over thirty companies boasting market caps exceeding USD 100bn set to unveil their financial reports. The Bank of Canada, Central Bank of Turkey, and People's Bank of China are set to announce its interest rate decision.