Weekly Newsletter – June 24, 2024

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Global growth remains underpinned by prolonged conflicts, and geopolitical uncertainties; inflationary pressures continue to fall, while G-10 central banks shift towards monetary easing.

Economic Update

Economy: US private sector output growth expands to a 26-month high, as consumption growth eases.

US: In June, the S&P global **composite PMI** rose to 54.6 – its highest level since April 2022 – up from 54.5 in May.

The service sector showed the most significant improvement with a PMI of 55.1, while manufacturing also contributed to the uptick with a PMI of 51.7 – although its growth slowed slightly.

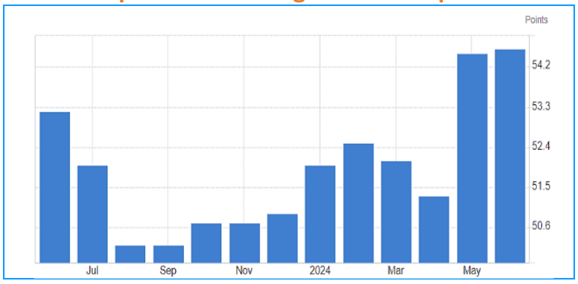
Additionally, the survey indicated a decrease in selling price inflation due to slower growth in input costs, suggesting a moderation in inflationary pressures

In May, **retail sales** edged up a 0.1% m-o-m (*c:* 0.2%: *p:* -0.2%), in another sign that consumer sentiment is cooling.

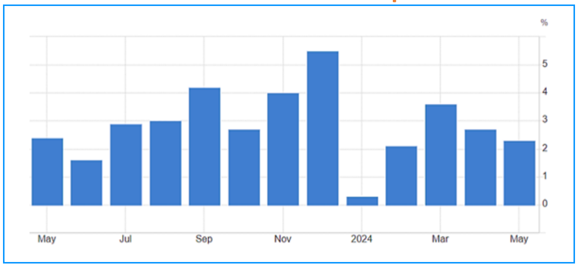
Meanwhile, sales excluding food services, auto dealers, building materials stores and gasoline stations, which are used to calculate GDP, were up 0.4% (*p:* -0.5%).

On a y-o-y basis, **retail sales** eased to 2.3% (*c:* 2.8%; *p:* 2.7%), as 9 out of 13 categories posted gains in sales – notably miscellaneous store retailers.

US composite PMI at highest since April 2022.



US retail sales eases below expectations.



Market Update

Equities: Global equities gain as US PMIs expand, and consumers pull back.

US: The **S&P 500** was up (+0.6% w-o-w to 5,465), with value stocks outperforming growth shares, and most of the sectors outperforming the technology segment.

Eurozone: Equity markets advanced (**Eurostoxx 50**, +1.4% w-o-w, to 4,907), rebounding as worries about political uncertainty appeared to ebb and the outlook for monetary policy easing brightened.

EMs: Equities gained (**MSCI EMs**, +0.9% w-o-w, to 1,087), while Chinese stocks declined (**Shanghai Comp**., -1.1% w-o-w, to 2,998), as an uneven economic recovery and the lack of forceful policy support in China dampened sentiment.

Fixed Income: US 10-year yield rise; German bund yield advances.

Global fixed incomes were lower (**BAML Global**, -0.2% w-o-w to 267.4), and the 10-year **UST yield** rose (+4bps, to 4.26%), after strong economic data limited the need for the Fed to deliver a rate cut in the third quarter.

In the EZ, the yield on the **German 10-year Bund** gained (+5bps, to 2.41%), following disappointing PMI data that showed the eurozone's economic recovery faced a setback at the end of Q2, with slower growth in business activity.

FX: DXY jumps after strong PMI data; Euro falls on political uncertainties.

The **DXY index** strengthened (+0.2% w-o-w, to 105.796), hitting a seven-week high as solid S&P PMI data pushed back expectations for a Fed rate cut.

The **EUR/USD** weakened (-0.1% w-o-w, to 1.069), pressured by political turmoil in France and USD strength, as the FOMC lags behind other major central banks.

Commodities: Oil prices rebound on demand concerns; Gold loses appeal.

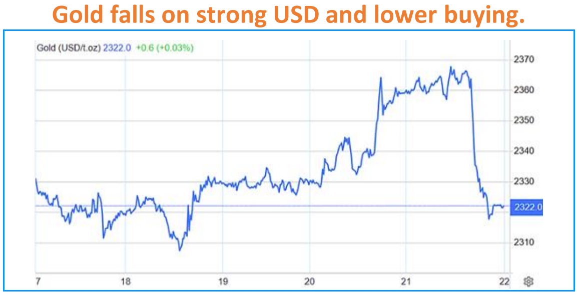
Oil prices were higher (Brent, +3.2% w-o-w, to 85.2 USD/b), amid concerns that global oil demand growth could be impacted by a strong USD and escalating conflict in the Middle East.

Gold prices pulled back (-0.5% w-o-w, to 2,320 USD/Oz) pressured by a firm USD and lower central bank demand in Asia.

S&P 500 advances as gains appear to broaden.

DXY hits 7-week high.

Gold falls on strong USD and lower buying.



Week Ahead

In the US, the focal points will be the PCE Prices, and speeches by several Federal Reserve officials. Other key releases include the final reading of Q1 GDP growth, durable goods orders, new and pending home sales, and the Federal Reserve's annual bank stress test results. Globally, interest rate decisions in Turkey, Sweden, and Mexico will attract significant attention. Inflation rates will be released for Canada, Australia, and the Eurozone. In Japan, retail sales, unemployment rate, and industrial production will be closely monitored.