Weekly Newsletter – March 3, 2024

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Geopolitical uncertainties continue to weigh on global growth prospects – hindering business activity; inflationary pressures ease as central banks maintain aggressive policy stance.

Economic Update

Economy: US business activity slows as consumer expenditures ease; Eurozone CPI falls towards ECB target.

US: In January, durable goods orders slumped to -6.1% m-o-m (*c:* -4.5%; *p:* -0.3%), showing the biggest decline since April 2020, driven by transportation equipment.

On the other hand, orders for non-defense capital goods excluding aircraft – a proxy for business spending plans – increased 0.1% (*c:* 0.1%; *p:* -0.6%), despite higher financing costs.

The PCE price rate slowed to 2.4% y-o-y (*c:* 2.4%; *p:* 2.6%), marking the lowest rate since February 2021.

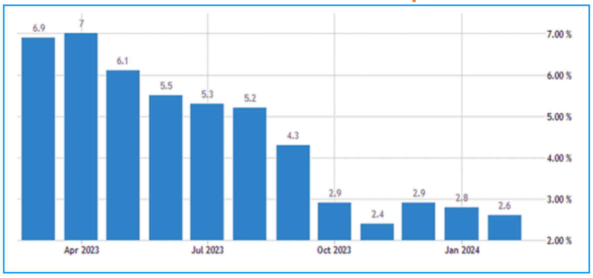
Annual core-PCE inflation – the Fed's preferred inflation gauge – slowed for a twelfth straight month to 2.8% (*c:* 2.8%; *p:* 2.9%), a fresh low since March 2021.

Eurozone: In February, the CPI rate declined to 2.6% y-o-y (*c:* 2.5%; *p:* 2.8%) showing the lowest rate in three months, but still exceeded the ECB's target of 2%.

The core-CPI rate also cooled to 3.1% y-o-y (*c:* 2.9%; *p:* 3.3%), reaching its lowest point since March 2022.

US core-PCE hits lowest since March 2021.

EZ inflation falls less than expected.



Market Update

Equities: US stocks hit fresh highs; Eurozone equities continue to gain.

US: The S&P 500 advanced (+0.9% w-o-w to 5,137), driven by a tech rally as concerns lessened regarding the Fed delaying interest rate cuts. New York Community Bancorp shares plummeted by 25.9% due to identified material weaknesses in loan risk control. In contrast, Nvidia gained over 1.8%, while Apple lost about 2.9% after being removed from Goldman Sachs' conviction list.

Eurozone: Equity markets gained (Eurostoxx 50, +0.5% w-o-w, to 4,895), gaining support from evidence of disinflation in the continent. Chip giant ASML was among the sharpest gains in the session with a 2.7% jump, while Infineon added 2.6%. Banks were also sharply higher, with BNP Paribas, Intesa Sanpaolo, and BBVA adding between 1.5%, and 2.3%.

Fixed Income: US 10-year treasury yield slumps to 3-week low.

Global fixed incomes gained (BAML Global, +0.2% to 265.3), and UST yields fell (-8bps, to 4.18%), as weak manufacturing data trimmed the leeway for the Fed to prolong its hawkish stance. Consequently, funds futures showed that investors increased their positions of a Fed rate cut by Q2 of the year, with 60% of the market positioned for a rate cut by June.

FX: DXY depreciates on weak economic data; EUR hovers around 1.08 mark.

The **DXY index** pulled back (-0.1%, to 103.861), as investors digested a slew of poor economic data out of the US and remarks by few FOMC officials. The USD lost some ground against most major currencies, but continued to strengthen versus the JPY.

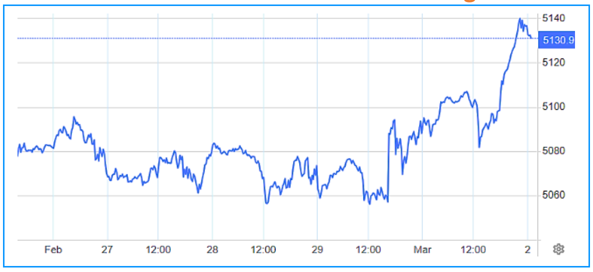
The **EUR/USD** strengthened (+0.2%, to 1.084), as traders digest the latest inflation figures and the outlook for monetary policy.

Commodities: Brent hits highest in 4 months; Gold reaches record high.

Oil prices were higher (Brent, +2.4% w-o-w, to 83.6 USD/b), driven by speculation that OPEC+ will extend supply cuts and lingering tensions in the Middle East.

Gold prices rose (+2.3% w-o-w, to 2,083 USD/Oz) fueled by the weakening of the USD and lower UST yields, amid softening US economic data.

US S&P 500 reaches new record highs.



DXY depreciates on weak economic data.

Gold hits highest since December 2023.

Week Ahead

This week, investors will closely track the US' January labor report and speeches by several FOMC officials, including Fed Chair Powell's Semiannual Monetary Policy Reports to Congress. Also, key US indicators like the ISM Services PMI, factory orders, and foreign trade data will be under scrutiny. Internationally, the focus will be on the ECB and BoC interest rate decisions, alongside inflation rates in Turkey, and Mexico. Finally, trade data for China will be watched closely, along with services PMIs.