

Global economy continues to weaken, as financial conditions remain tight – weighing on business activity, while geopolitical tensions drive up commodity prices – weighing on consumer spending.

Economic Update

Economy: US inflationary pressures continue to moderate, as consumer spending shows a drop.

US: In January, the annual consumer price index (CPI) rate eased to 3.1% y-o-y (c: 2.9%; p: 3.4%), as falling gas prices helped out consumers' wallets last month.

The core-CPI rate, which excludes volatile items such as food and energy, stood at a 2.5-year low of 3.9% y-o-y (c: 3.7%; p: 3.9%).

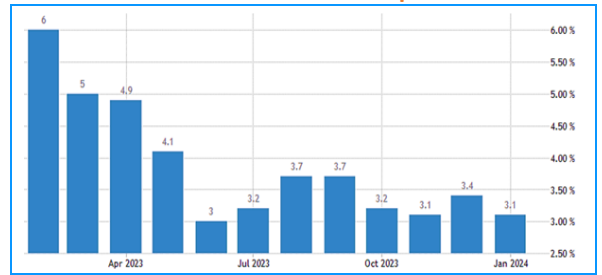
The producer price index (PPI) edged lower to 0.9% y-o-y (c: 0.6%; p: 1.0%), as price hikes among services providers drove the overall uptick.

Core-PPI ticked up to 2.0% y-o-y (c: 1.6%; p: 1.7%), mostly driven by a rebound in food and energy prices – indicating effects from broader geopolitical disruptions.

Retail sales fell to -0.8% m-o-m (c: -0.1%; p: 0.4%), marking the biggest decrease since March 2023, driven by the aftermath of holiday spending and cold weather.

On a y-o-y basis, retail sales eased to 0.7% (c: 5.8%; p: 5.3%), as cold weather kept shoppers at home after a robust holiday spending season.

US CPI eases less than expected.



US retail sales sees lowest gain since May 2020.



Market Update

Equities: US stocks pull back; Eurozone equities advance.

US: The S&P 500 eased (-0.4% w-o-w to 5,006), as the declines were concentrated in large-cap growth stocks. Real estate, technology, and consumer discretionary were the worst performing sectors while the energy sector stayed in the green.

Eurozone: Equity markets gained (Eurostoxx 50, +1.1% w-o-w, to 4,766), closing at a 23-year high, as signs of cooling inflation and a better outlook for interest rate cuts cheered investors. Tech shares led the gains on average, propelled by a 1.6% jump for semiconductor giant ASML. Industrial companies also booked gains, with Safran adding close to 3% to extend last week's earnings-induced rally, while BASF and Air Liquide both added more than 1% to set the pace for chemical makers.

Fixed Income: US 10-year treasury yield rebounds to 2.5-month high.

Global fixed incomes declined (BAML Global, -0.3% to 263.9), and UST yields jumped (+11bps, to 4.30%), triggered by sluggish retail data to lift long-dated yields to their highest since late November, after hotter-than-expected producer price figures reignited concerns of stubborn inflation in the US economy.

FX: DXY rises after hot PPI report; EUR hits a 3-month low.

The **DXY index** continued to strengthen (+0.2%, to 104.296), as investors continued to assess the economic and monetary policy outlook in the US after the producer price index exceeded expectations.

The **EUR/USD** fell (-0.1%, to 1.077), as investors digested cautious sentiments regarding monetary policy easing from various ECB officials.

Commodities: Brent posts second weekly gain; Gold loses its appeal.

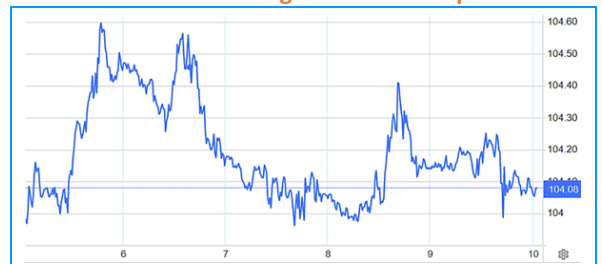
Oil prices were higher (Brent, +1.6% w-o-w, to 83.5 USD/b), touching the highest level since November and poised to mark gains for the second consecutive week. Geopolitical tensions in the Middle East and efforts by OPEC+ to restrict oil supply provided support to oil prices.

Gold prices fell (-0.5% w-o-w, to 2,013 USD/Oz) as strong US inflation data stoked fears that the Fed could start cutting interest rates much later.

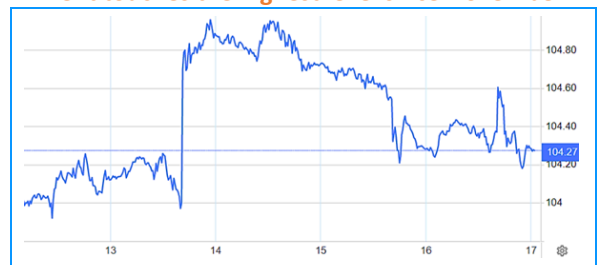
US S&P 500 ends lower to book weekly loss.



DXY continues to strengthen on Fed expectations.



Brent touches the highest level since November.



Week Ahead

This week, investors' attention will turn to the FOMC minutes release, with traders scrutinizing any insights on when the Federal Reserve will start cutting interest rates. Simultaneously, the flash S&P Global US PMIs will offer an assessment of this month's economic performance. Beyond the US, attention will extend to flash PMIs for the EZ, Germany, France, UK, Japan, and India. The Ifo Business Climate indicator in Germany, Turkey's interest rate decision, and Canada's inflation rate will also be in the spotlight.