

Central Banks signal rate cuts coming – but not soon; US Equities end with narrow advance as investors adjust rate cut expectations; US Dollar strength continues.

Equities: S&P 500 hit all-time high, as European markets pull back.

US: The **S&P 500** rose to a record high (+1.2% w-o-w to 4,840), Information technology stocks outperformed, helped by a rally in semiconductor shares. Artificial intelligence (AI) chip giant NVIDIA was particularly strong, as was rival Advanced Micro Devices (AMD). Markets were closed Monday in observance of the Martin Luther King, Jr., holiday.

Eurozone: Equity markets failed to maintain early gains and closed marginally lower (**Eurostoxx 50**, -0.7% w-o-w, to 4,449), remaining under pressure from hawkish remarks made by policymakers from key CBs. Losses were dominated by luxury brands in Paris and industrial heavyweights traded in Frankfurt, with LVMH and Hermes dropping 0.6%, and setting the pace for the former while Mercedes, Volkswagen, and Airbus lost close to 1%.

Fixed Income: 10-year UST ends week higher, while European government bonds were generally weaker.

Global fixed incomes pulled back (BAML Global, -1.0% w-o-w, to 265.0), and the **10-year US Treasury** yields rose (+20bps, to 4.15%), its highest in over a month, driven by strong economic data, which reduced the likelihood of interest rate cuts by the Fed.

In the EZ, the yield on the **German 10-year Bund** rose (+16bps to 2.31%), marking its most significant weekly movement since July, as investors reduced their expectations of rate cuts, with attention turning to the upcoming ECB meeting this week.

FX: USD supported by expectations that the Fed will not cut interest rates in March.

The **DXY index** strengthened (+0.9% w-o-w, to 103.288), as strong US data and hawkish messaging from FOMC officials tempered expectations of an interest rate cut in March.

The **EUR/USD** was lower (-0.5% w-o-w, to 1.090), hovering around its weakest level since mid-December, amidst a backdrop of general strength in USD, and as investors processed a series of hawkish remarks from ECB officials.

The **GBP/USD** weakened (-0.4% w-o-w, to 1.270) against the backdrop of a flood of economic data releases that could potentially influence the trajectory of the Bank of England's monetary policy outlook.

Commodities: prices remain pressured by Central Bank policies and geopolitical tensions.

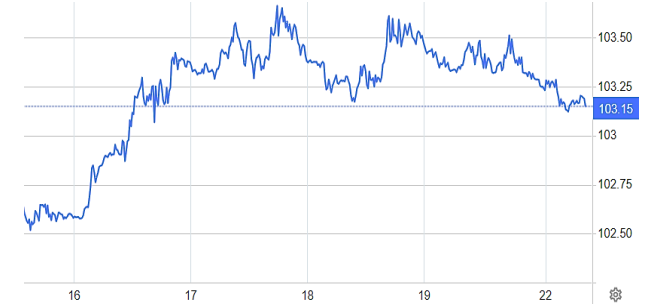
Oil prices were higher (Brent, +0.3% w-o-w, to 78.6 USD/b), supported by escalating tensions in the Middle East and an optimistic outlook for global oil demand, as OPEC also maintained its forecast of 2.25m bpd demand growth in 2024, with a strong expectation of 1.85m bpd growth in 2025.

Gold prices fell (-1.0% w-o-w, to 2,029 USD/Oz) as the USD and UST yields rallied after solid US data and hawkish Fed messaging tempered expectations on interest rate cuts.

Week Ahead: It will be an important week in the US, with investors closely monitoring the advance estimate of Q4 GDP growth rate,

PCE Price Indexes, and personal income and spending. The earnings season is set to enter full swing, featuring reports from major industry players like Microsoft, Tesla, Visa, J&J, P&G, Netflix, Intel, T-Mobile, Verizon, Abbott, IBM and Amex. On the global stage, interest rate decisions will be made in the Eurozone, Japan, Canada, Turkey, Norway, South Africa, and Malaysia.

US dollar index sees weekly gain above 103 level.



Brent supported by tensions in the Middle East



CME FEDWATCH TOOL – TOTAL PROBABILITIES

MEETING DATE	DAYS TO MEETING	EASE	NO CHANGE	HIKE
31/1/2024	9	2.58 %	97.42 %	0.00 %
20/3/2024	58	45.45 %	54.55 %	0.00 %
1/5/2024	100	85.44 %	14.56 %	0.00 %
12/6/2024	142	99.39 %	0.61 %	0.00 %
31/7/2024	191	99.93 %	0.07 %	0.00 %
18/9/2024	240	99.99 %	0.01 %	0.00 %
7/11/2024	290	100.00 %	0.00 %	0.00 %
18/12/2024	331	100.00 %	0.00 %	0.00 %