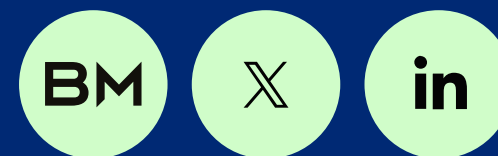


Weekly Market Commentary

12 August 2024



In summary

- Time-frames matter, as last week's markets performance belies the daily gyrations.
- A very busy week ahead for economic data as inflation data lands, including for UK and US.
- Analysts seem to be paying attention to US central bank speakers quashing emergency rate cut chances.
- Markets at a crossroads? When good inflation news could mean good or bad news for markets.





A more subdued Friday trading session ended a wild ride for investors last week, but for some markets the week's overall performance belied the daily gyrations.

Indeed, in US dollar currency terms, looking at the US S&P500 equity index for last week as a whole, following the +0.47% gain on Friday, it left the week almost unchanged, just -0.04% lower on the week. Closer to home, the pan-European STOXX 600 equity index, as a week as a whole, even managed to eke out a marginal gain. It was however a more difficult experience for Asian markets where Japanese equities were unable to avoid losses for the week as a whole.

We have a lot going on this week on the economic calendar. Top billing sees two sets of US inflation data landing this week. We have the US Producer Price Index (PPI) for July reading due on Tuesday, followed by US Consumer Price Index (CPI) data due out a day later on Wednesday. Then, on Thursday, we have US consumer retail sales data due. Book-ending the week, we have important US consumer sentiment data in the shape of the latest University of Michigan survey. Also giving a read on the US consumer will be quarterly results out from Walmart and Home Depot. Meanwhile it is just as busy at home in the UK: UK labour market data is out tomorrow, UK CPI Wednesday, monthly UK Gross Domestic Product (GDP) Thursday, and UK retail sales on Friday. Not to be left out, Europe has a distinct Scandi focus this week, with a Norway central bank rate decision on Thursday, and before that, we have CPI

prints from Sweden on Wednesday, and Denmark which landed earlier this morning, coming in at +1.1% year on year, a little lighter than expected.

Last week saw a series of US Federal Reserve (Fed) speakers effectively quash any lingering chances for an emergency rate cut, with some Fed speakers also talking up the relative strength of the US jobs picture. It seems the economic analyst community was paying attention. In a Bloomberg survey conducted between 6-8 August last week, only 22% of economists were predicting a US recession as inevitable. Further, on the US jobs market, an even smaller 16% surveyed expected to see job cuts coming. Finally, underscoring the general sense of ease more broadly, almost 80% of economists surveyed predict the Fed will only cut rates by 0.25% points at its next scheduled meeting on 17-18 September.

The Fed has a very simple dual mandate: to promote maximum employment and stable prices. While the former was in focus earlier this month around the shock non-farm payrolls data, markets will be hoping for better news around the inflation data. Of course, the adage 'be careful what you wish for' is true here. Ideally investors will likely prefer to see inflation in line with expectations or maybe a touch below. However, if inflation data later this week is a lot weaker, the risk is that it could be seen as a worrying sign about broader US economic momentum deteriorating faster than expected, and that could drive a risk-off in markets, irrespective of whether it makes a Fed cut more likely. This then, is the familiar challenge facing investors: when does good inflation news equal good news on rate cut hopes, and when does it equal bad news for the outlook for the economy.

Economic indicators (week beginning 5 August 2024)

Day	Data Release	Consensus	Prior	Actual
Mon	France HCOB France Services PMI Jul F	50.7	50.7	50.1
	France HCOB France Composite PMI Jul F	49.5	49.5	49.1
	United States ISM Services Index Jul	51.0	48.8	51.4
	Australia Melbourne Institute Inflation MoM Jul	--	0.3%	0.4%
Tue	Australia RBA Cash Rate Target 38930	4.4%	4.4%	4.4%
	Germany Factory Orders MoM Jun	0.5%	-1.6%	3.9%
	United States Trade Balance Ju	-\$72.5b	-\$75.1b	-\$73.1b
Wed	United States MBA Mortgage Applications 37469	--	-3.9%	6.9%
	Germany Industrial Production SA MoM Jun	1.0%	-2.5%	1.4%
	China Trade Balance Jul	\$98.20b	\$99.05b	\$84.65b
	China Exports YoY Jul	9.1%	8.6%	7.0%
Thu	United States Initial Jobless Claims 37834	243k	249k	233k
	Japan BoP Current Account Balance Jun	¥1865.0b	¥2849.9b	¥1533.5b
	United States Wholesale Inventories MoM Jun F	0.2%	0.2%	0.2%
Fri	China CPI YoY Jul	0.3%	0.2%	0.5%
	Italy CPI EU Harmonized YoY Jul F	1.7%	1.7%	1.6%
	Germany CPI YoY Jul F	2.3%	2.3%	2.3%
	Canada Unemployment Rate Jul	6.5%	6.4%	6.4%
	China PPI YoY Jul	-0.9%	-0.8%	-0.8%
	Germany CPI MoM Jul F	0.3%	0.3%	0.3%
	China Money Supply M2 YoY Jul	6.0%	6.2%	6.2%
	Canada Net Change in Employment Jul	28.7k	-1.4k	-2.8k
	Germany CPI EU Harmonized YoY Jul F	2.6%	2.6%	2.6%

Source: Bloomberg, data accessed 12 August 2024.

Economic indicators (Week beginning 12 August 2024)

Day	Data Release	Consensus	Prior
Tue	Germany ZEW Survey Expectations Aug	34.0	41.8
	Japan PPI YoY Jul	3.1%	2.9%
	Germany ZEW Survey Current Situation Aug	-74.5	-68.9
	United Kingdom Jobless Claims Change Jul	--	32.3k
	United States PPI Final Demand MoM Jul	0.2%	0.2%
	United Kingdom ILO Unemployment Rate 3Mths Jun	4.5%	4.4%
	Australia Westpac Consumer Conf SA MoM Aug	--	-1.1%
	United Kingdom Claimant Count Rate Jul	--	4.4%
Wed	United Kingdom CPI YoY Jul	2.3%	2.0%
	United States CPI MoM Jul	0.2%	-0.1%
	United Kingdom CPI MoM Jul	-0.1%	0.1%
	United States CPI YoY Jul	3.0%	3.0%
	France CPI YoY Jul F	2.3%	2.3%
	United Kingdom CPI Core YoY Jul	3.4%	3.5%
United States MBA Mortgage Applications 40026	--	6.9%	

Source: Bloomberg, data accessed 12 August 2024.

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Economic indicators (Week beginning 12 August 2024) contd

Day	Data Release	Consensus	Prior
Thu	Japan Industrial Production MoM Jun F	--	-3.6%
	United States Initial Jobless Claims 40391	236k	233k
	Japan GDP SA QoQ 2Q P	0.6%	-0.5%
	Australia Unemployment Rate Jul	4.1%	4.1%
	Japan GDP Annualized SA QoQ 2Q P	2.3%	-1.8%
	United Kingdom GDP QoQ 2Q P	0.6%	0.7%
	Australia Employment Change Jul	20.0k	50.2k
	United Kingdom GDP YoY 2Q P	0.9%	0.3%
	United States Retail Sales Advance MoM Jul	0.4%	0.0%
	United Kingdom Industrial Production MoM Jun	0.1%	0.2%
	China Industrial Production YoY Jul	5.2%	5.3%
	United States Industrial Production MoM Jul	-0.3%	0.6%
	United Kingdom Manufacturing Production MoM Jun	0.2%	0.4%
	Japan GDP Deflator YoY 2Q P	2.6%	3.4%
	China Retail Sales YoY Jul	2.6%	2.0%
	United States Empire Manufacturing Aug	-5.5	-6.6
	Fri	United States U. of Mich. Sentiment Aug P	66.9
Japan Tertiary Industry Index MoM Jun		0.3%	-0.4%
United States Housing Starts Jul		1335k	1353k
China Money Supply M2 YoY Jul		6.0%	6.2%
United Kingdom Retail Sales Inc Auto Fuel MoM Jul		0.6%	-1.2%
United Kingdom Retail Sales Inc Auto Fuel YoY Jul		1.4%	-0.2%
United Kingdom Total Business Investment YoY 2Q P		--	-1.0%

Source: Bloomberg, data accessed 12 August 2024.

Asset market performance

Index	Value	As at Friday close		YTD	
		CR	TR	CR	TR
MSCI UK GBP	2337	-0.05%	0.19%	5.48%	8.38%
MSCI USA USD	5082	0.01%	0.02%	11.64%	12.27%
MSCI Europe ex UK EUR	198	0.51%	0.53%	3.43%	5.51%
MSCI AC Asia ex JPN USD	553	-0.12%	-0.09%	4.57%	6.31%
MSCI Japan JPY	1528	-2.20%	-2.20%	5.50%	6.50%
MSCI Emerging Markets USD	1063	0.21%	0.27%	3.88%	5.77%
Barclays Sterling Gilts GBP	232		-0.65%		-0.53%
GOLD USD	2431	-0.49%		17.85%	
WTI Oil USD	77	4.52%		7.24%	
MSCI PIMFA Income		-0.14%	-0.07%	4.03%	5.61%
MSCI PIMFA Balanced		-0.04%	0.03%	4.70%	6.24%
MSCI PIMFA Growth		0.12%	0.19%	6.19%	7.63%

Source: Bloomberg, MSCI: please see important information, data accessed 12 August 2024.

YTD denotes year to date, TR denotes total return and CR denotes capital return.

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