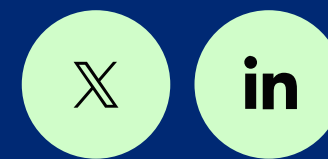


# Weekly Market Commentary

2 September 2024



## In summary

- Equity markets post a remarkable recovery in August, notching up fresh record highs
- US jobs data in focus as recent Federal Reserve's pivot signals employment priority
- European politics back on the radar as German state elections see a populist shift
- Another round of weak economic data presents a fresh challenge for China investor confidence





## Friday saw markets on both sides of the Atlantic close out the month of August in positive fashion.

Buoying sentiment, the latest US inflation reading saw core (excluding energy and food) inflation from the US Personal Consumption Expenditures Index come in at +2.6% year-on-year in July, below +2.7% expected, while the 3-month annualised rate was just +1.7%. In local currency terms, the equal-weighted version of the US S&P500 equity index and the pan-European STOXX600 equity index both notched up new record highs. That is pretty remarkable really, given the hiatus that hit investors just a few weeks ago. Looking forward to the new month ahead, global equities have started September on the back foot, with relatively weak data out of China over the weekend unsettling investors there. Otherwise, today is expected to be quiet given US markets are closed on Monday for US Labour Day.

Looking forward to the week ahead, investors are likely to be focused on the latest read for the health of the US labour market, with non-farm payrolls for August due on Friday – a rebound from the hurricane-weather-impacted July data is expected, and the consensus market estimate is looking for an increase of around 165,000 in job numbers for August, which would be above the 114,000 jobs added back in July. The data will be especially important for the US Federal Reserve (Fed), not least given its dual mandate focused on inflation and jobs – but arguably more so, with the Fed's recent pivot to seemingly prioritise job stability now that inflation risks look to be heading on a sustainably lower path ahead.

Over the weekend, Germany saw state elections take place in the eastern states of Thuringia and Saxony, with preliminary results now in. In Thuringia, the far-right Alternative for Germany (AfD) party looks to have come first with 32.8% of the vote – that would be the first time that the party have come first in a German state election. Meanwhile in Saxony, the AfD were in second place on 30.6% of the vote, not far behind the centre-right Christian Democratic Union (CDU) on 31.9%. In both cases, the results were poor for all the three parties in the ruling government coalition, with Chancellor Scholz's centre-left Social Democratic Party (SPD) scoring just 6.1% in Thuringia and 7.3% in Saxony.

Over the weekend, China saw another round of weak economic data, highlighting the challenges for policy makers. China's official (National Bureau of Statistics of China) Purchasing Managers Index (PMI) for manufacturing in August fell for the fourth month in a row, coming in at 49.1, below the 50-mark that separates month-on-month contraction versus expansion, and missing consensus market estimates of 49.5. For the world's second-biggest economy, China has been struggling with a prolonged and ongoing property downturn which is weighing on both consumers and businesses. Despite government efforts, including interest-rate cuts, to try to boost sentiment, things have yet to turn around, and the latest property data is far from encouraging. Regarding August data for the value of new-home sales from the 100 biggest real estate companies in China, this saw a fall of -26.8% from a year earlier, and worse than the -19.7% annual decline in July.

## Economic indicators (week beginning 19 August 2024)

| Day                              | Data Release   | Consensus              | Prior | Actual |
|----------------------------------|--|------------------------|-------|--------|
| <b>Mon</b>                       | Japan Core Machine Orders MoM Jun                    | 0.9%                   | -3.2% | 2.1%   |
|                                  | United States Leading Index Jul                      | -0.4%                  | -0.2% | -0.6%  |
| <b>Tue</b>                       | Canada CPI YoY Jul                                   | 2.5%                   | 2.7%  | 2.5%   |
|                                  | Canada CPI NSA MoM Jul                               | 0.4%                   | -0.1% | 0.4%   |
| <b>Wed</b>                       | United States MBA Mortgage Applications 42583        | --                     | 16.8% | 0.5%   |
| <b>Thu</b>                       | United States Initial Jobless Claims 42948           | 231k                   | 227k  | 231k   |
|                                  | France HCOB France Manufacturing PMI Aug P           | 44.5                   | 44.0  | 42.1   |
|                                  | France HCOB France Services PMI Aug P                | 50.3                   | 50.1  | 55.0   |
|                                  | Japan Jibun Bank Japan PMI Mfg Aug P                 | --                     | 49.1  | 49.8   |
|                                  | Germany HCOB Germany Manufacturing PMI Aug P         | 43.3                   | 43.2  | 42.1   |
|                                  | United Kingdom S&P Global UK Manufacturing PMI Aug P | 52.2                   | 52.1  | 52.5   |
|                                  | United States S&P Global US Manufacturing PMI Aug P  | 49.8                   | 49.6  | 48.0   |
|                                  | France HCOB France Composite PMI Aug P               | 49.2                   | 49.1  | 52.7   |
|                                  | United States Existing Home Sales Jul                | 3.93m                  | 3.89m | 3.95m  |
|                                  | <b>Fri</b>   | Japan Natl CPI YoY Jul | 2.7%  | 2.8%   |
| United States New Home Sales Jul |  | 624k                   | 617k  | 739k   |

Source: Bloomberg, data accessed 2 September 2024.

## Economic indicators (week beginning 2 September 2024)

| Day        | Data Release   | Consensus | Prior    |
|------------|--|-----------|----------|
| <b>Mon</b> | France HCOB France Manufacturing PMI Aug F           | 42.1      | 42.1     |
|            | China Caixin China PMI Mfg Aug                       | 50.0      | 49.8     |
|            | Japan Jibun Bank Japan PMI Mfg Aug F                 | --        | 49.5     |
|            | Italy HCOB Italy Manufacturing PMI Aug               | 48.5      | 47.4     |
|            | Germany HCOB Germany Manufacturing PMI Aug F         | 42.1      | 42.1     |
|            | United Kingdom S&P Global UK Manufacturing PMI Aug F | 52.5      | 52.5     |
|            | Australia Building Approvals MoM Jul                 | 2.8%      | -6.5%    |
|            | Japan Capital Spending YoY 2Q                        | 10.0%     | 6.8%     |
|            | Italy GDP WDA QoQ 2Q F                               | 0.2%      | 0.2%     |
|            | Australia Melbourne Institute Inflation MoM Aug      | --        | 0.4%     |
| <b>Tue</b> | United States ISM Manufacturing Aug                  | 47.5      | 46.8     |
|            | Canada S&P Global Canada Manufacturing PMI Aug       | --        | 47.8     |
|            | United States S&P Global US Manufacturing PMI Aug F  | 48.1      | 48.0     |
| <b>Wed</b> | Canada Bank of Canada Rate Decision 38231            | 4.3%      | 4.5%     |
|            | Australia GDP SA QoQ 2Q                              | 0.2%      | 0.1%     |
|            | United States Durable Goods Orders Jul F             | 9.9%      | 9.9%     |
|            | France HCOB France Services PMI Aug F                | 55.0      | 55.0     |
|            | United States MBA Mortgage Applications 11171        | --        | 0.5%     |
|            | France HCOB France Composite PMI Aug F               | 52.7      | 52.7     |
|            | Australia GDP YoY 2Q                                 | 0.9%      | 1.1%     |
|            | United States Factory Orders Jul                     | 4.7%      | -3.3%    |
|            | United States Trade Balance Jul                      | -\$79.0b  | -\$73.1b |

## Economic indicators (week beginning 2 September 2024) continued

| Day | Data Release                                 | Consensus | Prior    |
|-----|--|-----------|----------|
| Thu | United States Initial Jobless Claims 11536   | 230k      | 231k     |
|     | United States ADP Employment Change Aug      | 141k      | 122k     |
|     | Germany Factory Orders MoM Jul               | -1.7%     | 3.9%     |
|     | Australia Trade Balance Jul                  | A\$5000m  | A\$5589m |
|     | United States ISM Services Index Aug         | 51.1      | 51.4     |
| Fri | United States Change in Nonfarm Payrolls Aug | 165k      | 114k     |
|     | Canada Unemployment Rate Aug                 | 6.5%      | 6.4%     |
|     | United States Unemployment Rate Aug          | 4.2%      | 4.3%     |
|     | Germany Industrial Production SA MoM Jul     | -0.5%     | 1.4%     |
|     | France Industrial Production MoM Jul         | -0.3%     | 0.8%     |
|     | Canada Net Change in Employment Aug          | 25.0k     | -2.8k    |
|     | Canada Part Time Employment Change Aug       | --        | -64.4k   |

Source: Bloomberg, data accessed 2 September 2024.

## Asset market performance

| Index                       | Value | As at Friday close |        | YTD    |        |
|-----------------------------|-------|--------------------|--------|--------|--------|
|                             |       | CR                 | TR     | CR     | TR     |
| MSCI UK GBP                 | 2397  | 0.65%              | 0.74%  | 8.18%  | 11.65% |
| MSCI USA USD                | 5373  | 0.21%              | 0.23%  | 18.04% | 18.80% |
| MSCI Europe ex UK EUR       | 209   | 1.41%              | 1.41%  | 9.08%  | 11.31% |
| MSCI AC Asia ex JPN USD     | 577   | 0.45%              | 0.48%  | 9.17%  | 11.19% |
| MSCI Japan JPY              | 1674  | 1.02%              | 1.04%  | 15.58% | 16.71% |
| MSCI Emerging Markets USD   | 1100  | -0.07%             | -0.05% | 7.44%  | 9.55%  |
| Barclays Sterling Gilts GBP | 232   |                    | -0.55% |        | -0.55% |
| GOLD USD                    | 2503  | -0.37%             |        | 21.35% |        |
| WTI Oil USD                 | 74    | -1.71%             |        | 2.65%  |        |
| MSCI PIMFA Income           |       | 0.17%              | 0.21%  | 5.60%  | 7.39%  |
| MSCI PIMFA Balanced         |       | 0.29%              | 0.33%  | 6.64%  | 8.38%  |
| MSCI PIMFA Growth           |       | 0.46%              | 0.50%  | 8.65%  | 10.31% |

Source: Bloomberg, MSCI: please see important information, data accessed 2 September 2024.  
YTD denotes year to date, TR denotes total return and CR denotes capital return.

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