

Rate cut locked in for September

Equity markets continued recovering last week on receding fears of an economic slowdown and the growing prospect of an imminent loosening cycle in the US.

In his long-awaited customary address at the Jackson Hole Symposium, Fed chair Jerome Powell reiterated that US interest rates would be cut in September. But he also pointed to the threat of a deterioration in the US labour market. In connection with that, the number of jobs created for the period April 2023 to March 2024 was drastically revised downwards by central government.

US job creation revised downwards

Staying with the US, economic activity continues to suffer the negative fallout from persistently high interest rates. Initial jobless claims in the week ending 17 August rose again, this time to 232,000 versus 228,000 the previous week.

The initial rate cut is now widely anticipated but how big it will be is not yet entirely certain. Consumer spending is still holding up relatively well and this is underpinning US economic growth.

Against this backdrop, the yield on the US 10-year Treasury

last week held steady at around 3.80%. The return on its German counterpart, the Bund, was stable at 2.25%.

In Europe, growth in the private sector was unexpectedly robust in August. Services once again underpinned the positive trend but manufacturing did not slow to the degree expected.

Private-sector activity in Europe unexpectedly robust

The trouble is that the upswing in business activity took place against a backdrop of higher-than-expected producer prices. Even so, we do not see this influencing the ECB's next rate move, especially since factory managers have lost hope again, leading to the swiftest cut in the number of employees since last November. Tellingly, the manufacturing employment index fell from 47.0 to 46.6.

All in all, the S&P 500 ended the week up by 1.45%, Nasdaq by 1.40%, while the Stoxx Europe 600 rose by 1.31%. Gold rose to a new all-time high of USD 2512 an ounce.

This week will see the release of August inflation estimates in Germany. In the US, in addition to macroeconomic data (durable goods orders and PCE inflation), Nvidia – the darling of the AI industry – will be reporting on Wednesday.

Key data

	USD/CHF	EUR/CHF	SMI	EURO STOXX 50	DAX 30	CAC 40	FTSE 100	S&P 500	NASDAQ	NIKKEI	MSCI Emerging Markets
Latest	0.85	0.95	12'347.46	4'909.20	18'633.10	7'577.04	8'327.78	5'634.61	17'877.79	38'364.27	1'100.68
Trend	↓	→	↑	↑	↑	↑	↑	↑	↑	↑	↑
YTD	0.74%	2.14%	10.86%	8.58%	11.23%	0.45%	7.69%	18.13%	19.10%	14.64%	7.52%

(values from the Friday preceding publication)

Swiss Market Index (SMI)



The SMI is trading slightly above the 12300 mark, an area which has acted as resistance in the past. The next focal point, if 12300 is breached, would be 12515. Support remains set at 12200.

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