Monday Report | 02 September 2024

bordier | 1844

Economy

The statistics published in the United States were generally satisfactory. GDP growth in Q2 was revised upwards, from +2.8% to +3% q/q annualised. Household confidence also improved in August, from 101.9 to 103.3, more than expected (100.8). In addition, the PCE inflation measure was in line with expectations (+0.2% m/m; +2.5% y/y), supporting the Fed. On the other hand, durable goods orders (excluding transport) disappointed in July (-0.2% m/m). In the eurozone, the EC confidence indices rose more than expected in August: industry (from -10.4 to -9.7), services (from 5 to 6.3) and the economy (from 96 to 96.6). Unsurprisingly, inflation (+0.2% m/m; +2.2% y/y) confirms its deceleration. Finally, in China, the manufacturing PMI disappointed once again, falling from 49.4 to 49.1 in August, while the services PMI held up better (up from 50.2 to 50.3).

Markets

The better-than-expected economic data pushed up 10-year sovereign yields (USD: +10bp; EUR: +7bp; CHF: +4bp) and equities (US: +0.2%; Europe: +1.3%). The dollar index rose (+1%), pushing gold down by 0.4%, which was also penalised by the rise in interest rates. The stability of oil prices over the week nevertheless conceals rising volatility. Coming up this week: ISM manufacturing and services and the employment report in the United States; retail sales and revised Q2 GDP in the eurozone; consumer and producer price indices, foreign exchange reserves and monetary aggregates in China.

Planetary Limits

According to the China Passenger Car Association, sales of NEVs - New Energy Vehicles - exceeded sales of combustion engine vehicles in China for the first time in July 2024, with a 51% share of the total.

Swiss Market

Coming up this week: reference mortgage rate (OFL), retail sales July and services June (FSO), PMI index August, inflation August (FSO), Q2 GDP (Seco) and unemployment August (Seco).

The following companies are due to release results: Burkhalter, Investis, Dormakaba, Partners Group, Swiss Life, Fundamenta, Helvetia and Romande Energie.

Bonds

US long-term yields have risen (10Y +10bp/30Y +11bp), notably following the upward revision of GDP for Q2 (+20bp to 3%). Overall, rates have remained in a range over recent weeks, and the employment report published on Friday could significantly change market expectations. In Europe, inflation (2.2% y/y) is heading towards the target, but the market is still expecting a less aggressive easing cycle than in the US, and yields are also ending higher (10Y Bund +7bp/ BTP +13bp). On the credit side, HY spreads tightened (EU -11bp/US -4bp).

Sentiment of traders

Stock markets

The indices were once again close to their highs at the start of September. All attention will be focused on the US employment figures on Friday, in order to get a clearer picture of the long-awaited rate cut. The start of the week will be quiet, with the US and Canada closed for Labor Day. We remain cautious on these levels.

Currencies

The rise of the AFD in Germany, political uncertainty in France and the expected ECB rate cut (-0.25%) seem to have taken their toll on the uptrend in the €: €/$ 1.1065. We expect the following ranges: €/$ 1.0950-1.1174. This week traders will be watching US employment figures. The dollar is struggling to bounce back against the Swiss franc at $/CHF 0.8492. A break sup. 0.8460 would accelerate the fall, while the 0.8560 resistance remains valid. The CHF remains firm at €/CHF 0.9396, sup. 0.9303 res. 0.9460. The £ consolidates at £/$ 1.3130, sup. 1.3077 res. 1.3230. The ounce of gold falls to $2496/oz sup. 2394 res. 2563.

Equities

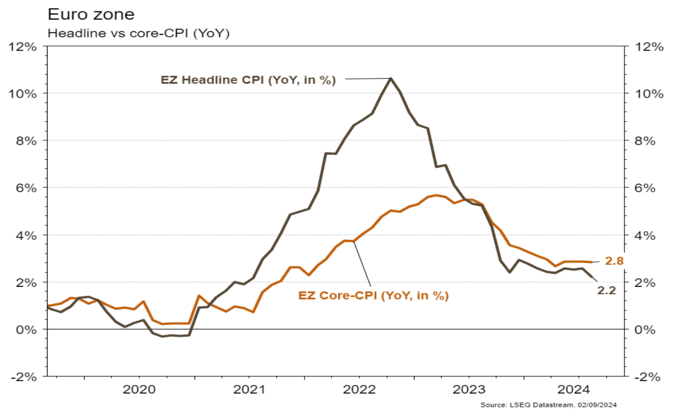
CARRIER GLOBAL CORP. joins our Satellite recommendation list. The US specialist in air conditioning, ventilation and refrigeration is positioned in structural growth markets and will complete the strategic repositioning of its asset portfolio this year, with a still reasonable valuation and a sharp rise in order intake published at the end of June.

SUBSEA7 has been stripped of our Satellite recommendation list after a total return of 65%, or 52 pt% ahead of the Energy Europe sector since its entry in January 2023. Valuation in terms of EV/Ebitda fwd is now 10% higher than its long-term average and the share's momentum has deteriorated, in the wake of the oil price.

According to the Taiwanese press, **TSMC** (Satellite) could manufacture OpenAI's first AI chip on its A16 production lines. These chips would be used to power OpenAI's SoraAI video application.

Energy sector: several OPEC delegates have indicated that the organization could increase its production in October, i.e. after the expiry of the current agreement on production cuts, as Saudi Arabia wants to regain its market share. This would be negative for the barrel, against a backdrop of persistent weakness in the Chinese economy and the global manufacturing cycle in particular.

Today's graph



Performances

	As at 30.08.2024	Since 23.08.2024	Since 31.12.2023
SMI	12 436.59	0.72%	11.66%
Stoxx Europe 600	525.05	1.34%	9.61%
MSCI USA	5 373.14	0.21%	18.04%
MSCI Emerging	1 099.92	-0.07%	7.44%
Nikkei 225	38 647.75	0.74%	15.49%
	As at 30.08.2024		
CHF vs. USD	0.8485	0.02%	-0.80%
EUR vs. USD	1.1069	-0.98%	0.20%
10-year yield CHF (level)	0.46%	0.42%	0.70%
10-year yield EUR (level)	2.23%	2.17%	2.00%
10-year yield USD (level)	3.92%	3.81%	3.87%
Gold (USD/per once)	2 505.28	-0.43%	21.29%
Brent (USD/bl)	78.89	0.03%	1.54%

Source: LSEG Datastream