

The Weekly Market View

September 30 2024

What happens in China does not stay in China

US

- ▶ US business activity growth remained robust in September (composite PMI at 54.4). However, a further solid expansion of the service sector contrasted (PMI at 55.4) with a second successive month of modestly falling output in the manufacturing sector (PMI at 48.9). Even the manufacturing sector contraction eased during September.
- ▶ In the week ending September 21, the advance figure for seasonally adjusted initial claims fell to its four-month low of 218k, from the previous week's upward revised level of 222k.
- ▶ Durable goods orders for the month of August registered flat growth MoM compared to a -2.8% MoM expected growth. August's flat performance came after July's 9.9% MoM rebound in activity. Core durable goods orders (excluding transportation) grew 0.5% MoM during August, more than the expected growth of 0.1% MoM.
- ▶ As per the third release, Q2'24 GDP grew at an annualized QoQ rate of 3.0% largely in line with previous estimates. This data is in sharp contrast to the weakness observed in the hiring activity.
- ▶ Personal income growth for August came at 0.2% MoM, below the consensus expected 0.4% MoM growth and July's 0.3% MoM growth. Personal spending growth too slowed to 0.2% MoM during August from July's 0.5% MoM growth and below the consensus expectations (0.3% MoM growth).
- ▶ The PCE price index showed a further slowdown in inflation from 0.2% MoM in July to 0.1% MoM in August and below the consensus expected growth of 0.2% MoM. Core PCE price index, Fed's preferred inflation measure, rose 0.1% MoM during August well below the consensus expected 0.2% MoM growth and below July's 0.2% MoM growth.
- ▶ The Conference Board consumer confidence measure for September dropped to near the bottom of the narrow range that has prevailed over the past two years. September's decline was the largest since August 2021 and all five components of the Index deteriorated. The reported number was also weaker compared to consensus expectations.
- ▶ University of Michigan consumer sentiment measure for September released today not only showed improvement across its components (sentiment, current conditions, and expectations), but was also better than expected.

Europe and UK

- ▶ Eurozone Composite PMI fell to an 8-month low and marked its first decrease in overall private sector activity in seven months. New business decreased at the sharpest pace since January.
- ▶ As indicated by the composite PMI, German economy sinks deeper into contraction, dragged down by manufacturing sector which fell to a 12-month low. The services sector almost stalled.
- ▶ After a strong services-led expansion in August, France's private sector economy slipped back into decline in September.
- ▶ UK private sector activity increased during September, but growth slowed since August. Both manufacturing and services sector PMIs remained above the 50 level but they not only disappointed but also fell from the previous month.
- ▶ Both Riksbank (of Sweden), and Swiss National Bank lowered their policy rates by 25bp as expected to 3.25% and 1.00% respectively.

Asia

- ▶ China's central bank, on Tuesday, unveiled its biggest stimulus since the pandemic. The PBOC announced broad future monetary stimulus and property support measures to support the economy.
- ▶ The Politburo meeting, on Thursday, delivered a clear tone on supporting economic growth with concrete measures being introduced simultaneously.
- ▶ Reserve Bank of Australia left its cash rate unchanged at 4.35% as widely expected.
- ▶ While India's PMI data disappointed consensus expectations marginally, the indices remained well above the 50 levels indicating solid expansion.

Rates

- ▶ Markets are fully pricing in a cut of at least 25bp at the Fed's November meeting, with expectations for another upsized 50bp cut now up to 56.7%.
- ▶ Yield on 10Y USTs moved marginally higher while yield on 2Y USTs fell causing the yield curve to steepen over the past week. Weakening growth (without recession) and falling inflation helped the moves.
- ▶ Elsewhere, barring UK, and China, yields on 10Y sovereign bonds fell across the board. However, across all the major markets, the 10Y2Y segment steepened over the past week.

FX

- ▶ The USD index declined 0.3% for the week, its fourth straight weekly decline and ninth in the last ten weeks. During the week, the USD index fell to its lowest since July 20, 2023.
- ▶ JPY strengthened against the USD after Shigeru Ishiba, seen as an interest rate hawk, was set to become Japan's next prime minister.
- ▶ While the weak economic data from the Eurozone caused EUR/USD to stay flat for the week despite the broader USD weakness, GBP/USD rose on stronger PMI data from the UK.

Kishore Muktinutalapati

Head - Investment Strategy

Tel: +971 (0)2 696 2358

kishore.muktinutalapati@adcb.com

Prerana Seth, CFA

Fixed Income Strategist

Tel: +971 (0)2 696 2878

prerana.seth@adcb.com

Mohammed Al Hemeiri

Senior Analyst

Tel: +971 (0)2 696 2236

mohammed.alhemeiri@adcb.com

Ahmed Al Falahi

Analyst

Tel: +971 (0)2 497 3934

ahmed.a5@adcb.com

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- ▶ Following the stimulus news from China, offshore Yuan (CNH) rallied past the 7 per USD milestone for the first time in 16 months.

Commodities

- ▶ Helped by weaker USD and China's stimulus news, aggregate commodity price index rose for the third consecutive week. Bloomberg spot commodity price index is now up c7% over the past three weeks.
- ▶ Oil prices fell on the week as investors weighed expectations for higher global supply against fresh stimulus from top crude importer China. Geopolitical risk-premium ebbed and flowed as the news moved from the possibility of a ceasefire agreement between Israel-Hezbollah to the developments over the weekend that pointed to full escalation.
- ▶ Prices of cyclical industrial metals (copper and aluminium) rose strongly over the past week, outperforming the price gains in precious metals.

Equities

- ▶ Global equities posted strong gains past week with MSCI All Country World Index (ACWI) posting its third consecutive week of gains. EMs outperformed DMs.
- ▶ Thanks to stimulus news, Chinese equities posted their best week since 2008. Hong Kong's Hang Seng index rose 13% over the past week (c21% over the past three weeks) and closed its year-to-date underperformance relative to S&P 500 index. MSCI China and MSCI China A indices gained c17% this past week.
- ▶ Amongst global sectors, cyclicals like materials, consumer discretionary, and industrials outperformed while defensives like health care and energy underperformed.

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Global markets' performance snapshot

Index Snapshot (World Indices)*			
Index	Latest	Weekly %	YTD %
S&P 500	5,738	0.6	20.3
Dow Jones	42,313	0.6	12.3
Nasdaq	18,120	1.0	20.7
DAX	19,474	4.0	16.3
Nikkei 225	39,830	5.6	19.0
FTSE 100	8,321	1.1	7.6
Sensex	85,572	1.2	18.5
Hang Seng	20,632	13.0	21.0
Regional Markets			
ADX	9,469	0.3	-1.1
DFM	4,521	1.9	11.4
Tadawul**	12,374	2.0	3.4
DSM**	10,582	1.4	-2.3
MSM30**	4,702	-0.1	4.2
BHSE**	2,014	-0.9	2.2
KWSE**	7,197	0.4	5.6
MSCI			
MSCI World	3,727	1.4	17.6
MSCI EM	1,175	6.2	14.7

Global Commodities, Currencies and Rates*



Commodity	Latest	Weekly %	YTD %
Brent USD/bbl	72.0	-3.4	-6.6
WTI USD/bbl	68.2	-5.2	-4.8
Gold USD/t oz	2,648.2	1.3	28.2
Silver USD/t oz	31.7	1.3	30.7
Platinum USD/t oz	1,013.0	2.5	0.7
Copper USD/MT	9,944.8	6.4	17.5
Alluminium	2,598.0	5.5	10.8
Currencies			
EUR USD	1.12	0.0	1.1
GBP USD	1.34	0.4	5.1
USD JPY	142.20	-1.2	0.8
Rates			
	Latest	Weekly (bp)	YTD (bp)
SOFR	4.83	0.0	-55.0
UAE Eibor 3m	4.53	-27.8	-79.7
UAE Eibor 12m	4.01	-9.1	-112.8
US 3m Bills	4.50	-6.0	-70.0
US 10yr Treasury	3.75	1.5	-11.7
German 10yr Bund	2.14	-8.0	11.1
UK 10yr Gilt	3.98	7.6	44.1

Source: Bloomberg, and ADCB Asset Management

Notes: *Data as of September 27 2024 unless stated otherwise; **Data as of September 26 2024.

Tactical Asset Allocation with a 3-month view

Asset Class	Positioning*					Balanced**		
	SUW	UW	N	OW	SOW	SAA	TAA	Active
Equities						41.2	41.2	0.0
North America						25.8	22.8	-3.0
Equal-wt. US						0.0	2.0	2.0
Europe						7.0	8.0	1.0
Japan						2.3	2.3	0.0
APac ex Japan						5.0	5.0	0.0
EM ex Asia						1.0	1.0	0.0
Fixed Income						58.8	58.8	0.0
DM Treasuries IG						32.8	32.8	0.0
DM Corporate IG						12.5	12.5	0.0
EM USD Sov. IG						0.8	0.8	0.0
EM LCY IG						5.1	5.1	0.0
EM Corporate IG						0.6	0.3	-0.3
Global HY						5.0	3.5	-1.5
FRNs (off BM)						0.0	1.8	1.8
Cash						2.0	2.0	0.0
Alternatives						0.0	0.0	0.0

Colour legend  Current  Previous

Source: Bloomberg, Bloomberg BGN, Bloomberg Indices, Hedge Fund Research, MSCI, Standard & Poor's, DataStream, LSEG Workspace, and ADCB Asset Management | Notes: *Positioning recommendations: SUW = Significant Underweight; UW = Underweight; N = Neutral; OW = Overweight; SOW = Significant Overweight. **Based on balanced risk profile. SAA = Strategic Asset Allocation; TAA = Tactical Asset Allocation; Active weight = TAA weight – SAA weight. Weights may not sum to 100% due to rounding.

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Forthcoming important economic data/events

United States

Date & Time (GST)	Indicator	Period	Expected	Prior
10/01/24 17:45	S&P Global US Manufacturing PMI	Sep F	47	47
10/01/24 18:00	Construction Spending MoM	Aug	0.10%	-0.30%
10/01/24 18:00	JOLTS Job Openings	Aug	--	7673k
10/01/24 18:00	ISM Manufacturing	Sep	47.6	47.2
10/01/24 18:00	ISM Prices Paid	Sep	--	54
10/01/24 18:00	ISM New Orders	Sep	--	44.6
10/02/24 15:00	MBA Mortgage Applications	27-Sep	--	11.00%
10/02/24 16:15	ADP Employment Change	Sep	123k	99k
10/03/24 16:30	Initial Jobless Claims	28-Sep	--	218k
10/03/24 16:30	Continuing Claims	21-Sep	--	1834k
10/03/24 17:45	S&P Global US Services PMI	Sep F	--	55.4
10/03/24 18:00	Factory Orders	Aug	0.20%	5.00%
10/03/24 18:00	Durable Goods Orders	Aug F	--	0.00%
10/03/24 18:00	ISM Services Index	Sep	51.5	51.5
10/04/24 16:30	Change in Nonfarm Payrolls	Sep	140k	142k
10/04/24 16:30	Unemployment Rate	Sep	4.20%	4.20%
10/04/24 16:30	Average Hourly Earnings YoY	Sep	3.70%	3.80%
10/04/24 16:30	Labor Force Participation Rate	Sep	--	62.70%
10/04/24 16:30	Underemployment Rate	Sep	--	7.90%

Japan

Date & Time (GST)	Indicator	Period	Expected	Prior
09/30/24 03:50	Industrial Production MoM	Aug P	-0.50%	3.10%
09/30/24 03:50	Retail Sales YoY	Aug	2.60%	2.60%
09/30/24 09:00	Housing Starts YoY	Aug	-3.60%	-0.20%
09/30/24 09:00	Annualized Housing Starts	Aug	0.781m	0.773m
10/01/24 03:30	Jobless Rate	Aug	2.60%	2.70%
10/01/24 04:30	Jibun Bank Japan PMI Mfg	Sep F	--	49.6
10/02/24 03:50	Monetary Base YoY	Sep	--	0.60%
10/03/24 04:30	Jibun Bank Japan PMI Services	Sep F	--	53.9

Eurozone

Date & Time (GST)	Indicator	Period	Expected	Prior
09/30/24 10:00	Germany Retail Sales NSA YoY	Aug	--	--
09/30/24 16:00	Germany CPI YoY	Sep P	--	1.90%
09/30/24 16:00	Germany CPI EU Harmonized YoY	Sep P	--	2.00%
10/01/24 11:50	France HCOB Manufacturing PMI	Sep F	--	44
10/01/24 11:55	Germany HCOB Manufacturing PMI	Sep F	--	40.3
10/01/24 12:00	Eurozone HCOB Manufacturing PMI	Sep F	--	44.8
10/01/24 13:00	Eurozone CPI Estimate YoY	Sep	--	2.20%
10/01/24 13:00	Eurozone CPI Core YoY	Sep P	--	2.80%
10/02/24 13:00	Eurozone Unemployment Rate	Aug	--	6.40%
10/03/24 11:50	France HCOB Services PMI	Sep F	--	48.3
10/03/24 11:55	Germany HCOB Services PMI	Sep F	--	50.6
10/03/24 12:00	Eurozone HCOB Services PMI	Sep F	--	50.5
10/03/24 13:00	Eurozone PPI YoY	Aug	--	-2.10%
10/04/24 10:45	France Industrial Production MoM	Aug	--	-0.50%
10/04/24 10:45	France Manufacturing Production MoM	Aug	--	-0.90%

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United Kingdom

Date & Time (GST)	Indicator	Period	Expected	Prior
09/30/24 10:00	Nationwide House Px NSA YoY	Sep	--	2.40%
09/30/24 10:00	GDP QoQ	2Q F	0.60%	0.60%
09/30/24 10:00	GDP YoY	2Q F	--	0.90%
09/30/24 10:00	Private Consumption QoQ	2Q F	--	0.20%
09/30/24 10:00	Government Spending QoQ	2Q F	--	1.40%
09/30/24 10:00	Exports QoQ	2Q F	--	0.80%
09/30/24 10:00	Imports QoQ	2Q F	--	7.70%
09/30/24 12:30	Net Consumer Credit	Aug	--	1.2b
09/30/24 12:30	Consumer Credit YoY	Aug	--	7.80%
09/30/24 12:30	Mortgage Approvals	Aug	--	62.0k
09/30/24 12:30	Money Supply M4 MoM	Aug	--	0.30%
10/01/24 12:30	S&P Global UK Manufacturing PMI	Sep F	--	51.5
10/03/24 12:30	Official Reserves Changes	Sep	--	\$3618m
10/03/24 12:30	S&P Global UK Services PMI	Sep F	--	52.8
10/04/24 12:00	New Car Registrations YoY	Sep	--	-1.30%
10/04/24 12:30	S&P Global UK Construction PMI	Sep	--	53.6

China & India

Date & Time (GST)	Indicator	Period	Expected	Prior
09/30/24 05:30	China Manufacturing PMI	Sep	49.5	49.1
09/30/24 05:30	China Non-manufacturing PMI	Sep	50.5	50.3
09/30/24 05:45	China Caixin PMI Mfg	Sep	50.5	50.4
09/30/24 05:45	China Caixin PMI Services	Sep	51.6	51.6
10/01/24 09:00	India HSBC PMI Mfg	Sep F	--	56.7
10/04/24 09:00	India HSBC PMI Services	Sep F	--	58.9
10/04/24 15:30	India Foreign Exchange Reserves	27-Sep	--	--

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