



Thursday, 29 August 2024

KBC Sunrise Market Commentary

Markets

- More technical, order driving trading for global markets yesterday. An almost empty eco calendar left investors **counting down to upcoming data (EMU CPIs today and tomorrow, US PCE deflators on Friday, key early month data next week) and prevented clear directional moves**. A \$70 bln US Treasury auction was OK, but hardly left any traces on the charts. At the end of the day, **US yields rose 1-2 bps across the curve** (3.4 bps decline in 2-y yield was due to a benchmark change). **German bunds outperformed with yields easing 1.9 bps (2-y) and 3.4 bps (30-y)**. (US) equities traded cautious ahead of Nvidia results after the close (Nasdaq -1.12%). Results mostly met analyst expectations, but investors apparently had hoped for a stronger forecast/guidance, triggering further (tech-driven) equity losses after the close. After a Fed-driven setback of late, **the dollar tried to avoid further deterioration of the technical picture**. DXY rebounded off the 100.52/62 area (YTD low/end 2023 low) to close at 101.09. EUR/USD for now also aborted the test of the 1.12 area (close 1.112). Sterling corrected against the overall USD comeback (cable 1.3191) but continued its outperformance against the euro as the BOE is expected to take longer to further join the ECB and Fed easing cycle (next step only seen at the November meeting, unchanged in September).
- **This morning**, Asian equity markets mostly traded with in red, but the damage for the Nvidia setback yesterday on WS remains modest after all. US yields are little changed. **Fed's Bostic** in a speech overnight admitted that there is a case for bringing forward the timing of rate cuts, but still wants more evidence as he wants to prevent a scenario where the Fed cut rates and then has to raise them again. **The dollar for now fails to build on yesterday's rebound** (EUR/USD 1.1135, DXY 100.95). The yen slightly underperforms (USD/JPY 144.75). **Today's eco calendar is better filled with national August inflation data** in Belgium, Spain and Germany. The EC also will release European confidence data. In **the US**, the second reading of the US Q2 GDP growth, pending home sales and jobless claims will be published. German and Spanish HICP inflation is expected to cool further to respectively 0.0% m/m and 2.0% y/y and 0.2% m/m and 2.5% y/y. ECB's Lane is scheduled to speak. Easing of headline inflation will cement expectations for a next 25 bps ECB cut in September, but markets will keep a close eye at the underlying dynamics (core, services) to make up their mind on the timing for follow-up action. With the Fed focus now turning ever more to the labour market, jobless claims still might cause some intraday price jitters. **In the run-up to next week key US data, we expect core yields to hold near recent bottom levels. We don't anticipate a protracted USD comeback yet.**

News & Views

- **ANZ New Zealand's Business Outlook soared from 27.1 to 50.6 in August, the highest level in a decade**. Especially the forward looking activity outlook improved, rising from 16.3 to 37.1. Experienced own activity rose only very marginally and remains at low levels, from -24.3 to -23.1. It implies that the hurdle for expecting better times ahead is very low. ANZ reported that **41% of firms intended to raise their prices in the next three months**. The amount by which they intend to raise them rose from 1.4% to 1.6%. **Inflation expectations on the other hand dived below 3%** for the first time since July 2021 (2.9% from 3.2%). The survey specifically mentions that the large increases in confidence were already visible in the responses gathered ahead of the RBNZ's first policy rate cut, though anticipation played as role as well of course. NZD swap rates rose 4 to 5 bps following the release. **Kiwi dollar strength takes over from dollar weakness in this month's** NZD/USD surge with the pair approaching 0.63 (from <0.59 early August) for the first time since early January.
- **New EU car registrations were nearly flat in Y/Y-terms in July** (+0.2%). Seven months into 2024, new car registrations increased by 3.9%, reaching more than 6.5mn units. This is the result of a low comparison base. Battery-electric (BEV) cars accounted for 12.1% of the EU car market, down from 13.5% the previous year. Hybrid-electric vehicles increased their market share, growing from 25.5% to 32%. The combined share of petrol and diesel cars fell to 46%, down from 50%. Registrations of BEV cars declined by 10.8% to 102.7k units with gains in Belgium (+44.2%!; 30% share), the Netherlands and France unable to offset a steep drop in Germany (-36.8%).

Graphs



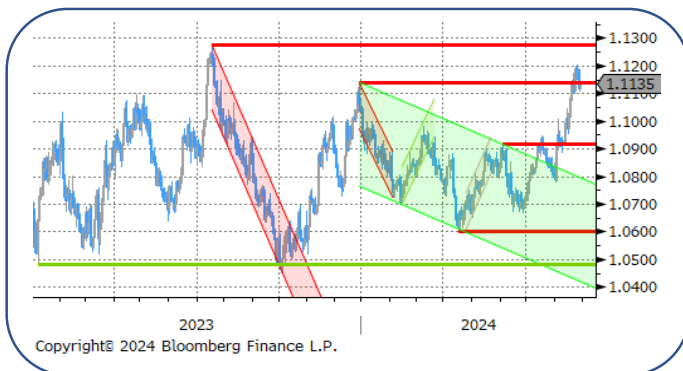
GE 10y yield

The ECB cut policy rates by 25 bps in June. Stubborn inflation (core, services) warrants a cautious approach on follow-up moves. Markets nevertheless price in two to three more cuts for 2024 as disappointing US and unconvincing EMU activity data rolled in, dragging the long end of the curve down. The move accelerated during the early August market meltdown.



US 10y yield

The Fed in its July meeting paved the way for a first cut in September. It turned attentive to risks to the both sides of its dual mandate as the economy is moving to a better in to balance. Markets tend to err in favour of a 50 bps lift-off. The pivot weakened the technical picture in US yields with another batch of weak eco data pushing the 10-yr sub 4%. Powell at Jackson Hole didn't challenge markets' positioning.



EUR/USD

EUR/USD moved above the 1.09 resistance area as the dollar lost interest rate support at stealth pace. US recession risks and bets on fast and large (50 bps) rate cuts trumped traditional safe haven flows into USD. EUR/USD 1 1.1276 (2023 top) serves as next technical reference.



EUR/GBP

The BoE delivered a hawkish cut in August. Policy restrictiveness will be further unwound gradually on a pace determined by a broad range of data. The strategy similar to the ECB's balances out EUR/GBP in a monetary perspective. Recent better UK activity data and a cautious assessment of BoE's Bailey at Jackson Hole are pushing EUR/GBP lower in the 0.84/0.086 range.

Calendar & Table

Thursday, 29 August		Consensus	Previous
US			
14:30	GDP Annualized QoQ (2Q S)	2.80%	2.80%
14:30	Personal Consumption (2Q S)	2.20%	2.30%
14:30	GDP Price Index (2Q S)	2.30%	2.30%
14:30	Core PCE Price Index QoQ (2Q S)	2.90%	2.90%
14:30	Advance Goods Trade Balance (Jul)	-\$97.9b	-\$96.8b
14:30	Wholesale Inventories MoM (Jul P)	0.30%	0.20%
14:30	Retail Inventories MoM (Jul)	0.50%	0.70%
14:30	Initial Jobless Claims	232k	232k
14:30	Continuing Claims	1870k	1863k
16:00	Pending Home Sales MoM / NSA YoY (Jul)	0.20%/-2.00%	4.80%/-7.80%
Canada			
14:30	Payroll Employment Change - SEPH (Jun)	--	41.0k
Japan			
07:00	Consumer Confidence Index (Aug)	37	36.7
EMU			
06:00	EU27 New Car Registrations (Jul)	0.20%A	4.30%
11:00	Consumer Confidence (Aug F)	--	-13.4
11:00	Services Confidence (Aug)	5.2	4.8
11:00	Industrial Confidence (Aug)	-10.8	-10.5
11:00	Economic Confidence (Aug)	96.0	95.8
Germany			
10:00	CPI Hesse MoM / YoY (Aug)	--/--	0.30%/1.80%
10:00	CPI Bavaria MoM / YoY (Aug)	--/--	0.30%/2.50%
10:00	CPI Brandenburg MoM / YoY (Aug)	--/--	0.30%/2.60%
10:00	CPI Saxony MoM / YoY (Aug)	--/--	0.60%/3.10%
10:00	CPI Baden Wuerttemberg MoM / YoY (Aug)	--/--	0.30%/2.10%
10:00	CPI North Rhine Westphalia MoM / YoY (Aug)	--/--	0.30%/2.30%
14:00	CPI MoM / YoY (Aug P)	0.00%/2.10%	0.30%/2.30%
14:00	CPI EU Harmonized MoM / YoY (Aug P)	0.00%/2.20%	0.50%/2.60%
Belgium			
	CPI MoM / YoY (Aug)	--/--	0.71%/3.64%
Spain			
09:00	CPI EU Harmonised MoM / YoY (Aug P)	0.20%/2.50%	-0.70%/2.90%
09:00	CPI Core YoY (Aug P)	2.60%	2.80%
Sweden			
08:00	GDP QoQ / WDA YoY (2Q)	-0.80%/0.00%	0.70%/0.70%
Events			
00:00	Fed's Bostic Speaks on Economic Outlook		
11:00	Italy to Sell Bonds		
11:15	ECB's Lane Speaks on Panel in Frankfurt		
19:00	ECB's Nagel Speaks in Frankfurt		
19:00	US to sell \$44bn 7-yr Notes		

10-year	Close	-1d		2-year	Close	-1d	Stocks	Close	-1d
US	3,83	0,01		US	3,87	-0,03	DOW	41091,42	-159,08
DE	2,26	-0,03		DE	2,39	-0,02	NASDAQ	17556,03	-198,79
BE	2,86	-0,03		BE	2,54	-0,02	NIKKEI	38324,22	-47,54
UK	4,00	0,00		UK	4,11	0,00	DAX	18782,29	100,48
JP	0,90	-0,01		JP	0,37	-0,01	DJ euro-50	4913,03	14,25
IRS	EUR	USD	GBP	EUR	-1d	-2d	USD	-1d	-2d
3y	2,54	3,49	3,93	€STR	3,6660	0,0010			
5y	2,47	3,36	3,74	Euribor-1	3,5920	0,0080	SOFR-1	5,2386	-0,0088
10y	2,50	3,39	3,69	Euribor-3	3,5050	-0,0100	SOFR-3	5,0449	-0,0107
				Euribor-6	3,3910	0,0060	SOFR-6	4,7270	-0,0039
Currencies	Close	-1d		Currencies	Close	-1d	Commodities	Close	-1d
EUR/USD	1,1120	-0,0064		EUR/JPY	160,78	-0,24	CRB	277,61	-2,93
USD/JPY	144,59	0,63		EUR/GBP	0,8430	-0,0004	Gold	2537,80	-15,10
GBP/USD	1,3191	-0,0070		EUR/CHF	0,9365	-0,0048	Brent	78,65	-0,90
AUD/USD	0,6785	-0,0008		EUR/SEK	11,3352	-0,0169			
USD/CAD	1,3481	0,0037		EUR/NOK	11,6821	-0,0175			

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