

# US economy holding up nicely

Equity markets consolidated last week as macroeconomic data once again pointed to the resilience of the US economy amid tighter monetary policy. Elsewhere, Saudi Arabia's announcement that it would stick to its production quota cut (-1 million barrels/day) drove a surge in oil prices and piled pressure on bond yields.

Correspondingly, the yield on the 10-year Treasury drifted back to highs at 4.25%, while the yield on the German Bund headed above 2.60%.

Growth in the US services sector picked up pace in August, as shown by the ISM services index rising to 54.5 from 52.7 in July, versus a consensus forecast looking for a slight decline. In addition, US durable goods orders (ex transportation) rose by 0.5% in July while inventories increased by 0.1%.

## Faster growth in US services sector

Contrary to forecasts, the number of new unemployment claimants slipped to 216,000 from 229,000 in the previous week.

Despite this data, the next Fed meeting is likely to result in a policy hold, as we are already seeing signs of the economy cooling off.

Here in Europe, the deterioration in economic activity has continued over the summer, as shown by the composite PMI index, which fell to a nine-month low of 46.7 points in August versus 48.6 points in July. German factory orders fell by more than expected in July, dropping by 11.7% compared with June.

Retail sales fell by 0.2% in July over June and by 1% year-on-year versus consensus forecasts of -0.1% and -1.2%, respectively. Sluggish consumer spending can be attributed to the fall in real incomes and the fact that households are spending a larger proportion of their budgets on high energy prices and mortgage repayments. This is eroding purchasing power for other goods.

## Economic deterioration in Europe

In China, the economic woes continue. The Caixin PMI services index fell further to 51.8 points in August, after 54.1 in July. Observers are expecting the authorities to announce new support measures.

The S&P 500 ended the week down by 1.11% while the tech-heavy Nasdaq swung down by 1.95%. The Stoxx 600 Europe index shed 0.76%.

## Key data

	USD/CHF	EUR/CHF	SMI	EURO STOXX 50	DAX 30	CAC 40	FTSE 100	S&P 500	NASDAQ	NIKKEI	MSCI Emerging Markets
<b>Latest</b>	0.89	0.96	10'948.59	4'237.19	15'740.30	7'240.77	7'478.19	4'457.49	13'761.53	32'606.84	973.86
<b>Trend</b>	↑	→	→	→	→	→	↑	→	→	↑	→
<b>YTD</b>	-3.41%	-3.47%	2.04%	11.69%	13.05%	11.85%	0.35%	16.10%	31.48%	24.96%	1.83%

(values from the Friday preceding publication)



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