

# Steady fall in inflation

Equity markets ended the week sending mixed signals. Market participants were happy about the steady fall in inflation and the solid state of consumer spending in the US, despite the slowly worsening labour market.

All this news sent the US 10-year yield slightly higher to 3.90%. The yield on its German counterpart, the Bund, was stable at 2.30%.

In the US, the release of the PCE Price Index for July showed inflation stable relative to June, at 2.5% headline and 2.6% excluding energy and food.

Concurrently, US consumer spending (the powerhouse behind the American economy) rose by 0.5% (or USD 103.8bn) in July over the previous month, while personal incomes rose by 0.3% (or USD 75.1bn) in the same period.

## Increase in US consumer spending

At the same time, 231,000 initial jobless claims were announced for the week of 19 August, a decrease of 1,000 on the previous week. Finally, the number of claimants receiving regular benefits rose by 13,000 to 1,868,000.

This latest data ought to give the Fed confidence to start cutting rates at its September meeting. By how much will be determined by the job figures due out this week.

In Europe, 12-month inflation slowed in August, falling to its lowest level for three years, in line with expectations. The consumer price index calculated according to the European benchmark (HCPI) fell to a year-on-year rate of 2.2%, not far from the ECB's official 2% target, thanks in particular to a fall in energy prices. Core inflation excluding food, energy, alcohol and tobacco, was 2.8%, in line with expectations and down from 2.9% in July.

## Inflation hits three-year low in Eurozone

A detailed look at the underlying inflation data offers a more nuanced picture, however, with inflation in services accelerating, boosted by the Olympic Games in France. This could mean a temporary wage spurt and prompt the ECB to be more cautious about rate cuts.

Even so, investors are expecting the ECB to lower its benchmark policy rate by 25bp, to be announced after its meeting on 12 September.

The S&P 500 put on 0.24% last week while the Nasdaq ended down 0.92%. The Stoxx Europe 600 recovered by 1.34%.

## 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>	0.85	0.94	12'436.59	4'957.98	18'906.92	7'630.95	8'376.63	5'648.40	17'713.63	38'647.75	1'099.92
<b>Trend</b>	➡	➡	⬆	⬆	⬆	⬆	⬆	⬆	⬆	⬆	⬆
<b>YTD</b>	1.00%	1.10%	11.66%	9.65%	12.87%	1.16%	8.32%	18.42%	18.00%	15.49%	7.44%

(values from the Friday preceding publication)

## Swiss Market Index (SMI)



The 12300 mark was easily beaten. The next target lies slightly below 12600. Technical indicators are solid.

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