



## INSPIRING WHAT'S NEXT

### CIO OFFICE MORNING MARKET WRAP

30 Aug 2023

Monday was positive, and Tuesday was even more: an unexpected moderation in US job openings supported all asset classes. Global stocks gained +1% on average across regions, led by the S&P500 at +1.5%. US Treasury yields fell sharply in a bull-steepening pattern: -15 basis points for the 2-year to 4.9%, -13 for the 5-year to 4.27% and -9bps for the 10-year to 4.12%. A bit surprisingly, the dollar was pretty much unchanged against trade-weighted counterparts. The price of Brent crude oil gained +1.3% to \$85.5 and gold +0.9% to \$1937.

Markets are straightforward. The only clear messages from Jackson Hole last week were that 1. The fight against inflation remains front and center and 2. Both the Fed and the ECB keep all options open and are 100% data-driven. This means that data matters, especially on US labor market, as its tightness is obviously one of the key drivers of inflation. This explains why the monthly US JOLTS report took much more importance than usual yesterday. The number of job openings materially fell -3.7%, to the lowest since March 2021, the ratio of vacancies to unemployment continued to trend lower, while the number of quits also dropped. This was seen as an indication of the so desired cooling of the labor market, supporting the case for a Fed pause in September, even more so as the other significant release of the day was consistent: the US Conference Board measure of consumer confidence also fell more than expected, and its labor component, which basically measures how difficult it is to get a job, also dropped below 2019 levels. This also highlights how important Friday's monthly US job report will be for markets.

There is logically some risk appetite in Asia as we write this morning. Stocks are up almost +1% in Japan, +0.8% in Korea and Hong-Kong and +0.2% in China's onshore markets, where large banks are said to be about to cut their reference interest rates significantly. US Treasury yields in Tokyo trading are gaining 1 to 2 basis points across the curve, giving back a fraction of yesterday's sharp move. The price of Brent crude oil is up +0.3% at \$85 and  $\frac{3}{4}$ , gold is stable and major crypto currencies retain yesterday's gains: specialized asset manager Grayscale received a favorable legal ruling in their bid to issue a US domiciled bitcoin ETF. It may be challenged by the SEC, but still is a clear win and a major step.

Today will provide more US data: the ADP job report, as well as the second estimate for GDP and core PCE in the second quarter. Tomorrow will be richer and potentially more impactful, with retail sales in Japan, PMIs in China, inflation in the Eurozone, and the US weekly jobless claims. Friday could be even more decisive, with manufacturing leading indicators for major regions, and of course the crucial US job report at 4.30PM Dubai time - the median forecast of monthly job creations is at 170k. Stay diversified, and ready for anything, the year of unpredictability is not over.

Have a good day!

Chief Investment Office  
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