



CIO OFFICE MORNING MARKET WRAP

05 September 2024

Weaker than expected US job openings fueled growth concerns, exacerbating expectations for radical easing ahead from the Fed. US Treasury yields fell sharply, with a “dis-inversion” pattern: -8 basis points for the 10-year to 3.76%, -11 basis points for the 2-year to 3.75%, and -15bps for the 12-months to 4.21%. You’ve read it right: the 10-year and the 2-year are practically at the same level. Global stocks fell -0.4% on average in developed markets and -1.5% in emerging ones, with mostly non-US regions catching up with America’s late Tuesday’s volatility. The dollar weakened -0.5% against trade-weighted counterparts, now flat YTD in 2024. Gold was steady but oil prices continued to fall, to \$72.7 for the Brent.

It was all about the US July JOLTS report: job openings fell -3% month over month to 7.6mn which compares to expectations for 8.1mn. The June number was also revised lower, and the ratio of openings to unemployed dropped from 1.16 to 1.07, the lowest in 5+ years. A cooling labor market is a key indication to gauge the depth of Fed cuts ahead. Market implied expectations moved lower, to now 1.5 cuts in September and 4.2 for 2024. The good news is that the level of hiring, quits and layoffs are now consistent with pressure on wage growth, an important factor of disinflation. Two Fed officials spoke: Mrs Daly suggests that rate cuts are needed to keep the job market healthy while Mr Bostic thinks that it's too early to declare victory on inflation. Tomorrow’s monthly job report will definitely matter. With regards to leading indicators, August PMIs for both the UAE and Dubai came out at 54.2, clearly above expectations. The PMI Services was very strong in India at 60.9, reassuring in the UK at 53.7, but slightly missed expectations in the Eurozone at 52.9. US hard data for July, from factory orders to durable goods, overall met expectations – which is healthy. In other news, the Bank of Canada cut rates by 25 basis points, and August car production in Germany unexpectedly rebounded, a rare positive indication for a sector in a difficult place.

Asian markets do not panic as we write this morning. Stocks are overall slightly lower: -0.3% in Japan and Hong-Kong, a bit better for China onshore and Korea, while India just opens in slight positive territory. The yen gains, now below 144 for a dollar. US Treasury yields are hovering close to yesterday’s levels while gold and oil prices are steady.

Today we’ll look at July retail sales for the Eurozone and have a look at the US ADP job report and weekly jobless claims before the US ISM Services at 6PM Dubai time, expected to be stable at 51.4. The most important data of the week is of course tomorrow’s non-farm payrolls at 4.30PM Dubai time. The median forecast from economists of 165K hasn’t formally evolved according to the Bloomberg computation, however it’s fair to say that markets now imply a lower number, probably closer to 120.

Have a great day.

Chief Investment Office
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