



Weekly Investment Update

6th September 2024

News Headlines

US Economy – The US labour market is showing signs of slowing, with data from July and August highlighting weaker job growth and rising layoffs. The Job Openings and Labour Turnover Survey (JOLTS) revealed that job openings fell to 7.67 million in July, the lowest since early 2021, while layoffs increased to 1.76 million. Private payroll growth in August was also the weakest in over three years, with just 99,000 jobs added. Meanwhile, the manufacturing sector continues to struggle, contracting for the fifth consecutive month as orders and production decline. However, there are some positive indicators, with the services sector expanding for the second consecutive month in August, according to the latest Services ISM Report. The Services PMI was 51.5%, marking sector growth in six of the eight months in 2024. Additionally, weekly jobless claims dropped by 5,000 to 227,000 in late August. Hiring also picked up slightly in July, however total nonfarm payrolls increased by 142,000 in August, below the expectation of 160,000. With the labour market softening, many expect the Federal Reserve to cut interest rates at their next meeting.

Yield Curve – The previously mentioned US JOLTS data, which was weaker than expected and led to increased bets on significant interest rate cuts by the Federal Reserve, resulted in the US Treasury yield curve briefly un-inverting. Short-term Treasury yields dropped, with the two-year note falling just below the 10-year note. This marks only the second time since 2022 the yield curve has normalised.

British ISA – This week, the Labour government scrapped the proposed "British ISA" scheme, which would have allowed an extra £5,000 tax-free investment in UK equities. Despite campaign promises to keep the plan, the government has opted for simplification over complication, responding to pressure from wealth platforms who argued the administration of the scheme would be convoluted and costly.

Market Summary

Global Equities – It was a tough week for global equities, with negative returns seen across all major indices, continuing the trend of September being a poor month for equities historically. In the US, both the NASDAQ 100 and S&P 500 indices posted significant losses for the week as at Thursdays close, with the latter seeing its worst daily decline since early August on Wednesday, driven by weak ISM data. Nvidia also saw the largest market drop by a single stock in history on the same day, which brought down other technology stocks. Elsewhere, European and Asian stocks mostly followed the US's risk-off sentiment, with the Europe STOXX 600, Japan's Nikkei 225 and the Hong Kong Hang Seng indices all seeing substantial declines for the week as at Thursday's close.

Commodities – Commodity prices generally provided negative returns for the week as at Thursday's close. Oil prices experienced significant declines, driven by concerns over weakening demand and potential supply increases from Libya. WTI and Brent crude prices fell to lowest levels this year. However, gold prices ended the week higher, driven by a weaker US dollar.

Fixed Income – Bond yields dropped across the board globally (meaning prices rose) as weaker US economic data fuelled expectations of larger rate cuts from the Federal Reserve. US Treasury yields also fell, with the 2-year yield dropping below 3.76%, its lowest since September 2022, while European bonds also saw declines in yields, reflecting global trends.

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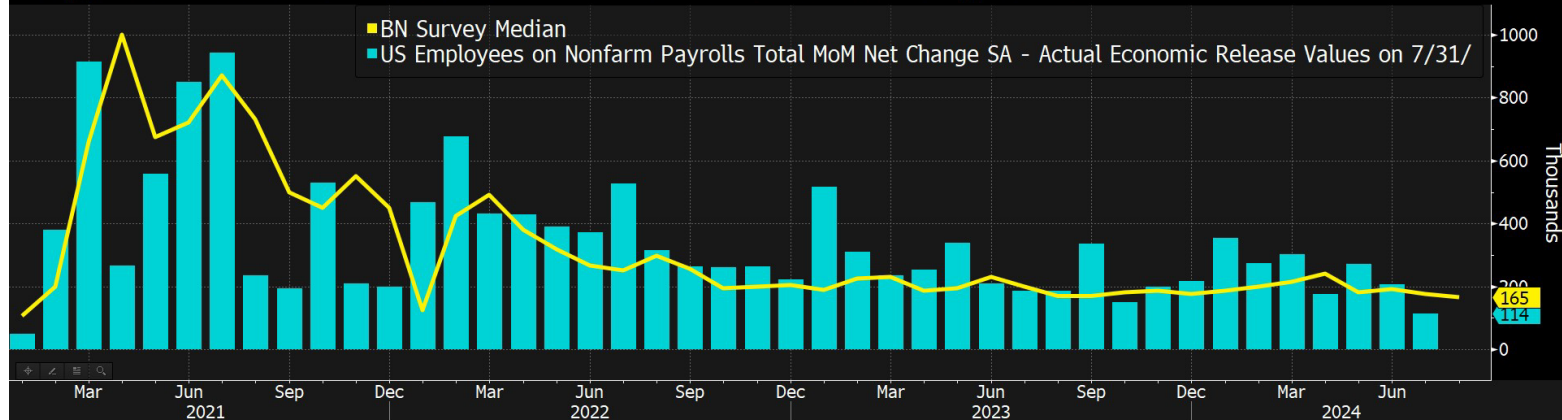
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Chart of the Week

US Jobs Weakness

August sees lowest estimate in over two years



Source: Bloomberg – US Jobs Weakness

Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
	- German CPI (MoM)	- US CPI (MoM, YoY) - UK GDP (MoM)	- ECB Interest Rate Decision - US Initial Jobless Claims - US PPI (MoM)	-

Market Performance – 06/09/2024

Global Market Indices	2024 YTD %*
FTSE 100	9.76%
S&P 500	16.48%
STOXX 600	10.05%
Nikkei 225	10.57%
Hang Seng	6.27%
Fixed Income	Yield %
UK 10 Yr Gilt	3.89%
US 10 Yr Treasury	3.73%
Commodities	2024 YTD %
Gold	22.12%
Currency	
GBP/USD	1.32 (06/09/2024)
GBP/EUR	1.19 (06/09/2024)

Source: FE Analytics/ Bloomberg

*Total Return/Local currency

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