Weekly Money Market Report
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Slower Global Business Activity as Headline PCE Approaches Fed Target

Highlights

- **US composite PMI down slightly to 54.4.**
- **US GDP grew at 3% annually in the second quarter.**
- **US PCE down to 2.2% from 2.5% previously.**
- **Eurozone composite PMI falls to contraction territory at 48.9.**
- **SNB lowers policy rate by 25 bps to 1%.**
- **RBA holds cash rate steady at 4.35%.**
- **Tokyo core inflation rose 2% meeting the Bank of Japan's expectations.**

United States

US PMI

US business activity remained steady in September, with the S&P Global Composite PMI at 54.4, slightly down from 54.6 in August, indicating continued private sector expansion. However, average prices for goods and services rose at their fastest rate in six months, suggesting potential inflationary pressures. The prices paid by businesses for inputs reached a one-year high of 59.1, while the prices charged by businesses increased to 54.7 from 52.9 in August.

Consumer Confidence

Consumer confidence in the US fell more than expected in September, after the Conference Board reading came in 98.7 versus 105.6 previously, the biggest one-month decline since August 2021. Consumers cited concerns about the labor market as a major source of worry in the survey. Additionally, inflation concerns continued to be a sticking point in the mind of consumers, with the one-year inflation outlook rising to 5.2%. The survey was done prior to the Federal Reserve's decision to cut interest rates by 50 bps last week.

Final GDP

The Bureau of Economic Analysis' third estimate for US second-quarter GDP remained unchanged, confirming 3% annualized growth, significantly higher than the 1.4% growth in the first quarter. While this reading reflects past data, projections indicate steady economic growth continuing into the third quarter. The Atlanta Fed's GDPNow tracker currently forecasts 2.9% annualized growth for Q3, which ends in September.

Unemployment Claims

New applications for US unemployment benefits unexpectedly fell by 4,000 to 218,000 in the week ending September 21, signaling continued low layoffs and easing concerns about the labor market. Economists had expected 225,000 claims. The data coincided with the government's household survey for September's unemployment rate. The jobless rate fell to 4.2% in August, down from 4.3% in July. Despite the rise in unemployment from 3.4% in April 2023, driven by increased immigration and labor supply, fears of rapid labor market deterioration have lessened.

Core PCE

In August, inflation moved closer to the Federal Reserve's target, which could ease the way for future interest rate cuts. The personal consumption expenditures (PCE) price index, a key measure of U.S. inflation, rose by 0.1%, bringing the 12-month inflation rate to 2.2%, down from 2.5% in July, the lowest since February 2021. Core PCE, excluding food and energy, also rose 0.1%, with a year-over-year increase of 2.7%. Although inflation showed progress, personal spending and income grew less than expected, with both rising by 0.2%. Last week, the Fed lowered its benchmark interest rate and shifted focus from inflation to supporting the labor market, hinting at further rate cuts this year and in 2025, though markets anticipate a more aggressive approach.

The US Dollar index closed the week at 100.42.

Europe & Switzerland

Eurozone PMI

Eurozone business activity unexpectedly contracted in September, with the services sector stagnating and manufacturing's decline worsening. Germany's economic downturn deepened, and France returned to contraction after a temporary boost from the August Olympics. The HCOB's preliminary composite PMI for the eurozone dropped to 48.9, below the 50 threshold that indicates growth, signaling contraction for the first time since February. This was worse than the Reuters poll's prediction of a modest decline to 50.5. Demand fell at its fastest rate in eight months, with new business and services PMIs falling below expectations. Manufacturing continued its decline, with the output index dropping to 44.5.

The EUR/USD currency pair closed the week at 1.1163.

SNB Policy Rate

The Swiss National Bank (SNB) reduced its interest rate by 25 basis points to 1.00%, following similar moves by the European Central Bank and U.S. Federal Reserve. This marks the SNB's third rate cut this year, enabled by sharply cooling inflation in Switzerland, which fell to 1.1% in August and has remained within the bank's 0-2% target range for 15 months. Outgoing SNB Chairman Thomas Jordan signaled that further rate cuts may be necessary to maintain price stability. The SNB also lowered its inflation forecasts for 2025 and 2026, predicting a 0.6% rise in Q2 2027.

The USD/CHF currency pair closed the week at 0.8405.

United Kingdom

UK PMI

British businesses experienced slower growth in September, with some firms expressing concerns about potential higher taxes, according to a survey. The UK S&P Global Composite PMI dropped to 52.9 from 53.8, below forecasts but still above the 50 level that indicates growth. Economists viewed the data as signaling a return to more sustainable growth after a post-recession rebound earlier in the year, contrasting with weaker performance in the euro zone. The Bank of England is waiting for clearer signs on inflation before considering further interest rate cuts, following a reduction in August.

The GBP/USD currency pair closed the week at 1.3373.

Asia Pacific

Australia Cash Rate

The Reserve Bank of Australia (RBA) kept its cash rate at 4.35% in its September meeting, marking the seventh consecutive hold, in line with market expectations. The RBA acknowledged that inflation, especially the trimmed mean measure, remains high and may not return to the 2-3% target until 2026. The board emphasized vigilance regarding inflation risks but maintained a data-driven approach. They noted that the current monetary policy stance would remain restrictive for some time. While household consumption is expected to improve in the second half of 2024, the recovery may be slower, potentially leading to subdued economic growth and a weakening labor market.

Australia CPI

Over in Australia, in the 12 months to August, the monthly CPI indicator increased by 2.7%, a decline from the 3.5% rise in July. The key price increases were in Housing (+2.6%), Food and non-alcoholic beverages (+3.4%), and Alcohol and tobacco (+6.6%), while Transport saw a decrease (-1.1%). Excluding volatile items like fuel, fruit, vegetables, and holiday travel, inflation rose by 3.0% in August, down from 3.7% in July. The Trimmed mean inflation, which excludes large, irregular price changes, was 3.4% in August, down from 3.8% in July. The reading comes after the RBA's decision to hold interest rates steady again, citing elevated inflation as a concern.

The AUD/USD currency pair closed the week at 0.6902.

PBOC Easing Measures

On Tuesday, the People's Bank of China announced extensive monetary stimulus and property market support measures aimed at revitalizing the economy, which is facing significant deflationary pressures and risks missing the 5% growth target for 2024. Key measures include a 50-basis point reduction in reserve requirement ratios in the near future, which would release approximately 1 trillion yuan ($142 billion) for lending, and a cut in the seven-day reverse repo rate to 1.5% from 1.7%. Additionally, the support package reduced the minimum downpayment for second homes from 25% to 15%. Despite these efforts, many analysts indicate that further fiscal stimulus is necessary to bolster real economic activity and restore consumer confidence.

The USD/CNY currency pair closed the week at 7.0110.

Tokyo Core CPI

In September, core inflation in Tokyo matched the Bank of Japan's (BOJ) 2% target, signaling progress toward potential interest rate hikes. The Tokyo core consumer price index (CPI), excluding fresh food costs, rose 2.0% year-over-year, down from 2.4% in August due to government subsidies for utility bills. This data is seen as an indicator of national inflation trends. Service prices also grew, reflecting rising labor costs. BOJ Governor Kazuo Ueda indicated the bank may continue raising rates if inflation stabilizes at 2% but will monitor global economic uncertainties given Japan's fragile recovery.

The USD/JPY currency pair closed the week at 142.19.

Kuwait

Kuwaiti Dinar

USD/KWD closed last week at 0.30500.

Rates – 29th September 2024

	Previous Week Levels				This Week's Expected Range		3-Month
Currencies	Open	Low	High	Close	Minimum	Maximum	Forward
EUR	1.1161	1.1082	1.1213	1.1163	1.1080	1.1240	1.1204
GBP	1.3316	1.3245	1.3434	1..3373	1.3250	1.3500	1.3360
JPY	143.93	142.05	146.49	142.19	140.10	143.30	140.40
CHF	0.8500	0.8400	0.8518	0.8405	0.8250	0.8500	0.8320