

WEEKLY VIEW

All that glitters is not gold

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The time has come

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SUMMARY

Powell's dovish message delights markets

Gold gains as Middle East tensions rise, dollar dips

US inflation data, key earnings report in focus

THE WEEK IN REVIEW

Federal Reserve Chair Jay Powell struck an unambiguously dovish tone in his Jackson Hole speech on Friday, **making clear the Fed is ready to cut rates in September** as the upside risks to inflation have diminished. The message delighted markets, with S&P500ⁱ rising 1.5% (in USD) on the week and the S&P SmallCap 600 Indexⁱⁱ up 3% (in USD) as the rally broadened. Treasury 2- and 10-year yields lost 15 and 8 bps respectively. The dollar was the week's main victim, closing at 1.12 versus the euro. Helped by dollar weakness and safe-haven demand, gold hit record highs before closing at USD2,521. The dollar's weakness has mainly been against low yielding currencies rather than higher yielding ones like the Mexican peso, which has been hit by investor jitters over a planned judiciary reform. In politics, Kamala Harris, who has raised over USD500 mn since entering the presidential race, accepted the Democrats' nomination to run. Robert Kennedy Jr quit and endorsed Republican Donald Trump, which may make the race closer. In China, authorities suspended the system for approving new steel plants, responding to overcapacity and weak demand.

QUOTE OF THE WEEK

"The time has come for policy to adjust," Powell said in Jackson Hole. "The direction of travel is clear, and the timing and pace of rate cuts will depend on incoming data, the evolving outlook, and the balance of risks."

KEY DATA

The US Labor Department revised lowered its estimate for total payroll employment for the period from April 2023 to March 2024 by 818,000. The downward revision meant that monthly job gains during the period averaged roughly 174,000, compared to the previously reported figure of 242,000. **US new home sales rose 10.6% in July.**

Euro area flash composite PMI rose to 51.2 in August from 50.2 in July, boosted by a French services upturn that coincided with the Olympic Games, with no manufacturing revival in sight. **Euro area negotiated wage growth fell to 3.6% year-on-year** in the second quarter vs 4.7% in the first quarter.

In Japan, the consumer price index rose by 2.8% year-on-year in July.

MARKET VIEW

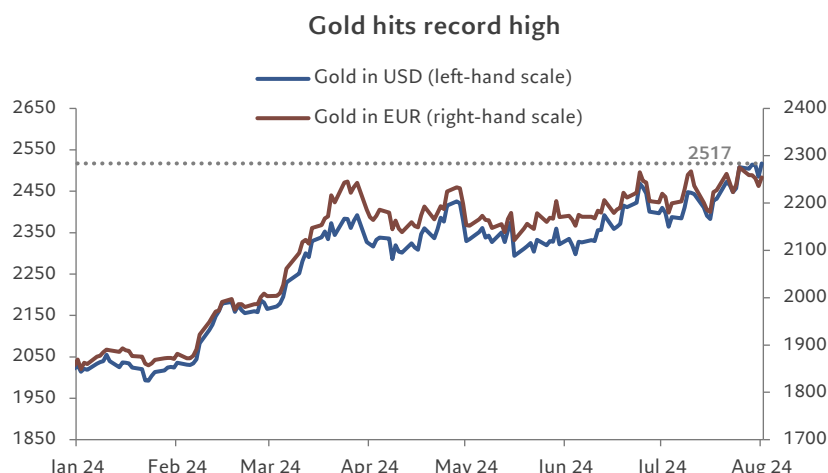
This week we will watch the US core personal consumption expenditures (PCE) index, the Fed's preferred inflation measure, for indications on the potential pace of its rate cuts, along with European inflation data. **We expect the Fed to make three 25bps cuts this year, starting in September, and the European Central Bank to cut by 25 bps in September and December.** In Europe, German industrial union IG Metall's wage talks in September will be important as wage growth is a key indicator for the ECB to cut rates.

Results from a bellwether AI chip maker will be key this week, with the market watching for earnings guidance. **Stock picking is more important than ever**, as shown by the contrasting fortunes of two US retailers last week. News that a further US retailer sold its entire holding in a Chinese e-commerce business showed the decoupling between the US and China is happening at a corporate – as well as a political – level.

Israel's air strikes in Lebanon on Sunday marked an escalation of hostilities. **We are overweight gold** given the current uncertain geopolitical environment. A bar of gold is now worth USD1 mn for the first time ever.

Golden Week

Gold has soared past USD 2,500 per troy ounce, buoyed by a weak US dollar and robust safe-haven demand. Despite occasional dips, demand in both the over-the-counter and futures markets remains strong, driven by geopolitical tensions and fiscal concerns. These historic highs are partly attributed to the weak dollar; in contrast, prices in euros are slightly lagging. Overall, we maintain a positive outlook for gold.



Source: Pictet Wealth Management, Bloomberg Finance L.P., as of 23.08.2024

Asset class performance

Stock Markets	Last close	1 week change %	YTD%
Dow Jones*	41,175.08	1.27%	9.25%
S&P500*	5,634.61	1.45%	18.13%
NASDAQ Comp*	17,877.79	1.40%	19.10%
MSCI World Small Cap \$*	569.44	3.11%	7.73%
MSCI Europe*	173.64	1.29%	8.10%
MSCI EMU*	163.29	1.49%	6.95%
SMI*	12,347.46	1.30%	10.86%
MSCI China \$*	56.77	0.07%	2.34%
Nikkei*	38,364.27	0.79%	14.64%
CBOE Volatility (VIX)*	15.86	7.16%	27.39%

Currency, Commodity, Rates	Last close	1 week change %	YTD%
EURUS**	1.12	1.70%	1.20%
GBPUS**	1.32	2.32%	3.47%
USDCHF**	0.85	-2.27%	0.83%
USDJPY**	145.16	-1.92%	2.96%
USDCNY**	7.14	-0.43%	0.64%
EURCHF**	0.95	-0.60%	2.03%
Gold**	2512.59	0.18%	21.79%
Silver**	29.82	2.89%	25.30%
Crude Oil**	73.72	-5.55%	2.55%
US Investment Grade	3385.74	0.72%	4.55%
US High Yield	1687.39	0.74%	6.12%
EU Investment Grade	284.84	0.28%	2.70%
EU High Yield	370.80	0.30%	5.20%
Swiss Bond Index	130.63	-0.05%	2.63%

Source: Pictet as of 23.08.2024. Past performance should not be taken as a guide to or guarantee of future performance. Performances and returns may increase or decrease as a result of currency fluctuations. This table may contain information about financial instruments or issuers but does not set out any direct or implied recommendation whatsoever (either general or personalized). YTD stands for year to date. *measured on a non Total Return basis. ** showing mid price numbers.

WHAT TO WATCH THIS WEEK?

MONDAY

Germany: IFO index (August)
US: durable goods orders (July)

TUESDAY

US: conference board consumer confidence (August)

WEDNESDAY

Eurozone: M3 and credit data (July)

THURSDAY

Spain, Germany: flash CPI (August)
US: real GDP (Q2, second release)
US: initial jobless claims

FRIDAY

Japan: Tokyo CPI (August)
France, Italy: flash CPI (August)
Euro area: flash HICP (August)
US: core PCE (July)
US: UoM survey (August)

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i) Source: Pictet WM AA&MR, Thomson Reuters. Past performance, S&P 500 Composite (net 12-month return in USD): 2019, 31.5%; 2020, 18.4%; 2021, 28.7%; 2022, -18.1%; 2023, 26.3%.

ii) Source: Pictet WM AA&MR, Thomson Reuters. Past performance S&P SmallCap 600 Index (net 12-month return in USD): 2019, 22.8%; 2020, 11.3%; 2021, 26.8%; 2022, -16.1%; 2023, 16.1%.