

Market Comment | Cautious mood prevails in markets

Global Financial Markets Unit
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- The markets remained in **calm mood** on the last day of August, despite positive economic data from the US, mainly **labour market data which support higher expectations of a Fed interest rate hike**. US pending homes sales beat the consensus in July, as well as non-farm ADP employment data (177K, consensus 175K, prior 194K). However, **August Chicago PMI fell more than expected** (51.4, 54 consensus, prior 55.8). Along the same lines of recent comments from Fed members, the **Fed's Rosengren** suggested that the US economy would soon reach its goals on employment and inflation, and that higher interest rates would reduce some economic risks. In Europe, euro zone inflation disappointed in August (0.2%YoY, consensus 0.3%YoY, prior 0.2%YoY), while UK consumer confidence rebounded in August, after the collapse right after the Brexit outcome.
- Equities markets reflected the calm mood, with **no significant movements across the board** (S&P500 -0.4%, Dax -0.5%). Nonetheless, European **banks continued outperforming** (+2.2%), thereby recovering some ground since suffering from the Brexit outcome. Although Japan industrial output deteriorated, the Nikkei gained some ground (+0.97%), helped by a weaker yen.
- Bond markets also reflected a similar mood on the last day of August, with no important movements. The most notable event was that **European peripheral risk premiums inched up** (ITA +1 bps, SPA +4 bps).
- The USD remained stable (DXY -0.1%), although continued its appreciation against JPY (-0.44%). Meanwhile, **US stockpiles data rose more than previously expected**, dragging down oil prices significantly (-2.4%). Consequently, **EM currencies mainly depreciated** (MXN -0.2%, CLP -0.7%, COP -0.5%), with the exception of TRY.

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Table 1

CDS, EMBI & MSCI indices with one day delay

**Credit spread (BAA) with two days delay

***S&P GSCI with one day delay

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