

Market Comment | Some signs of rebound amidst ongoing uncertainty.

Global Financial Markets Unit
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- **Positive macro news in the US.** Durable goods orders unexpectedly surged in July (by 2.0%; consensus: -0.4%) while durables and capital goods orders also surprised positively: capital goods ex transportation rising by 0.6% (consensus: 0.3%) and capital goods orders (non-defence ex air) rising by 2.2% (consensus: 0.3%).
- **Peter Praet highlighted the risk of low inflation in the eurozone.** “Developments in the world economy and in commodity markets have increased the downside risk of achieving the sustainable inflation path toward 2 percent,” but the ECB Executive Board member also pointed out that the current QE programme “provides sufficient flexibility to do so, in particular in terms of size, composition and length”. He also commented on the market slump driven by Chinese indices. “We have to take some distance from the short-term volatility of the market” and “from the monetary-policy perspective, we will have to think about the consequences in the pricing of risk.”
- **Some signs of rebound amidst ongoing uncertainty.** Asian equity markets partially rebounded as Europeans indices dropped slightly and US indices rose after yesterday's last-minute drop. European equity markets are ending today's session slightly lower (Euro Stoxx: -1.0%, CAC: -0.9%, DAX: -0.8% IBEX: -0.6% at the time of writing), after a volatile day that mostly signalled a recovery from Monday's falls. US indices are rising once again (S&P: +1.7% and Dow Jones: +1.6% at the time of writing), after ending yesterday in the red. China's equity markets continued to fall, but at a slower rate, as Asian markets started to rebound (Shanghai: -1.27% Nikkei: +3.2% TOPIX: +3.23%). On bond markets, US treasury yields are rising, continuing yesterday's partial rebound (US 10Y:+5bp, 2Y:+4bp) while European core yields fell after yesterday's hikes (German 10Y:-4bp and French 10Y:-5bp). Periphery yields are also falling (Portuguese 10Y:-5bp, Italian 10Y:-2bp and Greek 10Y:-16bp). On FX markets, the USD continues to appreciate against other major currencies (EUR: -1.11%, JPY: -0.38%, GBP: -1.05% at the time of writing) and EM currencies continue to depreciate against the dollar (BRL: -0.5%, RUB: -0.5%, CLP: -0.3%). Commodity prices continued to fall (Brent: -0.3%, copper: -2.4%, gold: -1.5%).

Table1

*CDS, EMBI & MSCI indices with one day delay

**Credit spread (BAA) with two days delay

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