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3% Second-quarter US GDP growth	US economy grew faster than initial estimates of 2.8% GDP growth.
114k Jobs added in the US	NFP figures at the start of the month came in below expectations, raising growth concerns.
122% Nvidia YoY revenue growth	Nvidia reported strong Q2 earnings, however shares dipped following the release due to growth sustainability.

August 2024

Market Spotlight

Around the world

- Real US GDP grew at an annual rate of 3% in Q2, above expectations of 2.8% and accelerating from 1.4% in Q1, driven by strong consumer spending. This reinforced the view that US growth remains resilient with a strong consumer.
- US Inflation fell to 2.9% from 3% in the previous month. Shelter inflation, a dominant factor in US inflation, surprised to the downside supporting the first cut to interest rates expected in September.
- EU Inflation fell to 2.2% in August from 2.6% in the previous month. The figures indicated further progress towards the ECB's 2% target, supporting further interest rate cuts by year end.
- The good news for the UK continued with retail sales expanding 1.4% year-on-year versus a contraction in the previous month. The increase was driven by summer discounting and sporting events.
- South Korean exports, which are an indicator for global growth and demand, moderated slightly in August. This came as semiconductor growth slowed to a five-month low, attributable to a lack of smartphone launches.
- China activity data moderated in August, as the property market continues to falter. House prices on the mainland continue to fall leading to falling housing units under construction.

Market snapshot

The start of August saw heightened volatility, with global equity sell-offs as recession fears increased following poor employment data from the US. The rise in the unemployment rate triggered the Sahm Rule indicator, adding to investor fears.

The second half of the month saw the prospect of rate cuts in the US, helping global equity markets rebound. Global bonds benefitted from the likelihood of a US rate-easing cycle. In contrast, Japanese equities suffered as the Bank of Japan hiked rates and a stronger Yen weighed in on the earnings outlook for companies.

Performance of global asset classes

	1 Month	YTD
World Equities	2.5%	13.1%
US Equities	2.4%	16.7%
Global Government Bonds	2.4%	-0.5%
Global High Yield Bonds	2.2%	5.2%
Global Corporate Bonds	1.9%	1.5%
Emerging Market Equities	1.6%	7.8%
Precious Metals	1.5%	14.5%
European Equities	1.4%	8.3%
US Tech	1.1%	15.0%
UK Equities	0.9%	10.6%
Commodities	-0.4%	-2.2%
Japanese Equities	-1.1%	17.9%
Chinese Equities	-3.5%	0.3%

Source: Bloomberg, Returns are in local currency, as at 30 August 2024.

What is the data telling us?

Manufacturing PMIs across the regions improved in August following a mixed month in July.

US manufacturing data improved following a weak reading in July, helping to dampen recession fears. China saw a move into expansion, driven by strong export growth. The UK continues its strong recovery, posting a straight three months of rising PMIs.

The services sector of the global economy has remained strong. Notably, the EU posted strong gains due to higher demand from the domestic market. Additionally, US Services beat expectations thanks to robust consumer demand.

Purchasing Managers Index

Manufacturing

	2023				2024							
	9	10	11	12	1	2	3	4	5	6	7	8
Global	49.1	48.8	49.3	49	50	50.3	50.6	50.3	51	50.9	49.7	49.5
US	49	46.7	46.7	47.4	49.1	47.8	50.3	49.2	48.7	48.5	46.8	47.2
EU	43.4	43.1	44.2	44.4	46.6	46.5	46.1	45.7	47.3	45.8	45.8	45.8
UK	44.3	44.8	47.2	46.2	47	47.5	50.3	49.1	51.2	50.9	52.1	52.5
China	50.6	49.5	50.7	50.8	50.8	50.9	51.1	51.4	51.7	51.8	49.8	50.4
Japan	48.5	48.7	48.3	47.7	48	47.2	48.2	49.6	50.4	50	49.1	49.8

Service

	2023				2024							
	9	10	11	12	1	2	3	4	5	6	7	8
Global	50.8	50.4	50.6	51.6	52.3	52.4	52.4	52.7	54	53.1	53.3	
US	53.6	51.8	52.7	50.6	53.4	52.6	51.4	49.4	53.8	48.8	51.4	51.5
EU	48.7	47.8	48.7	48.8	48.4	50.2	51.5	53.3	53.2	52.8	51.9	52.9
UK	49.3	49.5	50.9	53.4	54.3	53.8	53.1	55	52.9	52.1	52.5	53.7
China	50.2	50.4	51.5	52.9	52.7	52.5	52.7	52.5	54	51.2	52.1	51.6
Japan	53.8	51.6	50.8	51.5	53.1	52.9	54.1	54.3	53.8	49.4	53.7	53.7

Source: JP Morgan, ISM Institute, HCOB, S&P Global/CIPS, Caixin, au Jibun Bank, from 1 September 2023 to 30 August 2024.

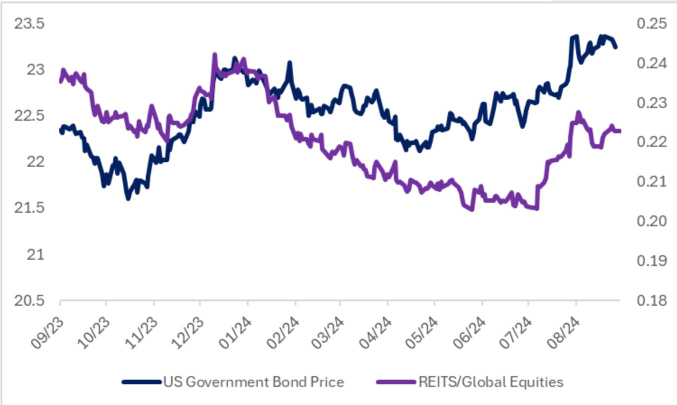


Chart of the month

Global Real Estate Investment Trusts (REITs) posted strong gains in August, advancing more than 6% and outperforming global equities. This surge was fuelled by the prospect of US rate cuts following on from softer employment and inflation data earlier in the month. An increase in rate cut expectations saw government bond prices rally. Bond prices move inversely to interest rates.

When bond yields fall, REITs tend out outperform the broader market. We expect the beginning of a rate cutting cycle will lead to lower bond yields. In the scenario we would expect global REITs to do well relative to other equities sectors.

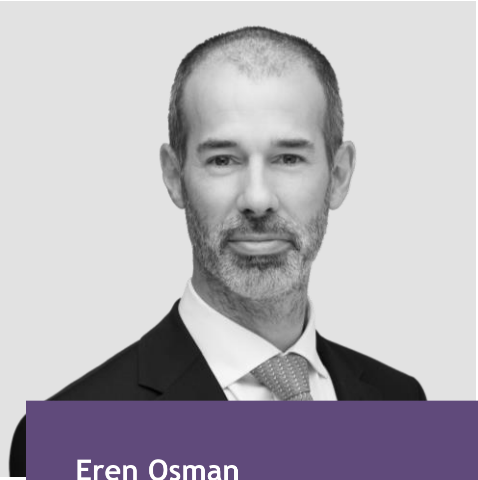
Looking ahead

In recent months, economic data has been mixed. Weakening manufacturing PMI and a rising US unemployment rate have raised concerns about slower growth ahead. However, US GDP figures continue to reflect a resilient economy. This disparity in the data makes it difficult to predict the trajectory of the economy from here.

Hopes for a manufacturing rebound and a narrowing growth gap between the US and other global economies have not materialised as expected. As a result, we have adjusted our portfolios to better reflect the current weaker manufacturing environment.

Looking ahead, weaker data in manufacturing and employment could prompt the Federal Reserve to begin its rate-cutting cycle. Combined with lower inflation levels, this would give the Fed the confidence to start easing monetary policy, which is typically supportive of fixed income assets. We are positioning our portfolios accordingly to take advantage of these potential shifts.

Contacts



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