

Investment Daily

1 August 2024

US stocks and Treasuries rallied on Fed rate-cut optimism

US equities rose on Wednesday, boosted by Fed rate cut signals and a rebound in technology shares. The S&P 500 rose 1.6%.

US Treasuries rallied amid growing investor expectations for a September rate cut by the Fed. 2-year yields fell 10bp to 4.26% as 10-year yields dropped 11bp to 4.03%.

European stock markets rose on Wednesday driven by corporate updates and news that a major European chip manufacturer would be exempt from upcoming US chip export restrictions. The Euro Stoxx 50 rose 0.7% led by technology. The German DAX gained 0.5% and the French CAC rose 0.8%. In the UK, the FTSE-100 gained 1.1% ahead of the Bank of England (BoE) meeting.

European government bonds rose ahead of Fed policy decision and BoE policy meeting. 10-year German yields fell 4bp to 2.30% with 10-year French yields also down 4bp to 3.01%. In the UK, 10-year gilt yields fell 7bp to 3.97%.

Asia stock markets advanced on Wednesday. Japanese stocks reversed earlier losses to end higher on Wednesday, after the Bank of Japan (BoJ) raised its policy rate by 15bp to 0.25% and announced its plan to reduce monthly JGB purchases. The policy decision boosted bank shares. Meanwhile, a news report that the US plans to exempt Japan and Korea from an upcoming rule on chip export restrictions boosted semiconductor stocks in the two markets, along with upbeat profits/earnings results from a leading Korean memory chipmaker. Japan's Nikkei 225 closed 1.5% higher as Korea's Kospi posted a 1.2% gain. Elsewhere, Chinese equities rallied as soft PMI readings renewed investor optimism over policy stimulus. China's Shanghai Composite and Hong Kong's Hang Seng jumped 2.1% and 2.0% respectively. India's Sensex also ended 0.4% higher.

Crude oil prices surged on Wednesday amid growing concerns over geopolitical risks in the Middle East. WTI crude for September delivery jumped 4.3% to settle at USD77.9 a barrel.

US stocks and Treasuries rallied on Fed rate cut hopes

European stocks and government bonds rose

Japanese stocks ended higher post BoJ policy normalisation

Key Data Releases and Events

Releases yesterday

The **US Federal Reserve** left the Fed funds rate target unchanged at 5.25-5.50%, as expected. The statement acknowledged that risks to inflation and employment now need to be balanced and signaled a Committee incrementally closer to lowering rates. Fed Chair Powell expressed more optimism about the recent inflation data and suggested that the economy is moving closer to the point at which it will be appropriate to reduce the policy rate and a September rate cut could be on the table.

The **Bank of Japan** raised interest rates by 15bp to 0.25% in mostly an unexpected move and revealed a detailed strategy to halve the pace of its bond purchases by Q1 2026, signalling a push to end the past 10 years of monetary stimulus.

Brazil's central bank left its policy rate unchanged at 10.50% for a second consecutive meeting as a weaker currency and resilient services costs add upside inflation risks.

Releases due today (1 August 2024)

Country	Indicator	Period	Survey	Prior
US	ISM Manufacturing Index	Jul	48.8	48.5
MX	S&P Global Manufacturing PMI	Jul	-	51.1
UK	S&P Global Manufacturing PMI (Final)	Jul	51.8	51.8
UK	BoE Interest Rate Decision	Aug	-	5.25%
EZ	Unemployment Rate	Jul	6.4%	6.4%
EZ	S&P Global Manufacturing PMI (Final)	Jul	45.6	45.6

In the **US**, the **ISM Manufacturing Index** may edge higher in July but remain in contractionary territory.

The **Bank of England (BoE)** could cut rates for the first time in more than four years amid evidence of moderating inflation and wage growth. Financial markets are pricing in a 60% chance of a 25bp rate cut.

In the **Eurozone**, **unemployment and the final manufacturing PMI** are expected to remain broadly unchanged.

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Produced by the [Global Investment Strategy Unit](#)

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