

Investment Daily

6 August 2024

Global equity sell-off amid concerns about the US economy

US equities extended last week's losses to close sharply lower on Monday amid investor concerns about the US economy, though stocks pared some of earlier losses after an upside surprise in ISM services data. The S&P 500 was down 3.0%.

US Treasuries reversed earlier gains to end with a flatter yield curve, after the ISM services data release helped calm the risk-off sentiment. 2-year yields rose 4bp to 3.92%, 10-year yields were flat at 3.79%, while 30-year yields fell 4bp to 4.07%.

European stock markets declined on Monday following a selloff in global stocks. The Euro Stoxx 50 fell 1.4%. The German DAX fell 1.8% and the French CAC fell 1.4%. In the UK, the FTSE-100 dropped 2.0%.

European government bonds initially rallied amid a flight to safe havens, but pared gains after better-than-expected US ISM services data. 10-year German yields ended 2bp higher at 2.19% with 10-year French yields up 1bp to 2.98%. In the UK, 10-year gilt yields rose 4bp to 3.87%.

Asia stock markets plunged on Monday amid rising fears of a deeper US economic slowdown, and a risk-off sentiment also drove an intensified sell-off in tech shares in the region. Japan's Nikkei 225 tumbled 12.4% as the Japanese yen rallied further and the JGB yields slid markedly. Korea's Kospi also sank 8.8%, led by chipmakers. Chinese equities showed milder losses, with Hong Kong's Hang Seng and China's Shanghai Composite both losing 1.5%. Elsewhere, India's Sensex ended 2.7% lower.

Crude oil prices fell on Monday amid global risk selloff, while investors continued to assess geopolitical developments. WTI crude for September delivery settled 0.8% lower at USD72.9 a barrel.

US stocks fell further and the Treasury yield curve flattened

European stocks and government bonds fell

Asian stocks plunged amid a global selloff

Key Data Releases and Events

Releases yesterday

The **US ISM Services Index** rose to 51.4 in July, from 48.8 in June, supporting the case for an economic correction rather than a collapse.

Releases due today (06 August 2024)

Country	Indicator	Period	Survey	Prior
Germany	Manufacturing orders (mom)	Jun	0.5%	-1.6%
Australia	RBA Cash Target Rate	Aug	4.35%	4.35%

In **Germany, manufacturing orders** are expected to increase by 0.5% mom in June, after a -1.6% mom drop in May, but likely remained weak and suggested production is likely to struggle in coming months.

The **Reserve Bank of Australia** (RBA) is forecast to leave the interest rate on hold at 4.35% as core inflation, while trending down, remains too high for the RBA's comfort.

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