

# MARKET UPDATE

**19/08/2024**

## **European shares flat after best week.**

European shares opened flat on Monday, following their best weekly jump in three months, as investors prepared for another data-heavy week, with focus on U.S. Federal Reserve Chair Jerome Powell's speech at Jackson Hole for interest rate cut clues.

The pan-European STOXX 600 index was flat at 511.38 points, by 0715 GMT, after logging its best week since May 6 on Friday.

Defence stocks led declines, with Rheinmetall

G.DE>, BAE Systems (LON:BAES), Saab Ab, Thales , Leonardo and Dassault Aviation falling between 1.4% and 4.3%, following reports in Germany that Berlin will limit military aid to Ukraine due to budget restrictions.

Investors are anticipating flash Purchasing Managers' Index (PMI) data for France, Germany, Britain, and the Eurozone, as well as the U.S. PMI numbers and initial jobless claims data due later this week.

However, the main focus this week is the global central bank gathering at Jackson Hole, Wyoming, where Powell is expected to speak on Friday and likely give some cues on the Fed's monetary policy path.

## **Oil prices fall on China demand fears.**

Oil prices eased in trading on Monday as fears of weaker demand in top oil importer China weighed on market sentiment while investors focused on the progress of ceasefire talks in the Middle East, which could reduce supply risks.

Brent crude futures dropped 45 cents, or 0.56%, to \$79.23 per barrel by 0646 GMT. U.S. West Texas Intermediate crude futures slid 58 cents, or 0.76%, to \$76.07 a barrel.

Both benchmarks fell nearly 2% last Friday as investors tempered expectations of demand growth from China, but ended the week largely unchanged from a week earlier after a batch of U.S. data last week showed inflation was moderating and retail spending was robust.

"Persistent concerns about slow demand in China led to a sell-off," said Hiroyuki Kikukawa, president of NS Trading, a unit of Nissan (OTC:NSANY) Securities, adding another factor was the approaching end of the peak driving season in the United States.



## Yuan up as dollar wobbles.

The yuan headed for its sharpest gain in two weeks on Monday, riding a wave of broad dollar selling as investors bet on U.S. rate cuts, but slid against a resurgent yen.

China's currency climbed as far as 7.1314 per dollar during afternoon trade and was last about 0.4% firmer at 7.1363, its largest one-day rise since early August.

The rally puts the yuan back in the middle of its daily trading band - after months at the low end - though that is mostly thanks to a weakening dollar rather than improving sentiment.

Yen gains continued to squeeze the yuan against a basket of trading partners' currencies, where it hit 98.07, the lowest level since Jan. 15, according to Reuters calculations from official data. The yuan fell 1% to 20.38 yen, its heaviest drop since August 5.

Traders are looking ahead to China's loan prime rate settings on Tuesday against a backdrop of cratering bank lending, falls in home prices and economic gloom that analysts think will keep the currency from gaining much further.

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