



Weekly round up

Decelerating inflation data out of Europe and the US helped to lift market sentiment late in the week. Wall Street nevertheless struggled to hang on to gains from early in the session, finishing the last trading day of the quarter mostly in the red. A spending deal reached by US lawmakers over the weekend to avert a government shutdown should brighten up sentiment at the start of the new week with investors' focus returning to interest rate expectations and central banks.

US core personal consumption expenditures (PCE) - which strips out volatile food and energy prices and is the Federal Reserve's preferred gauge of inflation - increased at the slowest pace since 2020 in August, according to data released Friday. Core PCE increased 0.1% when compared to July. The broader PCE price index increased 0.4% due to higher energy costs. The Fed kept rates unchanged last month citing decelerating inflation numbers as a reason to pause its most aggressive rate hiking cycle in decades.

In the euro area, inflation decelerated to its slowest pace in two years. Consumer prices in the eurozone increased by 4.3% in September when compared with the same period a year earlier. Excluding food, energy, alcohol and tobacco, inflation was 4.5%. The slowing pace of price increases is a sign that the European Central Bank's (ECB) interest rate hikes are succeeding in lowering inflation. The central bank raised rates for a tenth consecutive time last month. The Euro Stoxx 50 finished Friday's session up 0.3%.

In New York, stocks initially pushed for a rally to finish the third quarter but were mostly trading in the red by the end of Friday's session. Concerns about a potential US government shutdown that could have started as early as this weekend came into focus late in the trading session. That worst-case scenario has been avoided, with lawmakers reaching an agreement over the weekend to keep funds flowing. The Dow Jones Industrial ended the quarter's last trading session 0.5% lower. It was down 1.3% over the week and 3.5% in September. The S&P 500 also fell 0.3% on Friday, while the Nasdaq-100 just managed to close in positive territory, up about 0.1%.

In the Asia-Pacific region, stock markets were mixed to start the new week following positive economic data out of China and Japan. In September, Chinese factory activity expanded for the first time since April. The Manufacturing Purchasing Managers' Index (PMI) increased to 50.2 from 49.7 the previous month. A level of 50 separates expansion from contraction. Chinese stocks couldn't react to the PMI data, as markets in the country are closed for the Golden Week holiday. In Tokyo, the Nikkei 225 was trading up 0.1% after the Tankan Survey of large manufacturers returned an improved score of 9 for the third quarter, up from 5 in the previous quarter. South Korea's Kospi was also trading up 0.1%, while Australia's the S&P/ASX 200 lost 0.3%.



Rounding out last week's economic data from Europe, Germany's seasonally adjusted unemployment rate stayed stable at 5.7% in September. To the South, Switzerland's KOF Economic Barometer remained pessimistic in September. The index came in at 95.9 points in September, down from 96.2 in August, indicating a cooling Swiss economy for the rest of the year.

Source: LGT (CH)

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