



## UNCERTAINTY RESERVED FOR UK BUDGET WITH INFLATION CONTINUING DOWNWARD TRAJECTORY

At the Jackson Hole Economic Symposium, Federal Reserve Chair Jerome Powell delivered a clear message: the time has come for policy adjustments. Powell highlighted that while inflation remains a concern, the recent cooling in the labour market provides an opportunity for the Fed to begin cutting rates. Today's release of the Personal Consumption Expenditures (PCE) index showed that the Federal Reserve's preferred measure of inflation held steady at 2.5% in the year to July which only supports the Fed's stance on initiating rate cuts next month.

Meanwhile, in the Eurozone, inflation fell to a three-year low of 2.2% in August, raising expectations for an ECB rate cut in September. Despite a rise in services inflation, the overall trend points to a more benign inflation environment. The reading, along with reports from Germany, Spain, and France, indicates a broader trend of falling inflation across the Eurozone. Markets are now betting on a quarter-point reduction in the ECB's benchmark interest rate to 3.5% at its September 12 meeting.

### THE MARKETS THIS WEEK

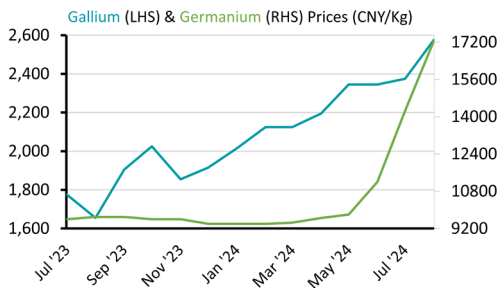
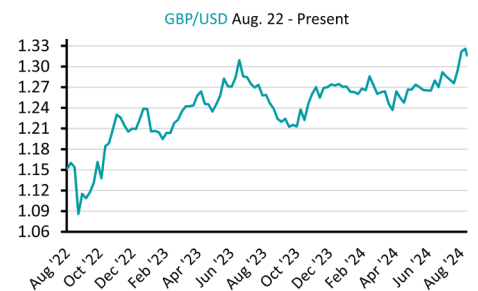
FTSE 100	S&P 500	Nikkei 225	MSCI Europe	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Iron Ore	GBP USD
+0.88%	-0.22%	+1.36%	+1.38%	+2.14%	+0.06%	+0.05%	+0.74%	+0.50%	-0.45%	+0.49%

#### UK: BUDGET FEARS AND STERLING SURGE



UK Prime Minister Sir Keir Starmer warned that the upcoming autumn Budget would be "painful," hinting at potential tax increases to address a £22bn "black hole" in public finances. This announcement has led to a frenzy among investors and asset owners, who are selling off investments due to fears of a rise in capital gains tax, leading to increased market volatility. Consequently, gilt yields have risen as the market reacts to the anticipated fiscal changes.

Meanwhile, the Pound Sterling has surged to its highest value against the dollar in two years, having exceeded \$1.32 midweek. This rise is driven by expectations of more imminent rate cuts in the US compared to the UK. The divergence in monetary policy outlooks has bolstered the pound, reflecting investor sentiment that the UK economy may be more resilient in the face of global economic uncertainty. Markets are pricing in a percentage point worth of cuts from the Bank of England by the middle of next year.



#### SUPPLY CHAIN CHALLENGES PUSH COMMODITY PRICES UP



Oil prices surged due to a combination of geopolitical tensions and supply disruptions. The Red Sea faces the risk of a severe ecological disaster after Yemen's Houthi rebels attacked an oil tanker carrying 150,000 tonnes of crude oil.

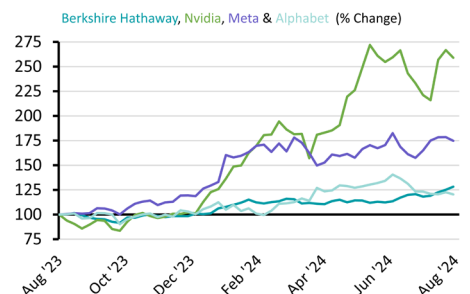
As well as environmental concerns, the attack has also led to increased market volatility. Additionally, the shutdown of Libyan oil production over political disputes has further contributed to the rise in oil prices. Brent crude futures settled 3% higher at \$81.43 a barrel.

Chinese export controls on key semiconductor materials, germanium and gallium, are disrupting supply chains and raising concerns about shortages and price increases in Western production of advanced chips and military hardware. Prices for these minerals have nearly doubled in Europe over the past year, with germanium prices surging 52% since June to \$2,280 per kilogramme. Beijing's restrictions underscore China's dominance in global supply, producing 98% of gallium and 60% of germanium.

#### TECH GIANTS AND AI INNOVATIONS DRIVE MARKET MOVEMENTS

Nvidia reported another big boost in quarterly growth, with revenue reaching \$30bn, up 122% from a year ago. The company also authorised another \$50bn in share buybacks and reassured investors of "several billion dollars" in revenue from its next-gen AI chips despite production issues. However, the stock fell by 8% in late trading as the results did not meet the market's high expectations

On the same day, Warren Buffett's Berkshire Hathaway joined the exclusive club of companies valued at \$1 trillion or more, marking a historic moment as the first publicly traded US company outside the technology sector to reach this valuation. Additionally, OpenAI is in talks to raise billions of dollars at a valuation of more than \$100bn, aiming to capitalize on its early lead in the booming artificial intelligence sector. The San Francisco-based company is negotiating with venture capital firms, including Thrive Capital, which is set to invest \$1bn and lead the round.



Data sourced from Yahoo Finance and Trading Economics.

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