

Investment Daily

19 September 2024



US stocks and Treasuries edged lower after the Fed's 50bp cut

US equities ended a volatile session lower on Wednesday, as investors digested the Fed's 50bp rate cut and Chair Powell's press conference. The S&P 500 closed down 0.3%.

US Treasuries ended slightly lower (yields higher) after their intraday gains following the Fed's 50bp rate cut. 2-year yields edged 2bp higher to 3.62% as 10-year yields rose 5bp to 3.70%.

European stock markets fell on Wednesday as investors took a cautious stance ahead of the Fed's interest rate decision. The Euro Stoxx fell 0.5%. The German DAX edged 0.1% lower, while the French CAC was down 0.6%. In the UK, the FTSE-100 fell 0.7% ahead of today's Bank of England rate decision.

European government bonds fell (yields rose) as investors prepared for the Fed policy decision, amongst other central bank decisions this week. 10-year German yields rose 5bp to 2.19% as 10-year French yields were up 6bp to 2.92%. In the UK, 10-year gilt yields rose 8bp to 3.85%.

Asian stock markets lacked clear direction on Wednesday ahead of the Fed policy decision. Japan's Nikkei 225 gained 0.5%, and China's Shanghai Composite also rose 0.5%. Meanwhile, India's Sensex ended 0.2% lower while ASEAN markets also traded weaker. Markets in Hong Kong and Korea were closed for holidays.

Crude oil prices edged lower on Wednesday, as signs of softer US gasoline and fuel demand overshadowed a decline in weekly crude stockpiles, concerns over geopolitical tensions in the Middle East and Fed rate cuts. WTI crude for October delivery settled 0.4% lower at USD70.9 a barrel.

US stocks and Treasuries were lower after Fed rate cuts

European stocks and government bonds fell ahead of Fed decision

Asian stocks lacked clear direction

Key Data Releases and Events

Releases yesterday

The **US Federal Reserve** (Fed) cut the target range for the Fed funds rate by 50bp to 4.75-5.00%. The decision reflects the judgment that risks to the Fed's dual inflation and employment mandate have shifted into better balance – upside risks to inflation have moderated while downside risk to employment have increased. The Fed also published its updated projections, with a marginal downward revision to the 2024 GDP forecast, upward revisions to the unemployment rate forecasts, lower core PCE projections for 2024-25, and a marked downward revision (75bp) in the expected Fed funds rate for 2024 and 2025. Chair Powell said that the Fed is not behind the curve in terms of lowering the funds rate at an appropriate pace, and that it is "not in a rush" and is only aiming to bring the funds rate back to a more neutral level.

Bank Indonesia unexpectedly cut rates by 25bp to 6.00% from 6.25%, driven by greater clarity on the US policy rate path.

UK CPI remained unchanged in August at 2.2% yoy, giving no reason for the Bank of England to deviate from the current gradual pace of rate cuts.

Releases due today (19 September 2024)

Country	Indicator	Period	Survey	Prior
Norway	Norges Bank Sight Deposit Rate	Sep	4.50%	4.50%
UK	BoE MPC Base Rate	Sep	5.00%	5.00%
Turkey	CBRT 1 Week Repo Lending Rate	Sep	50.00%	50.00%
US	Existing-Home Sales	Aug	3.90mn	3.95mn

The **Bank of England** (BoE) is expected to leave policy rates on hold at 5.00%, given BoE Governor Bailey has signaled a lack of urgency in cutting rates.

In the **US, existing home sales** are expected to nudge lower to 3.90mn in August, from 3.95mn in July, as they remain near cycle lows amid stretched affordability and low inventory.

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Source: Bloomberg, HSBC Global Asset Management. Data as of previous trading day's respective market close, except for BarCap GlobalAgg, BarCap US Corporate Index, BarCap Global High Yield and LME copper which are as of previous two trading days' market close.

Past performance is not an indication of future returns

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