



Monthly Market Video: September

Commentary by Monica Defend

MD: In early August, equity markets tumbled due to a combination of excessive valuations, weaker-than-expected corporate earnings in the US technology sector and disappointing data from the US labour market. Since then, markets have recovered - on the back of expectations of resilient US economic growth and interest rate cuts by leading central banks. Japan was the exception - declining sharply in the quarter so far - following the Bank of Japan's surprise rate hike at the end-of-July.

Investors should now monitor these 4 main themes:

- **Mild slowdown in the US:** On the macro side, although we expect US growth to slow mildly - in line with a 'soft landing' narrative - we think a recession unlikely.
- **Europe Recovering:** In Europe, the situation is very different. Its economies are recovering but there will be divergences between countries.
- **Inflation declining in developed markets:** Inflation remains an important theme. In developed markets it is declining as economic growth softens: falling sharply in the United States, but proving a little more persistent in Europe, particularly in the services sector.
- **US Fed to start cutting rates in September:** Central bank policies will be key. We expect the Fed to join the ECB and the BoE in cutting rates. The Bank of Japan remains the exception, having raised its rates to tame inflation. But we believe it will likely wait until next year before hiking again, given the strong impact of their recent move.