

WEEKLY UPDATE

Quarter ends on supply squeezes and price pressures

The September purchasing manager surveys (PMI) came out this week, giving us an insight into the key factors affecting the economy as we head into Q4.

Activity slowing but still strong. The surveys confirm the pace of economic activity eased back at the end of Q3, but suggest growth remains exceptionally strong (55 in the United States after 55.4 in August, 56.2 in the Eurozone after 59 and 51.4 in China after 47.2, see chart left). Manufacturers are still going flat out in the United States and euro zone, reporting PMIs close to 60 in September, as demand for goods remains high. Service surveys also look healthy, with a notable uptick in China despite domestic demand that is still being damped by Covid containment measures.

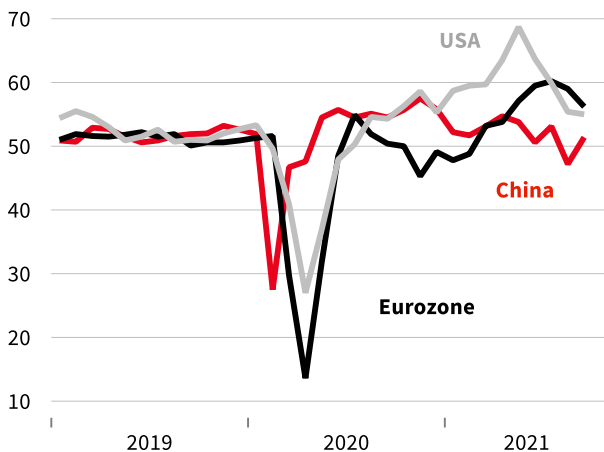
Pressures on supply and prices. Alongside its activity indicators, the PMI survey also showed supply times remain high (see chart right), reflecting pressures on production chains. The still booming economic recovery is hitting supply constraints, generating bottlenecks in multiple sectors. These pressures should gradually ease as activity dips back to normal. However, September figures also detected persistent high pressure on the price of inputs, even though the survey was run before the latest surge in energy prices (featuring sharp jumps in oil and gas prices). These latest developments could weigh more heavily on activity and inflation in the months to come.

Bottom line.

September's PMI survey confirms our scenario of growth remaining strong but potentially hampered by a number of risks, notably ongoing friction in production and supply chains. We stand by our prudent portfolio allocation, with interest rates set to rise further and equity market volatility likely to persist for the next few weeks.

Activity slowing but still strong

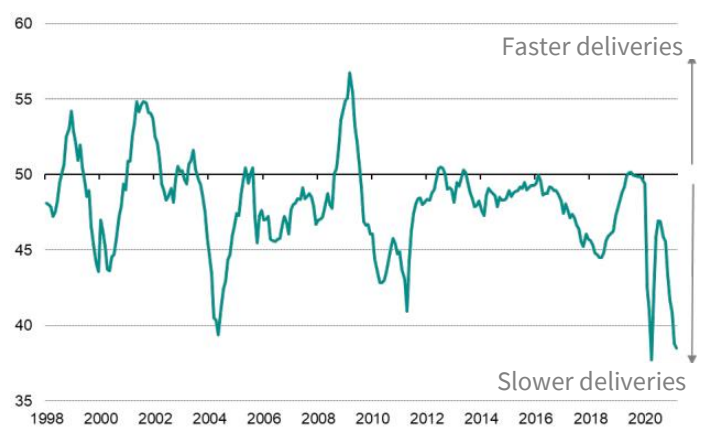
PMI composite index



Sources : SGPB, Macrobond, IHS Markit, 09/2021

PMI survey also showed some pressures on supply

Global manufacturing PMI suppliers' delivery times index



Sources : IHS Markit, JP Morgan

Past performance should not be seen as a guarantee of future returns.

All data taken from Bloomberg, Macrobond, (08/10/2021). In accordance with the applicable regulation, we inform the reader that this material is qualified as a marketing document. CA012/H1/2021

OUR MACRO COMMENTS

Events of the week



OPEC decided on Monday to keep its strategy of modest monthly production increases unchanged by reinjecting only 400,000 more barrels per day over November.



The IMF expects global economic growth to fall slightly short of its 6% forecast in 2021. According to the director Kristalina Georgieva, several risks explain this revision: debt, inflation and diverging economic trends following the pandemic.

Figures of the week



- ISM services (September)
- Labor report (September)

	Actual	Forecast	Previous
ISM services (September)	61.9 ↑	60	61.7
Labor report (September)	194 000 ↓	500 000	366 000



- Retail sales (YoY, August)

	Actual	Forecast	Previous
Retail sales (YoY, August)	0.0% ↓	0.4%	3.1%



- Factory orders (MoM, August)
- Industrial production (MoM, August)

	Actual	Forecast	Previous
Factory orders (MoM, August)	-7.7% ↓	-2.1%	4.9%
Industrial production (MoM, August)	-4.0% ↓	-0.4%	1.3%



- Caixin services PMI (September)

	Actual	Forecast	Previous
Caixin services PMI (September)	53.2 ↑	50.7	46.7



- Leading economic indicator (August)

	Actual	Forecast	Previous
Leading economic indicator (August)	101.8 ↓	104.3	104.1

The week ahead

Monday	Tuesday	Wednesday	Thursday	Friday
BRC retail sales	Unemployment	Inflation	Inflation	Retail sales
	ZEW index economic sentiment	Inflation	Industrial production	Retail sales
		FOMC minutes		IMF meeting

Sources: Refinitiv Eikon, 8 October 2021.

Note: YoY = year-on-year; QoQ = quarter-on-quarter; MoM = month-on-month, P = preliminary figure, A = advanced figure, F = final figure, seasonally adjusted, PMI = Purchasing Managers' Index, CPI = Consumer Price Inflation.

MARKET PERFORMANCE

Interest rates					
	Last	1wk	3mth	YTD	12mth
EONIA (EUR)	-0.48 %	1 bp ↑	0 bp	2 bp	-1 bp
3mth Euribor (EUR)	-0.55 %	0 bp →	0 bp	0 bp	-4 bp
3mth Libor (USD)	0.12 %	-1 bp →	0 bp	-11 bp	-11 bp
3mth Libor (GBP)	0.09 %	0 bp →	1 bp	6 bp	2 bp
10-year US Treasury bond	1.57 %	4 bp ↑	25 bp	66 bp	79 bp
10-year German bond	-0.19 %	1 bp →	10 bp	39 bp	30 bp
10-year French bond	0.16 %	0 bp →	12 bp	50 bp	39 bp
10-year UK bond	1.08 %	6 bp ↑	48 bp	88 bp	77 bp

Government bonds*					
	Last	1wk	3mth	YTD	12mth
United States (3-7yr)	-0.1 %	↓	-0.7 %	-1.6 %	-1.5 %
United Kingdom (3-7yr)	-0.2 %	↓	-1.6 %	-2.6 %	-2.3 %
Germany (3-7yr)	0.0 %	→	-0.5 %	-1.2 %	-1.2 %
Japan (3-7yr)	0.0 %	→	-0.2 %	-0.1 %	-0.1 %

Equities*					
	Last	1wk	3mth	YTD	12mth
MSCI AC World	718	1.2 % ↑	-0.4 %	12.8 %	27.1 %
Eurostoxx 50	4 098	1.3 % ↑	0.9 %	18.0 %	29.8 %
DAX	15 251	-0.1 % →	-2.8 %	11.2 %	18.0 %
CAC 40	6 600	1.2 % ↑	1.3 %	21.5 %	38.4 %
S&P 500	4 400	2.2 % ↑	1.3 %	18.5 %	30.6 %
FTSE 100	7 078	-0.1 % →	0.2 %	13.0 %	23.4 %
SMI	11 764	1.0 % ↑	-2.6 %	13.1 %	19.0 %
Topix	1 940	-4.5 % ↓	0.9 %	9.6 %	20.3 %
IBOV Brazil	110 585	-0.4 % ↓	-12.9 %	-7.1 %	15.8 %
MICEX Russia *	4 228	3.0 % ↑	8.6 %	28.6 %	48.7 %
MSCI EM	1 253	0.0 % →	-5.8 %	-1.0 %	15.8 %
SENSEX 30 India	59 678	0.9 % ↑	12.7 %	26.0 %	51.2 %
Hang Seng (H-K)	24 702	0.5 % ↑	-11.1 %	-7.0 %	4.6 %
Shanghai Composite	3 568	0.0 % →	0.4 %	2.7 %	10.9 %

Credit					
	Last	1wk	3mth	YTD	12mth
BAML EURO Corp. IG	-0.1 %	→	-0.4 %	-0.4 %	1.2 %
BAML EURO Corp HY	-0.4 %	↓	0.1 %	3.2 %	7.9 %
BAML GBP Corp IG	-0.7 %	↓	-2.8 %	-4.5 %	-0.4 %
BAML US IG	-0.3 %	↓	-1.2 %	-1.5 %	1.7 %
BAML US HY	-0.2 %	↓	0.3 %	4.4 %	10.1 %
BAML Global EM Sov. External Plus	-0.5 %	↓	-2.0 %	-3.5 %	2.8 %

Exchange rates					
	Last	1wk	3mth	YTD	12mth
EUR/USD	1.16	-0.3 % ↓	-2.0 %	-5.4 %	-1.8 %
EUR/CHF	1.07	-0.6 % ↓	-1.7 %	-0.8 %	-0.5 %
GBP/USD	1.36	1.1 % ↑	-1.3 %	-0.4 %	5.4 %
USD/JPY	111.6	0.3 % ↑	0.8 %	8.1 %	5.3 %
USD/BRL	5.52	1.4 % ↑	5.5 %	6.3 %	-1.6 %
USD/CNY	6.45	0.0 % →	-0.4 %	-1.2 %	-5.1 %
USD/RUB	71.8	-1.3 % ↓	-3.9 %	-3.0 %	-8.0 %

Commodities					
	Last	1wk	3mth	YTD	12mth
Brent	\$82.5	5.0 % ↑	12.3 %	59.0 %	96.0 %
Gold	\$1 759	-0.1 % ↓	-2.5 %	-7.3 %	-6.6 %
Copper	\$9 290	3.9 % ↑	-1.4 %	19.9 %	39.4 %

Source: DataStream, on 7 October 2021.

1wk = 1-week change, 3mth = 3-month change, 12mth = 12-month change, YTD = year-to-date change, YoY = year-on-year change, BAML = Bank of America Merrill Lynch, JPM = JP Morgan, IG = Investment Grade, EM = emerging markets. * Price return for MICEX equity index. Equities; total return in local currency. Government bonds = 3-7-year returns. Figures are rounded.

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