

MONITOR: MARKETS

KEY POINTS FOR THE DAY

Monday 25 September 2023

OVERNIGHT

Equities are mostly trading lower across the Far East as investor confidence remains cautious. In particular, Hong Kong and China stocks are down as concerns over property development group Evergrande continued to mount following its last-minute cancellation of a key credit meeting. European equity futures also drifted lower, pointing to declines on their opening.

THE DAY AHEAD

Friday's release of the September PMIs saw both the UK and Eurozone Composite register readings below the 50-mark, pointing to recession conditions across both economies. For the Eurozone, this was the fourth consecutive month that this was the case with regional reports for France and Germany painting a similarly sombre picture of the health of those economies. In terms of the latter, today's IFO survey for September will provide some further evidence on current trends across Germany – the Eurozone's largest economy. We expect the headline measure to have dropped to 85.2 in September from 85.7 previously, primarily due to a fall in the current activity component, while the future expectations measure is forecast to have remained steady. Such an outturn would

be consistent with the deteriorations seen in the German ZEW (and PMIs as highlighted above), supporting the view that the German economy likely contracted in Q3.

In the UK, it is a generally quiet week for key data releases and today is no exception. That said, the CBI retail sales report for September should attract some interest. On Friday, the official UK retail sales report from the ONS showed sales volumes rebounded only partially in August, by +0.4%, from the steep drop seen in July (-1.1%/m), pointing to weak underlying retail trends. The September CBI survey will provide some insight on whether this continued into the final month of the quarter.

Later in the day, the Chicago Fed activity index for August and the Dallas Fed manufacturing survey for September will provide some insight on local trends across the US. Speakers-wise, the US Fed's Kashkari and the ECB's Villeroy and President Lagarde are scheduled to appear, with markets likely watching for confirmation that interest rates across both economies were either at or very near the peak. Over the weekend, the ECB's Villeroy indicated that the recent rise in oil prices would not affect the underlying disinflation, and noted that patience was needed, suggesting that euro rates had peaked.

Table: Market Data

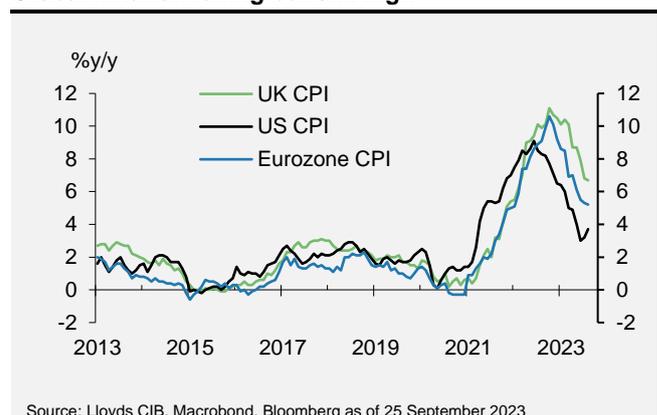
CURRENCIES		Daily change (%)
€/\$	1.064	-0.08
£/\$	1.224	-0.02
£/€	1.150	0.00
£/¥	181.58	-0.04
£/SFr	1.111	0.12
£/A\$	1.907	0.34
£/C\$	1.651	0.03
EQUITIES		Daily change (%)
FTSE All-Share	4172.4	0.03
S&P 500	4320.1	-0.23
Nikkei 225	32678.6	0.85
INTEREST RATES (%)		Daily change (bps)
UK Bank rate	5.25	0.0
3m interbank rate	5.39	-11.6
5yr swap rate	4.44	-0.6
10yr gilt yield	4.25	-5.6
US Fed funds target rate	5.50	0.0
10yr treasury yield	4.46	2.9
ECB refi rate	4.50	25.0
German 10yr bund yield	2.75	1.1
COMMODITIES (US\$)		Daily change (%)
Oil, Brent benchmark	93.9	0.63
Gold spot	1922.2	-0.16

Source: Bloomberg data as of 25 September 2023

MARKETS

The US dollar has continued to nudge higher in early trading, following on from broad gains last week. Dollar gains against the pound and euro are relatively muted though with much of the advancement in the US dollar reflecting weakness across the commodity currencies. Meanwhile, oil price edged up but remained below the highs seen last week.

Global inflation falling but still high



Calendar – key data and events today

Ctry	Time	RELEASE/EVENT	Period	Consensus	Forecast	Previous
EC	08:00	ECB's Villeroy speaks				
GE	09:00	Ifo Business Climate	Sep	85.2	85.2	85.7
GE	09:00	Ifo Expectations	Sep	82.8	82.6	82.6
GE	09:00	Ifo Current Assessment	Sep	88.0	88.0	89.0
UK	11:00	CBI Retail Sales	Sep	--	--	-44
US	13:30	Chicago Fed Activity Index	Aug	--	--	0.12
EZ	14:00	ECB President Lagarde appears before the European Parliament				
US	15:30	Dallas Fed Manufacturing Activity	Sep	-15.7%	--	-17.2%
US	23:00	Fed's Kashkari Speaks				

Source: Bloomberg data, Lloyds Bank Commercial Banking analytics as of 25 September 2023
Data in brackets denote YoY unless stated otherwise
Times are UK local.

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