PKB’s Market Espresso

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More Easing on the Horizon

The tone of both **Powell's** and **Lagarde's** comments over the past week has been **relatively accommodative** – hinting for **more easing** to come in the next months

- **Powell** speaking in Nashville reiterated **confidence** in **inflation** heading to **2% target** with **policy** moving therefore to a more **neutral** stance…
- …with decisions being taken **meeting by meeting depending** on the incoming **data**
- On the same tone Ms. Lagarde said that ECB is also becoming **more optimist on inflation -** with investors ramping up bets on a **cut** in **October**
- **Eurozone inflation** dropping **below 2%** for first time since 2021 (CPI for September at 1.8%) strengthens such a view – market pricing over **90% chance** of **October cut**

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Payrolls as Important as Ever

Non-farm payrolls out on **Friday** – will be highly monitored by market with regards to size of next move by Fed given the **weak PCE** price index last week

- **Payrolls** expected at **+150k** in **September** (vs. 142k in August) with **unemployment** at **4.2%** (unchanged)
- Such an outcome would be **consistent** with a **25bp cut** by Fed at next meeting – in line with Powell's comments earlier this week…
- …especially after **August core PCE** price index **increased 0.1%** from July (**below expectations** of 0.2%) indicating a cooling economy
- But **another jumbo** cut by FED **can't be ruled out** just yet

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Harris vs Trump: future of America

- Donald **Trump** and Kamala **Harris** offer strikingly different visions of the economy

Topic	Trump	Harris
Taxes and Spending	lower business and individual tax rates; lower the corporate tax rate from 21% to 15%	raise the small business tax deduction; boost the child tax credit; Increase the corporate tax rate/capital gain tax to 28% for people earning $1 million or more
Trade	20% tariffs on all imports; 60% if they come from China	tax credits for US businesses to help them compete with China
Immigration	pledge to end illegal immigration	pledge to re-introduce legislation clamping down on border crossings
Housing	repurposing some federal land to build homes; cut the cost of homebuilding	support for down payments and new fund for innovation in homebuilding; tax incentive for builders who work on starter homes
Inflation	boosting oil and gas production by opening up new land for drilling; tax relief for producers	lowering costs for middle-class families; bring down health care expenses

- One thing seems clear: under both leaders **US debt** will continue to rise. Bloomberg Economics estimates that Trump's tax cuts could take it to **116%** in 2028, and under Harris' more conservative proposals it would stay on a path to **109%**

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Statements by European companies

At a **European equity conference**, we talked to various companies, these are the **key triggers**:

- Small & Mid cap companies see a **higher probability of a recession in Europe**, caused by anti-competitive and structural framework conditions
- International players expect **ongoing weakness in Europe** and await the outcome of the US elections
- **Grids & electrification, decarbonization, AI and data center companies** continue to **see strong growth** and full order books
- **India** is on the way to be **the most dynamic market** for globally operating Europeans, while they expect **prolonged turmoil in China's** economy and politics
- **Competition** on international markets from **Chinese conglomerates** is rapidly **increasing**

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