



# PKB's Market Espresso

---

Short. Rich. Strong.



---

# Eurozone Inflation Above 2%

---

**Eurozone inflation accelerated beyond ECB's target of 2%** increasing **expectations** that **rates** will be **kept on hold** during next week's meeting

- **CPI** for the month of August came out at **2.1%** year-on-year in line with expectations and above 2% registered last month - **Core CPI** at **2.3%** meeting estimates
- On the positive side gains in **service prices eased** to **3.1%**
- Report allows **ECB** to take **another break** in **lowering** interest **rates** come next week's meeting given both the current pace of inflation and the economy's ability to withstand higher US trade levies – rate was left at 2% already during last meeting in July
- Eurozone data followed **mixed reports** from across the region in past weeks – **inflation** figures **undershot** in **France, Italy** and **Spain** whilst were **above forecast** in **Germany**



---

# From Green Bond to Defense Bond

---

Last Thursday a French bank sold the first ever “**Defense Bond**” designed to **finance Europe’s defense spending**

- The **functioning** is **similar** to **green bonds**, but in this case the amount received will be **used** to **fund military firms** and not environmentally-friendly projects
- **BPCE** priced a **5 year note of 750 million Euro** receiving over 2.8 billion Euros in interest driving **final spread 85bp** from initial price thoughts of 110bp
- The bond comes with a commitment that **BPCE will publish** an **annual allocation report** verified by an external reviewer (as per green debt reporting standards)
- The security will **not** be **qualified** as a “**sustainable bond instrument**” under widely used ICMA guidelines as ethical investors remain concerned on where the weapons end up – it remains unclear if investors with sustainable mandates participated



# Interesting pattern for Equities

An analysis of the performance of the S&P 500 index during periods of **pause and resumption** of **rate cuts** reveals an interesting pattern

- According to data from Goldman Sachs research, equities in general **do well** in an environment following a pause and a cut

**Equities typically rise when the Fed resumes cutting**

*Eight episodes during the past 40 years*



Source: Bloomberg, Goldman Sachs research



---

# Gold Touches Record High again

---

Gold hit a record high to top \$ **3,535** as the prospect of US interest-rate cuts and growing concerns over the Federal Reserve's future lent fresh impetus to the **multiyear rally** in precious metals

- The precious metal has risen more than **34% this year**, making it one of the best-performing **major commodities**, with expectations the US central bank will **lower interest rates** this month
- An escalation in President Donald Trump's **attacks** against the Fed this year has become the latest cause for investor alarm, with concerns over the central bank's **independence** threatening to erode **confidence** in the US
- Investors have piled into **silver-backed ETFs**, with holdings expanding for a **seventh consecutive month** in August, drawing down stockpiles of freely available metal in London and leading to persistent **tightness** in the market



---

# Disclaimer

---

The information, products, data, services and instruments contained or described in this publication are for information purposes only and constitute neither an advertisement or recommendation nor an offer or solicitation to buy or sell any product.

The financial products described in this publication are not suitable for all investors. The information contained in this publication does not represent any financial, legal, tax and/or other recommendations. Any investment or other decision should not be made solely on the basis of this document. Before making any investment decision, it is recommended that you seek a thorough examination of your situation and the advice of a qualified specialist.

Although the information contained in this document has been compiled by PKB on the basis of or with reference to sources, materials and systems believed to be reliable and accurate, PKB does not guarantee its currency, accuracy or completeness.

PKB accepts no liability, to the fullest extent permitted by applicable laws and/or regulations, for loss or damage of any kind arising directly or indirectly from the content, accuracy, completeness or otherwise of the content or any third party content referred to in this publication. The analyses and forecasts contained in this publication are based on assumptions, estimates and hypothetical models which may prove to be incorrect and therefore lead to substantially different results.

