Schroders

Weekly market watch

As at Friday August 30, 2019

Equities

Region / Country	Index	Close	Net Change	Performance Year-to-date	Performance 52-week
Asia-Pacific					
Hong Kong	HSI	25,724.73	(454.60)	-0.47%	-7.76%
India	BSE 30	37,332.79	631.63	3.51%	-3.51%
Japan	Nikkei	20,704.37	(6.54)	3.45%	-9.45%
Singapore	STI	3,106.52	(3.83)	1.23%	-3.33%
South Korea	KOSPI	1,967.79	19.49	-3.59%	-15.29%
Taiwan	WSE	10,618.05	79.94	9.16%	-4.03%
Shanghai	COMPOSITE	2,886.24	(11.19)	15.73%	5.91%
Europe					
France	CAC	5,480.48	153.61	15.85%	0.04%
Germany	DAX	11,939.28	327.77	13.07%	-4.44%
Italy	FTSE MIB	21,322.90	849.04	16.37%	4.04%
Russia	RTSI	1,293.32	24.87	21.02%	20.25%
UK	FTSE 100	7,207.18	79.00	7.12%	-4.11%
Americas					
Brazil	IBOV	101,134.61	3,467.12	15.07%	31.90%
Mexico	IPC	42,662.50	2,800.43	2.36%	-13.98%
Nasdaq	CCMP	7,962.88	211.12	20.01%	-1.55%
US	S&P 500	2,926.46	79.35	16.74%	0.87%
US	DOW	26,403.28	774.38	13.19%	1.60%

Bonds

	Close	Yield Week ago	Yield Month ago	Yield Year ago
10 Year Gilt	0.4790	0.4810	0.6340	1.4550
10 Year OAT	-0.4030	-0.3730	-0.1410	0.6930
10 Year Bund	-0.7000	-0.6750	-0.3990	0.3460
10 Year Japan	-0.2690	-0.2310	-0.1500	0.1110
10 Year Treasuries	1.5011	1.5351	2.0580	2.8550

Base lending rates

Prime Rates	Latest	6 months ago	12 months ago
US	5.25	5.50	5.00
Canada	3.95	3.95	3.70
Japan	1.48	1.48	1.48
Britain	0.75	0.75	0.75
ECB	0.00	0.00	0.00
Switzerland	0.50	0.50	0.50
Australia	1.00	1.50	1.50
Hong Kong	5.38	5.38	5.25

% change is for indication only; local currency except where stated.

Equity Markets

US

- The Dow Jones and S&P rose modestly on Friday, while the Nasdaq fell slight, ahead of Monday's Labor Day holiday. All three indexes rose on the week, snapping a four week losing streak, on more conciliatory trade conflict comments from China and the U.S. and hopes for a new round of trade talks soon. The Dow Jones Industrial Average rose 0.16% on Friday and 3.02% for the week to close at 26,403.28. The S&P 500 index rose 0.06% on Friday and 2.79% on the week to 2,926.32. The Nasdaq Composite fell 0.13% on Friday but rose 2.72% for the week to close at 7,962.88. All three indexes posted their first losing month since May, with the Dow declining 1.7%, the S&P down 1.8% and the Nasdaq falling 2.6%.
- New US tariffs of 15% on about $110 billion of Chinese imports were due to go into effect on Sunday, absent a last-minute change of mind by US President Donald Trump. The goods are mostly consumer items, including food, apparel and household goods that will first time directly impact US consumer spending, the strongest part of the US economy at the moment. US trade groups urged Trump to abandon the tariff hike plan, with a coalition of 150 trade associations warning the new tariffs come "at the worst possible time." Trump also dialed back his trade tension commentary on Monday, calling Chinese President Xi Jinping a "great leader" after labeling him an "enemy" on August 23. He also said China had asked for more trade talks, and welcomed chief Chinese trade negotiator Liu call for calm discussions to resolve differences. U.S. Treasury Secretary Steven Mnuchin said on Wednesday that trade talks would resume soon but could not say when they would happen. On Thursday, China's Commerce Ministry indicated that Beijing would not retaliate against the latest U.S. hikes but was instead continuing to discuss with the U.S. a resumption of trade talks. On August 23, China announced it would levy additional tariffs of 5% to 10% on $75 billion of U.S. exports to China, to be implemented in two batches – the first on September 1 and the second on December 15, in retaliation for the then planned U.S. tariff of 10% on about $300 billion of Chinese imports. The Chinese duties would apply to a range of goods including soybeans, beef, pork and crude oil. In addition, a 25% tariff would be applied to imports of U.S. vehicles and car parts as of December 15, up from the 15% tariff currently in place. In response, Trump announced that same day an increase in the 10% tariff on $300 billion of Chinese import would be raised to 15% in two tranches on Sep. 1 and Dec. 15, and the 25% tariff on $250 billion of Chinese goods would rise to 30% effective Oct. 1.
- Johnson & Johnson, the world's largest health care company, were ordered by an Oklahoma judge to pay $572 million for the company's responsibility in the state's opioid crisis. That was well below the $17 billion that Oklahoma's attorney general had asked for to cover the cost of the crisis. The verdict may make it more likely that the 22 other opioid makers, distributors and pharmacies will be forced to settle the thousands on lawsuits that have been filed against them by local governments to cover the cost of opioid treatment and prevention.
- Biotech firm Amgen on Monday agreed to buy Celgene's Otzela treatment for psoriasis and Behcet's disease for $13.4 billion. The deal will remove one obstacle to the regulatory approval of Bristol-Myers Squibb's $90 billion takeover of Celgene. Bristol-Myers and Celgene said when their deal was announced in January that they expected to sell asset to gain the consent of regulators for the combination.
- Philip Morris International announced Tuesday it was in talks to merge with Altria, recombining the domestic and global makers of famous cigarette brands such as Marlboro. The merger would create the world's largest tobacco company with a market value of about $200 billion. The two companies separated 11 years ago to shield Philip Morris from the threat of US government regulation and a tidal wave of litigation that their products caused cancer and other medical conditions. Shares in both companies fell sharply on the news, threatening the merger.
- The U.S. Commerce Department has received more than 130 applications from companies wanting to sell products to black-listed Chinese telecommunications giant Huawei, but so far has not granted any licenses to do so, two months after Trump said some sales would be allowed, Reuters reported. Sales worth billions of dollars by semiconductor and software firms are at stake. The lack of progress comes amid the continued escalation of the bilateral trade conflict.
- Google has decided to produce its new Pixel smartphone in Vietnam rather than China to avoid higher Chinese labor costs and US tariffs on Chinese smartphone imports due to take effect Dec. 15, according to the Nikkei Asian Review. Google is working aggressively to shift its supply chains out of China into Southeast Asia, the newspaper said.
- Walt Disney sold its majority stake in the YES Network to a group including the New York Yankees baseball club, Amazon and Sinclair Broadcast Group for $3.47 billion, the companies announced Thursday. The group acquired 80% of the television network, which broadcasts Yankees baseball and Brooklyn Nets basketball games, as well as other sports content. The Yankees already owned 20% of the network. The sale comes a week after Sinclair completed a $10.6 billion takeover of 21 regional sports networks owned by Disney. Disney agreed to sell the regional sports networks and its stake in the YES network to gain regulatory approval of its purchase of 21st Century Fox's entertainment assets.

UK

- The FTSE 100 rose 0.32% on Friday and 1.58% on the week to close at 7,207.18, as the weaker pound exchange rate due to Brexit uncertainty attracted foreign investors. The index fell 5% in August, its worst monthly performance since October last year.
- Prime Minister Boris Johnson on Wednesday announced that that he would shut down parliament for five weeks from the second week of September until Oct. 14, little more than two weeks before the European Union's Oct. 31 deadline for the UK to accept the current transition deal or leave the EU without one. The "prorogation," approved by Queen Elizabeth II, is the longest since 1945. Johnson continues to insist that the UK will leave the EU on Oct. 31 with or without a transition deal. He continues to demand that the "backstop" provision in the deal that would prevent a hard border from being erected between Northern Ireland, a part of the UK, and the Republic of Ireland, part of the EU, by keeping the UK in a customs union with the EU for an indefinite period. By raising the odds of a no-deal Brexit, Johnson hopes to put pressure on the EU to modify the transition plan to his liking, but the EU has so far refused to do so. A majority of members of Parliament, including a number of senior members of Johnson's Conservative Party, oppose a no-deal Brexit and will try to get the government to change course when the Parliament returns to work on Sep. 3. It remains unclear if their efforts will succeed. Opposition parties had agreed earlier in the week to jointly seek legislation to prevent a no-deal Brexit, but after the announcement of the prorogation, a vote of no confidence in Johnson's government is also possible. A number of lawsuits were also filed in UK courts to prevent the prorogation.
- Oil giant BP agreed on Tuesday to sell all its holdings in Alaska to privately held Hilcorp Energy for $5.6 billion. The deal includes its interests in the Prudhoe Bay oil field and the Trans Alaska oil pipeline. The sale is part of BP's plan to raise $10 billion over the next two years to bolster its balance sheet.
- Embattled UK travel firm Thomas Cook agreed on Wednesday to the main terms of its 900 million pound rescue deal with Chinese conglomerate Fosun and its debt holders. Fosun will inject 450 million pounds in Thomas Cook in exchange for 75% of the equity in its travel business and 25% of its airline. Lending banks and bondholders will put in the same amount for 25% of the tour operations and 75% of the airline. The company hopes to complete the deal by October. It warned that the deal could cause the cancellation of its stock listing.

Europe (ex. UK)

- On the continent, the Eurofirst 300 rose 0.73% on Friday and 2.31% on the week to 1,493.20 on hopes for an easing of U.S.-China trade tensions.
- The leaders of the anti-establishment Five Star Movement party and the center-left Democratic Party agreed late Wednesday to form a coalition government, sidelining hard-right leader Matteo Salvini and his League party. Salvini had precipitated the fall of the previous government coalition between League and Five Star the week before, in an attempt to force new elections in the hope that his party would win an absolute majority so that it could govern alone. It is unclear how long the new coalition government will last, given the many differences between the two parties. .
- Pernod Richard, the world's second largest alcohol beverage maker, reported annual sales rose 6% to 9.2 billion euros, led by strong growth in China and India, while sales in the U.S., the company's biggest market, were flat. Helped by cost cuts, operating profits rose to 2.6 billion euros, with its operating margin rising 74 basis points, its best performance since 2012. The company also unveiled a $1 billion stock buyback plan, and two new investments in the U.S. and China, its largest markets, under pressure from activity investor Elliott Management. Pernod shares have risen 12% since Elliott announced its investment in the company, well behind rival Diageo's 21% gain.
- Software company TeamViewer said Wednesday it plans to list on the Frankfurt stock exchange by the end of this year, in what would be one of the largest German tech IPOs in years. The listing is expected to value the company at between 4 billion and 5 billion euros, the Financial Times reported. Permira, the private equity firm that bought TeamViewer five years ago for 870 million euros, is expected to sell 30-40% of its stake.

Japan

- The Nikkei 225 index rose 1.19% on Friday after China indicated Thursday it would not retaliate against the latest increase in U.S. This resulted in the index showing only a slight 0.03% decline on the week to 20,704.37.
- The trade dispute between Japan and South Korea eased somewhat last week, after Japan approved the first shipment of hydrogen fluoride, used in the production of semiconductors, to South Korea since Japan tightened export controls in July. In addition, the U.S. urged the two countries to resolve their differences, saying that Seoul decision to end an intelligence sharing agreement with Tokyo endangered regional security. Both countries have removed the other from their respective "white lists" of countries given preferential trade treatment. The dispute burst into the open on July 4, when Japan tightened controls on exports to South Korea of materials critical to the manufacture of semiconductors. Japan's move came following Seoul's decision to let South Korean courts seize assets of Japanese companies to

compensate individuals who claimed to have been forced to work for Japanese companies during World War II, after the country's Supreme Court ruled that a 1965 treaty in which Japan paid compensation to South Korea did not cover claims by individuals.

- Trade negotiators will continue to talk about Japan's call for the U.S. to abolish its 2.5% import tariff on import cars after a new Japan-U.S. trade pact is signed in September, Jiji Press reported, citing the outlines of the deal that both sides have agreed in principle. The U.S. and Japan agreed in September 2018 that the U.S. would not raise tariffs or place numerical limits on Japanese auto imports while trade negotiations were on-going. Japan hopes that by continuing to talk about dropping the existing U.S. import tariff, it can avoid any new trade restrictions. The new deal to be signed in September would immediately reduce the Japanese tariff rates on U.S. beef and pork imports to the same level now enjoyed by member of the Trans-Pacific Partnership deal.
- Toyota Motor Corp. and Suzuki Motor Corp. said Wednesday they had agreed to take small equity stakes in each other in an effort to better cooperate on development of new technologies. Toyota said it would pay around 96 billion yen for a 4.94% stake in Suzuki, while Suzuki will pay around 48 billion yen for about 0.2% of Toyota's shares.
- Sony announced Thursday it would sell its 5% stake in medical equipment maker Olympus for 80.4 billion yen. Sony has been under pressure from Third Point, activist investor Daniel Loeb's hedge fund, to sell a series of small holdings in other companies that Loeb claims are depressing its share price. Sony's share price rose 2% on the news of the sale.

Asia-Pacific (ex. Japan)

- Mainland China's Shanghai Composite Index fell 0.16% on Friday and 0.39% on the week to 2,886.24, dragged down by tech stocks on worries about domestic growth amid the trade conflict with the U.S. In addition, investors worried about the weakening yuan exchange rate, which fell 3.8% on the month, its largest decline in 25 years. The Shanghai composite index fell 1.6% on the month.
- Hong Kong's Hang Seng index rose 0.08% on Friday but fell 1.74% on the week to 25,724.73, as new data showed a sharp decline in the city's retail sales due to anti-government protests, which continued for a 13th straight week, and exports dropping due to the trade conflict. The index lost 7.4% in August.
- Taiwan's Taiex rose 1.49% on Friday, pushing the index up 0.78% on the week to 10,618.05, supported by news that China would not retaliate for the latest increase in U.S. trade tariffs.
- South Korea's Kospi rose 1.78% on Friday, pushing the index up 1.00% for the week to close to 1,967.79 after Japan allowed some exports of compounds critical to semi-conductor manufacturing and Hyundai avoiding an autoworkers strike for the first time in eight years. In addition, the Korean central bank left its official interest rates unchanged, as expected.
- The Singapore Straits Times Index rose 0.80% on Friday on hopes for an easing of trade tensions between the U.S. and China, but the index still fell a modest 0.12% for the week to close at 3,106.52, on concerns of the impact of those trade tensions on Singapore's export dependent economy.

Emerging Markets

- Brazil's Bovespa rose 0.61% on Friday and 3.55% on the week, to 101,134.60, as Latin American countries and the U.S. offered to help battle massive fires in the Amazon region. In addition, Finance Minister Paulo Guedas reportedly convinced President Jair Bolsonaro to privatize the state-owned Petrobras oil company, though strong political opposition could scuttle the effort.
- Mexico's IPC rose 1.89% on Friday and 6.92% on the week to 42,622.50, after the Mexican President Andres Manuel Lopez Obrador reached a deal on Monday to settle a dispute over pipeline contracts and after senior official said on Thursday that the president would allow the struggling state oil company Pemex to resume joint ventures with private firms next year.
- India's BSE 30 rose 0.71% on Friday and 1.72% on the week to 37,332.79 on hopes for additional economic stimulus to offset rapidly weakening economic growth. The Indian growth slowed sharply in its first fiscal quarter to 5.8%, the lowest rate in five years and the first time it was below that of China since 2017. Expectations for additional economic stimulus increased on Monday beyond what Finance Minister Nirmala Sitharaman laid out on August 23 after the government announced it would receive a bigger-than-expected dividend from the Reserve Bank of India of 1.76 trillion rupees ($24.6 billion) in the current fiscal year.
- Russia's RSTI rose 0.65% on Friday and 1.96% for the week to close at 1,293.32, as higher prices during the week for oil, Russia's largest export, boosted sentiment.

Alternative Assets

- Oil futures prices fell sharply on Friday on reports that Russian oil output cuts would be slightly smaller than agreed in the deal between OPEC and non-OPEC producers. In addition, OPEC output rose in August for the first month this year, adding to concerns about excess supply. October West Texas Intermediate (WTI) crude fell 2.8% on Friday to $55.10 per barrel, but the price still rose 1.7% on the week. The October Brent crude contract on London's ICE Futures Exchange closed the trading period at $60.43 a barrel, down 1.1% on the day but still up 1.8% on the week. For the month of August, WTI fell 5.9% while Brent dropped 7.3%.
- Gold futures prices fell on Friday after China said it would not retaliate against the latest U.S. trade tariff increases, posted a decline for the week. December gold futures fell 0.5% on Friday to $1,529.40, leaving the yellow metal down 0.5% on the week. However, gold prices rose 6.3% in August on worries about the trade conflict between the U.S. and China and its impact on global growth.

Fixed Income

US

- The yield on benchmark 10-year Treasuries fell to 1.5011% on Friday, from 1.5351% at the close of the previous week, the sixth consecutive weekly decline, as worries about the U.S.-China trade conflict prompted investors to seek risk-averse assets. The two-year/10-year yield curve remained inverted, which typically precedes an economic downturn. Treasury Secretary Mnuchin said issuing ultra-long bonds with maturities of 50 or even 100 years was under “very serious consideration” to take advantage of current historically low interest rates.
- Second quarter GDP was revised down to a 2.0% pace of growth from the 2.1% advance estimate, as expected. The GDP price index was unchanged at 2.4%, while the core PCE price index was revised down slightly to a 1.7% reading from 1.8% in the advance estimate. The year/year rate for the core PCE measure was revised down to 1.5% from 1.9% in the advance estimate. The key factors in the downward adjustment were a wider net export gap and a downward revision to private inventory growth. Residential investment was also revised down to -2.9% from -1.5% in the advanced estimate, while nonresidential fixed investment remained unchanged at -0.6%. There was an offsetting upward revision to personal consumption expenditures, as expected due to strong retail sales and services spending data. Government spending was revised down to 4.5% from 5.9% in the advance estimate. Final sales to domestic purchasers were revised up to a 3.6% pace from the 3.5% rate in the advance estimate, up significantly from the 1.8% pace set in the first quarter of 2019.
- Durable goods orders rose more than expected in July, posting a 2.1% surge compared with a 1.0% increase anticipated. While July durable goods came in stronger than expected, June durable goods were revised down to a 1.8% increase from a previously reported 2.0% gain. In contrast, excluding transportation, new orders were down 0.4% in the month, below the flat reading. All the major subcategories posted gains in the month. - The durable goods orders increase was largely due to a 7.0% jump in transportation orders, particularly a 47.8% increase in nondefense aircraft orders. Boeing orders, which the subcategory is closely tied to, jumped in July, climbing to 31 orders from 9 orders in June. However, Boeing's 737 Max remains grounded, adding some uncertainty to the performance of aircraft orders in the near future. Durables shipments declined by 1.1%, but inventories increased by 0.4% and unfilled orders rose by 0.1%. Nondefense capital goods new orders were up 5.0% in July, and saw a 0.4% gain excluding aircraft. Nondefense capital goods shipments were down 3.0% in the month, while shipments ex. aircraft were down 0.7%.
- The Chicago Business Barometer rose to 50.4 in August, up from 44.4 last month, helped by a recovery in Order Backlogs. The index had been in contractionary territory for the previous two months. Order Backlogs recovered to 51.3 in August after three straight months below 50. The index stood at 43.5 in July. Only two of the Business Activity components saw a monthly decline. Supplier Deliveries saw a sharp fall, dropping to 50.3 from July's 55.6. The survey still suggests a softer overall tone in business activity despite the August pick-up in sentiment, as the three-month average fell again, dipping to 48.2. Production remains muted, despite a pickup of 6.7 points. Demand recovered slightly, highlighted by an increase in New Orders, which shifted back into expansion. Labour demand improved in August, with the Employment indicator rising slightly to 43.7, although the component remained in contraction for a second month. Prices Paid at the factory gate ticked up 3.7 points, reaching a five-month high of 59.8 - still a long way shy of the 12-month high 79.8 seen in September 2018. The time taken to source Production Material fell to 40.9 in August after reaching a series high of 57.4 in July. Time to source MRO supplies eased for the second successive time to 10.0 days, while sourcing time for Capital Equipment fell to 133.4 days.

UK

- The yield on 10-year Gilts fell to 0.4790% at the end of last week from 0.4810% the week as worries about the prospect of a no-deal Brexit caused investors to bid up risk-averse assets.
- UK consumer confidence fell to a seven-month low of -14 in August, down 3 points from July, GfK reported. All five sub-indexes fell on uncertainty over growth and the outlook for Brexit. Expectations for the general economic situation over the next 12 months fell 6 points to -38. Sentiment on personal finances over the next 12 months dropped 5 points to +2. The index measuring consumers' willingness to purchase big-ticket items fell 3 points to +1. "Until Brexit leaves the front pages – whenever that will be – consumers can be forgiven for feeling nervous not just about the wider economy but also about their financial situation," said Joe Stanton, Client Strategy Director at GfK.
- UK housing prices were unchanged in August compared to July, but the annual growth rate rose to still modest 0.6% from 0.3% the month before, according to Nationwide's House Price Index. "Surveyors report that new buyer enquiries have increased a little, though key consumer confidence indicators remain subdued," Robert Gardner, Nationwide's Chief Economist, said in a statement. "Data on the number of property transactions points to a slowdown in activity, though the number of mortgages approved for house purchase has remained broadly stable. Housing market trends will remain heavily dependent on developments in the broader economy. In the near term, healthy labour market conditions and low borrowing costs will provide underlying support, though uncertainty is likely to continue to exert a drag on sentiment and activity."

Europe (ex. UK)

- The yield on benchmark 10-year Bunds fell to -0.7000% last Friday from -0.6750% the previous week, on worries about the economic outlook.
- The Eurozone economic sentiment index rose to 103.1 in August 2019 the more than three-year low of 102.7 in July, the European Commission reported. Sentiment improved among manufacturers (-5.9 vs. -7.3 in July) and retailer establishments (0.5 vs. -0.7), but deteriorated among service firms (9.3 vs. 10.6), construction firms (3.7 vs. 5.0) and consumers (-7.1 vs. -6.6).
- The Eurozone headline inflation rate stood at annual rate of 1.0% in August, unchanged from July and in line with expectations, according to preliminary data. The August and July rates were the lowest since November 2016 and remained well below the European Central Bank's target of maintaining the headline inflation rate below but close to 2%. In August, a drop in energy costs offset gains in prices for food, alcohol and tobacco as well as services. Core inflation, which excludes energy, food alcohol and tobacco prices, remained stable at an annual rate of 0.9% in August.
- The Eurozone unemployment rate stood at 7.5% in August, unchanged from July's 11-year low, as the number of unemployed continued to decline.
- The Ifo Institute's German business confidence index declined to 94.3 in August, down 1.5 points from July, below expectations and the lowest since November 2012. The expectations sub-index dropped to 91.3 from 92.1, while the current conditions index fell to 97.3 from 99.6. Confidence deteriorated among all business sectors in August.

Japan

- The yield on 10-year Japanese Government Bonds fell to -0.2690% from -0.2310% a week earlier, as investors continued to invest in risk-adverse assets due to concerns about the impact of rising U.S.-China trade tensions on Japanese exports. The BOJ allows the 10-year bond yield to move in a range of -0.20% to +0.20%, although the BOJ is targeting a level around zero percent.
- Japan's industrial production rose by 1.3% m/m in July, partly reversing the 3.6% drop in June and above the 0.3% gain expected, led by growing production and shipments in the machinery and automobile sectors, Ministry of Economy, Trade and Industry (METI) data released Friday showed. Shipments rose 2.6% m/m in July, improving from the 3.3% fall in June. Inventories fell 0.3% m/m from the previous 0.3% m/m gain, marking a first drop in six months. Inventories will fall along with the rise in shipments, though production may increase, METI said. Industrial production may rise 1.3% month-on-month in August (revised up from 0.6% in the previous forecast), and fall 1.6% m/m in September, METI forecast based on survey responses.
- Slower sales of general merchandise, machinery/equipment and fuel put a dampener on Japanese retail sales in July on a year-on-year basis, data from the Ministry of Economy, Trade and Industry (METI) showed Friday. Retail sales dropped 2.0% year-on-year in July, slower than the 0.5% y/y growth in June, posting the first fall in 21 months. The result missed the -0.8% y/y growth expected. General merchandise sales dipped further by 5.8% y/y in July from the previous 2.5% y/y fall. Sales for machinery and equipment plunged 8.1% y/y from the 5.5% y/y reported in June, marking the biggest drop across sectors this month. Fuel sales dropped 6.0% y/y, more than the 3.6% fall recorded in June. Sales of food and beverages fell for the first time in 5 months, down by 0.7% y/y, compared with a 1.6% y/y gain in June. Sales

for fabric apparels and accessories decreased sharply by 5.3% y/y from the previous 4.2% y/y growth. On a monthly basis retail sales were down 2.3% on a monthly basis in July, lower than the flat growth reported in the previous month.

- Tokyo's annual consumer inflation rate, a leading indicator of the national average, slowed to 0.7% y/y in August on the back of lower energy costs, according to data released Friday by the Ministry of Internal Affairs and Communications. Tokyo's core consumer price index (excluding fresh food) rose 0.7% year-on-year in August, down from the 0.9% y/y growth recorded in July and in line with expectations. Core-core CPI (excluding fresh food and energy) -- a key indicator of the underlying trend of inflation -- rose 0.7% on year in August in Tokyo, down from 0.8% y/y last month. Energy costs slowed to 1.1% in August from 2.5% last month, contributing 0.06 percentage point to the total Tokyo CPI, lower than the previous 0.13pp. Processed food prices rose 1.0% y/y in August, slower than 1.2% y/y gain reported in July. Household durable goods prices jumped to 10.6% y/y from 7.0% y/y reported in July. Overseas tour prices decelerated to 4.1% y/y from previous 4.6% y/y.
- Japan's consumer confidence index fell 0.7 points to a seasonally adjusted 37.1 in August, the 11th straight monthly drop, the latest Consumer Confidence Survey released by the Cabinet Office showed Thursday. The dip, which came after a 0.9 point fall to 37.8 in July, was caused mainly by weaker prospects for purchases of durable goods. The sub-index on asset prices, which is not included in calculating overall consumer confidence, showed the first drop in two months, down 2.1 points to 38.8 after rising 1.6 points to 40.9 in the previous month. The survey also showed the public's inflation expectation for the next 12 months fell for the second straight month. The share of those projecting price gains fell to 87.0% in August, after falling 0.8 points to 87.1% in July. The share of respondents forecasting lower prices rose to 4.3% in August from 3.7% in August.

Source: Market News International