Economic Overview

- **Tactically pro-risk:** We stay tactically pro-risk amid the broadening economic restart, with negative real rates supporting risk assets – as per our new nominal theme.
- **Market Backdrop:** The Fed signaled it will start to taper around the year-end. Its reluctance to confirm inflation is meeting its new objective supports our new nominal theme.
- **Week Ahead:** US personal income and consumption data will be in focus, while purchasing managers' index data could shed light on the restart amid the delta spread.

Global Equities

- Global equities dropped at the start of last week, rattled by stress in the Chinese property sector. Hong Kong's Hang Seng Index saw a midweek bump but ended -2.92% lower. In the US, the S&P 500 recovered its losses to end the week 0.52% higher after the Federal Reserve (Fed) hinted at a tapering timeline. European equities also rose, with STOXX Europe 600 finishing last week 0.35% higher. Meanwhile, the FTSE 100 ended up 1.27% as the Bank of England (BoE) held its policy rate steady.

Fixed Income

- Sovereign yields largely fell at the start of last week following risk-off sentiment before recovering on the back of central bank announcements. In the US, the 2-Year and 10-Year Treasury yields rose amidst the market's interpretation of a slightly hawkish FOMC statement, ending at 0.27% and 1.46%, respectively. Meanwhile, the 10-Year Gilt yield rose to 0.93% despite no changes from the BoE. The 10-Year German Bund yield also rose to -0.23% last week

Focus of the Week

- Evergrande's liquidity issues caused some market jitters early this week; however, news that a possible restructuring of its onshore debt lifted sentiment toward week's end. While a step in the right direction, it is still not clear whether Evergrande will meet its interest rate obligations on its offshore debt, so further volatility cannot be ruled out. Although contagion fears were widespread this week, the stress in the Chinese high-yield market has not spread to the US high-yield market, something one would expect to see if Evergrande posed a systemic issue. US high-yield credit spreads continue to hover near all-time lows.

Quotes of the Week:

- "While no decisions were made, participants generally view that, so long as the recovery remains on track, a gradual tapering process that concludes around the middle of next year is likely to be appropriate. Even after our balance sheet stops expanding, our elevated holdings of longer-term securities will continue to support accommodative financial conditions." – ***Federal Reserve Chairman Jerome Powell***
- "China authorities are forcing the available liquidity into the real economy. While the move may not be direct fallout from Evergrande, the overall goal of China's regulatory efforts is "less speculation, for example in property and crypto, and more sustainable development." – ***Xiadong Bao, Emerging Market Fund Manager @ Edmond de Rothschild Asset Management***

Date	Event
September 27	Durable Goods Orders
September 28	Consumer Confidence Index, Fed Chair Testifies on Covid
September 29	Fed Chair Speaks at ECB forum
September 30	Q2 GDP Revision, Initial Jobless Claims
October 1	Core Inflation, 5 year expected inflation rate