ASAS CAPITAL
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Weekly Newsletter

Sep 1st, 2023

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Musings

"Far more money has been lost by investors trying to anticipate corrections, than lost in the corrections themselves"

-Sir Peter Lynch

Last week in the markets

	Closing level	Weekly change	YTD change
S&P 500	4,515.77	+1.89%	**+18.09%**
Nasdaq Composite	14,031.81	+2.66%	**+35.08%**
10Y UST Yield	4.1730	-1.11%	+10%
Crude oil	86.05	**+7.83%**	**+11.85%**
Gold	1,966.20	+1.2%	+6.84%
DXY	104.26	+0.16%	+0.74%
Euro STOXX 50	4,282.64	+0.87%	**+11.06%**
India (Nifty)	19,435.30	+0.86%	+6.80%
China (SSE)	3.134.05	-2.67%	+0.54%
Saudi (TASI)	11,491.20	+0.58%	+8.96%
Abu Dhabi (ADX)	9,786.63	+0.13%	-4.88%
Dubai (DFM)	4,090.04	-0.24%	**+22.60%**

As expected, markets took their cue from the Fed and focused on economic data releases around jobs and GDP.

Nonfarm payrolls increased by a seasonally adjusted 187,000 jobs, exceeding the Dow Jones estimate of 170,000.

However, the unemployment rate saw a notable uptick, reaching 3.8%. This is a significant increase from July and marks the highest rate since February 2022.

The Labor force participation rose to 62.8% in August, the highest level since February 2020.

The Job Opening and Labor Turnover Survey, or JOLTS report, out earlier this week also revealed workers are quitting their jobs at the lowest rate since January 2021.

Average hourly earnings rose by 0.2% for the month and 4.3% from the previous year, slightly short of forecasts.

Average workweek was 34.4 hours, compared to an estimate of 34.3 hours.

Taken together, this suggests **supply and demand for workers are coming into a "better balance"** as the post-pandemic labor market marked by the "Great Resignation" recedes. Other factors, including the end of the student loan moratorium and dwindling pandemic era savings, could also be at play.

Interestingly, solid job gains in August was yet again offset by large negative revisions to the prior months (-110K). This has been part of a trend for NFP data this year – it has consistently seen downward revisions, with a cumulative downward revision of 355K from January to July.

As an example, June payrolls was originally reported at 209K
It was revised one month later to 185K
It was again revised two months later to 105K.
i.e the originally "strong" 209K has been deflated to 105K two months later.

Gross domestic product (GDP) for the second quarter grew at a 2.1% annualized rate, slightly below the initial estimate.

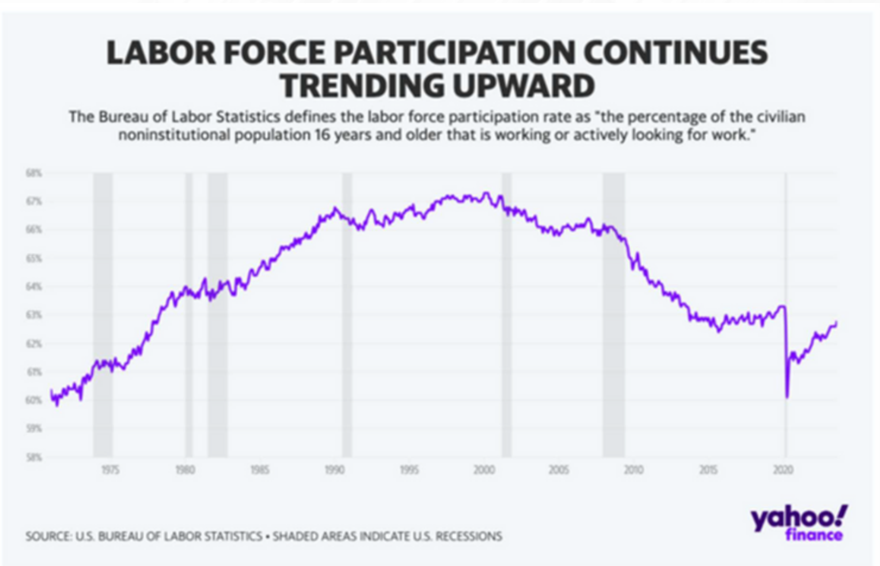
Consumer spending remains strong, rising by 0.6% after adjusting for inflation, even though real disposable personal income experienced a slight decline.

On the other side of the world, manufacturing data out of China fanned hopes the world's second biggest economy, which has been struggling to recover from COVID-19, could be on the upturn. A private-sector survey showed factory activity rose unexpectedly in August.

What do we think?

Overall, the data suggests that a 'cooling' of the economy is underway. This will make it easier for the Federal Reserve to pause in September, while continuing to seek confirmation of the trend from future data releases. However, rate cuts remain a long shot and we are probably due for a long pause rather than a Fed pivot.

Chart of the Week



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