



▲ Fed Governor Waller expressed surprisingly dovish sentiment in a speech yesterday.

Markets

	Prev. Close	% Ch
S&P 500	7,747.71	▲ 1.06%
NASDAQ	26,584.06	▲ 1.40%
FTSE 100	10,831.50	▲ 0.70%
Stoxx 50	6,382.59	▲ 0.32%
Oil (Brent)	95.52	▼ 0.12%
Gold	4,491.70	▲ 2.87%
Copper	6.58	▲ 1.17%

Economic Calendar

Friday

BoE's Governor Bailey speech (GBP), Retail Sales (EUR), Average Hourly Earnings (USD), Nonfarm Payrolls (USD), Unemployment Rate (USD)

Sunday

Retail Trade (JPY)

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- Fed's Waller Gives Surprisingly Dovish Speech
- Norway's Sovereign Wealth Fund to Reduce Exposure to US Treasuries

Headlines

Fed's Waller Gives Surprisingly Dovish Speech

Expectations for a September rate hike from the Fed eased on Thursday, with the implied probability falling to 55% from 66% following a surprisingly dovish speech from Governor Waller. His remarks prompted traders to unwind positions executed after Chair Warsh's hawkish tone last week, leading to a broad-based rally across equities, a pullback in US yields and softening in the dollar.

Waller signalled his preparedness to leave rates unchanged at this month's meeting, though it depended largely on the outcome of next week's inflation print. A materially stronger print could shift him toward supporting a hike, leaving markets highly sensitive to next week's economic data.

Attention now turns to today's nonfarm payrolls, where the consensus expectation is for the addition of 58k jobs in August, reversing July's unexpected 23k decline. While traders will use the release as a barometer of the current labour market, it is unlikely to materially influence expectations for the FOMC next meeting, given repeated indications from the Fed that labour market conditions are not the binding constraint for policy.

Norway's Sovereign Wealth Fund to Reduce Exposure to US Treasuries

Norges Bank Investment Management, the manager of Norway's sovereign wealth fund, recommended reducing the fund's exposure to US Treasuries by \$80bn, instead favouring higher-yield government-backed mortgage-backed securities. While the size of the adjustment is modest relative to the Treasury market, the move reinforces a broader trend of diminishing foreign demand for US government debt.

The move comes against a backdrop of accelerating outflows from Treasuries. In June, the ECB reported that gold had overtaken US government bonds as the world's largest reserve asset, highlighting a structural shift in global preferences. For the US, traditional buyers of its government debt such as Norway and China can no longer be relied upon to fund the US government's ever-enlarging debt pile.

With increasing government and corporate issuance, the pressure on yields remains skewed to the upside despite the Treasury's best efforts to keep them anchored.

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