

The week in  
seven charts

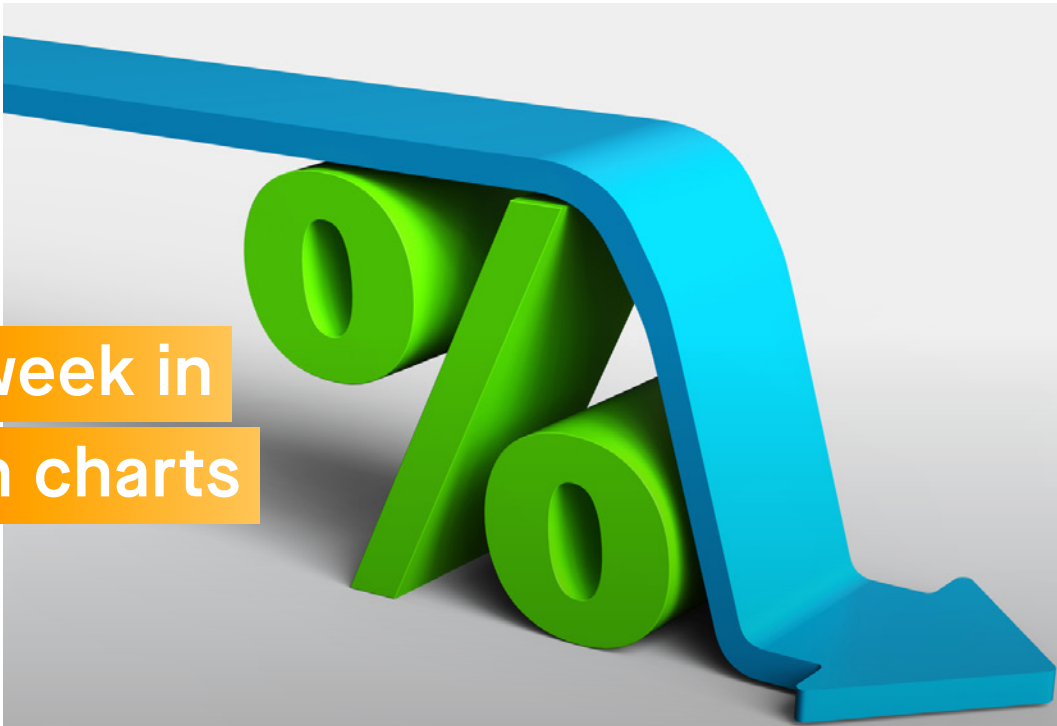


Chart #1

The Fed opens the door for a first rate cut in September

Read more on page 2 - Image ©iStock/matdesign24

**Fed signals potential rate cut in September**

The Fed hints at a possible rate cut in September, Eurozone inflation ticks up slightly, and only 5% of U.S. companies currently use AI. Each week, the Syz investment team takes you through the last seven days in seven charts.

**Charles-Henry Monchau**

*Chief Investment Officer*

### Chart #1

## The Fed opens the door for a first rate cut in September

The Federal Reserve (Fed), as expected, maintained its target for fed funds rates at 5.25%-5.50% for the eighth consecutive time on Wednesday. However, its chairman, Jerome Powell, emphasised that the first rate cut was getting closer. Here are the main takeaways from this meeting:

1. No decision has been made regarding a rate cut in September.
2. The committee remains attentive to the risks on both sides of the Fed's dual mandate (2% inflation and full employment).
3. The Fed will assess the upcoming macroeconomic data before making a decision on rates.
4. Second-quarter inflation figures have bolstered confidence that the inflation rate is moving in the right direction.
5. A rate cut that is too late could unduly weaken the economy.
6. The Fed needs to further strengthen its confidence level regarding inflation.

In other words, the Fed is clearly considering a rate cut in September. According to the prediction site Kaishi, the chances of a Fed rate cut in September are now 80%, an increase of nearly 25 points since July 1<sup>st</sup>.

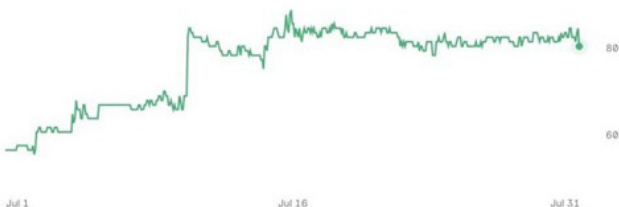
Since 2009, the Fed has always done what the market expected of it. Therefore, a rate cut in September seems very likely.



### Fed rate cut by September?

80% chance ↑23

Kaishi



Source: Bloomberg, Jeroen Blokland

### Chart #2

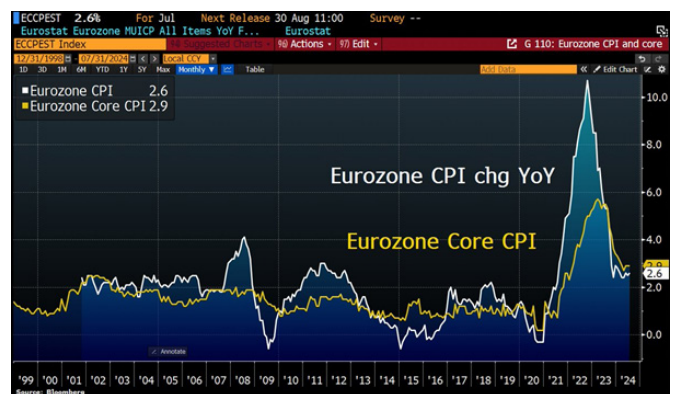
## Slight rebound in inflation in the Eurozone

Eurozone inflation rose to 2.6% in July, surpassing analysts' expectations. Core inflation remained stable at 2.9%.

The July increase is mainly due to higher prices for services, energy (which no longer has a deflationary effect), and food, which likely reached its lowest point.

The most concerning aspect for the ECB is that the inflation rate for services, the most representative component of the domestic economy, has been stuck at around 4% for nine months and appears to be trending in the wrong direction.

July's figures complicate the ECB's task as it considers another rate cut in September. Markets still estimate a 96% probability of a further 25 basis point reduction by the ECB at the next meeting.



Source: Bloomberg, HolgerZ

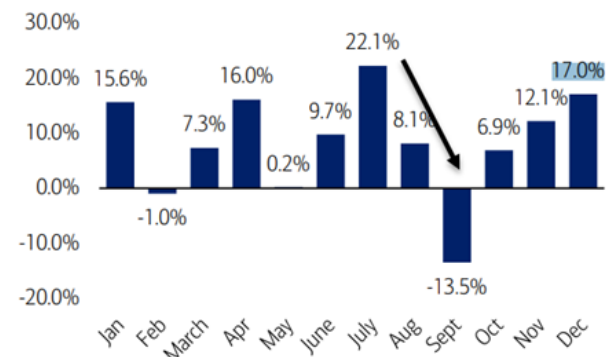
### Chart #3

## September is a historically complicated month for US equity markets

As shown in this chart from Bank of America (based on historical performance of the S&P 500 since 1928), September is simply the worst month of the year with an average performance of -13.5%...

### Exhibit 3: Wake me up when September ends

Average annualized S&P 500 price return by month (1928-Present)



Source: BofA, Bloomberg

**Chart #4**

**This is why it is so difficult to beat the S&P 500 index**

The difference between the MEDIAN (in red) and the AVERAGE (in green) cumulative performance of US equities since 1926 is staggering... In fact, the average performance of stocks over the last 100 years has been heavily influenced by a very small number of stocks (4% of the index). Statistically, it is nearly impossible to outperform an index over time, as one would need to specifically hold this very small percentage of stocks that have beaten the index, while also avoiding the vast majority of stocks that have underperformed the index.

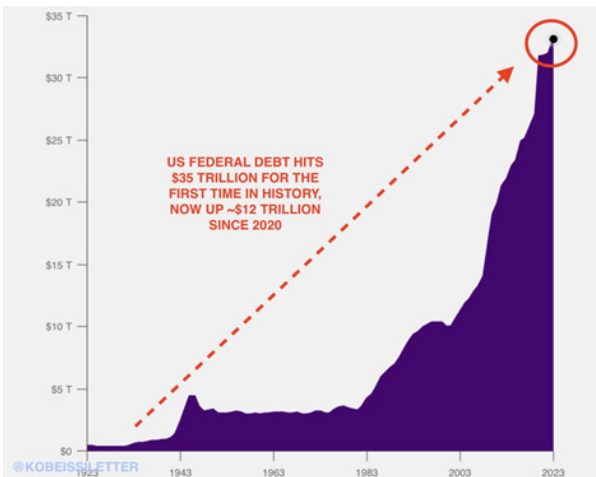


Source: Baird, Michel A. Arouet, SpencerHakimian

**Chart #5**

**US federal debt reaches \$35 trillion for the first time in history**

Since 2020, the United States has increased its federal debt by approximately \$12 trillion. In other words, the U.S. has added \$280 billion in federal debt EACH MONTH since January 2020. This means the U.S. now has about \$105,000 of federal debt per capita.



Source: The Kobeissi Letter

**Chart #6**

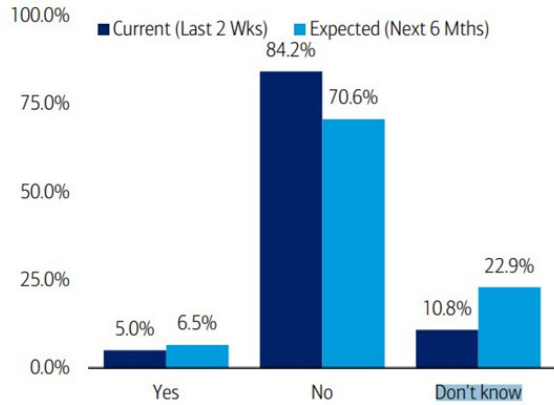
**Only 5% of U.S. companies currently use AI**

According to a study by Bank of America, it seems that corporate adoption of AI is still relatively low.

According to recent data, only 5% of US companies are currently using AI. This figure is comparable to other reports indicating that AI use is still in its infancy for many companies.

However, the adoption rate is set to rise as more companies recognise the potential benefits of AI, such as improved productivity, reduced costs and better decision-making.

US firm responses to whether they use AI to produce goods and services (Feb '24)



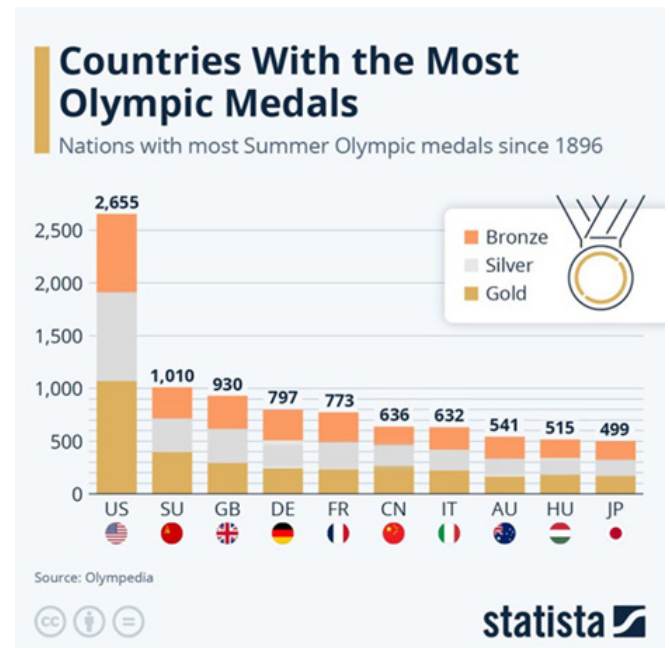
Source: Census Bureau BTOS Survey, BofA US Equity & Quant Strategy

Source: BofA

**Chart #7**

**The United States leads the Olympic medal table**

As shown by data compiled by Olympedia, the United States has won the most medals in the Summer Olympics since 1896. American athletes have won a total of 2,655 medals - 1,070 gold, 841 silver, and 744 bronze.



Source: Olympedia

## For further information

**Banque Syz SA**  
Quai des Bergues 1  
CH-1201 Geneva  
Tel +41 58 799 10 00  
syzgroup.com

**Charles-Henry Monchau**, Chief Investment Officer  
charles-henry.monchau@syzgroup.com

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