



## Inflation Peaks, Gold Surges, and Fed Cut Odds Rise

Global equities ended the week little changed as midweek gains faded into a Friday pullback ahead of the holiday weekend. The S&P 500 briefly pushed past the 6,500 mark for the first time on Thursday, only to dip back below by Friday's close.

The Fed's preferred inflation measure, the Core PCE Index, rose to 2.9% year-on-year in July—its highest in five months. Headline inflation, which includes food and energy, came in at a softer 2.6%.

**Impact:** Persistent inflation above target could keep monetary policy in focus, with markets attentive to how the Fed balances growth and price stability.

Gold rallied for a second consecutive week, touching an all-time high of \$3,518/oz in Friday trading—up 31% year-to-date. Much of the move followed the latest inflation release.

**Impact:** The surge reflects heightened demand for perceived safe-haven assets amid inflation and policy uncertainty.

Bond markets now imply an 89% chance that the Fed will cut rates at its September 17 meeting,

according to CME's FedWatch tool. Investors expect a quarter-point cut, reinforcing the dovish tone in recent commentary.

**Impact:** Markets appear confident in a policy shift, though the scale and timing remain subject to evolving data and Fed communication.

Q2 earnings season wrapped up with S&P 500 companies posting 11.7% growth versus a year ago. It marked the third straight quarter of double-digit gains, though slightly below Q1's 12.9%. Communication services led the way with a 46% surge.

**Impact:** Corporate profits remain solid, suggesting resilience, though momentum cooled slightly compared to earlier quarters.

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