

Chief Investment Office

# Weekly Market Commentary

For professional advisers only



## In Summary

- The Israel/Hamas conflict leads to significant loss of life and financial markets raise the probability of a reduction in oil supply
- US earnings season steps into gear this week with major financials reporting alongside some important technology names
- UK inflation data and employment data will be in focus on Tuesday and Wednesday as markets weigh UK recession risks

Last week saw equity and bond markets dominated by the events in the Middle East as well as a set of more dovish US Federal Reserve speakers. Friday saw rising concerns of a ground offensive in Gaza which saw US Treasury yields fall as investors sought safety in the US dollar and sovereign debt. The fact that this ground offensive has yet to begin has helped a cautious optimism to creep into early equity trading this week.

This week sees the US earnings season begin in earnest with a heavy focus on financials alongside a few technology heavyweights. Highlights include Tesla and Netflix which both report on Wednesday and are likely to have an outsized impact on market sentiment given their size as well as the importance of the tech focused magnificent seven to index returns this year. In terms of economic data, US retail sales will be closely watched after Friday's University of Michigan consumer confidence surprised significantly to the downside. Also of importance will be the weekly jobless claims which have been holding up very strongly. This week is the week used for the US nonfarm payroll surveys so the jobless claims will give an insight into the US employment report in a few weeks' time.

The UK sees the release of inflation data as well as labour market data this week. Tuesday contains the UK Claimant Count data which looks at unemployment using the % of individuals claiming unemployment benefit. This reading is lower than the wider unemployment measures as some eligible individuals do not claim unemployment benefit and some unemployed individuals are not eligible. UK unemployment is now 0.8% above the lows for the cycle and UK unemployment has increased faster than any other country in the developed world so one to watch. UK inflation meanwhile is expected to stay sticky with a 0.4% month-on-month gain at the headline level, leaving the year-on-year gain at 6.5% versus 6.7% the month prior.

Outside of the US and Europe, markets will also be paying close attention to the Japanese Consumer Price Index (CPI) release on Friday. The Bank of Japan is beginning to react to a higher inflation backdrop after struggling against deflation for decades. The 31 October central bank meeting could see the bank's policy of yield curve control, effectively quantitative easing in the sovereign bond market, finally end. Friday's CPI release will be a key input into that decision.



## Economic indicators (week beginning 9 October)

Day	Data Release	Consensus	Prior	Actual
<b>Monday</b>	Germany Industrial Production SA MoM Aug	-0.1%	-0.8%	-0.2%
<b>Tuesday</b>	Japan BoP Current Account Balance Aug	¥2972.0b	¥2771.7b	¥2279.7b
	Italy Industrial Production MoM Aug	-0.2%	-0.7%	0.2%
	United States Wholesale Inventories MoM Aug F	-0.1%	-0.1%	-0.1%
<b>Wednesday</b>	Germany CPI YoY Sep F	4.5%	4.5%	4.5%
	Germany CPI MoM Sep F	0.3%	0.3%	0.3%
	United States MBA Mortgage Applications 38991	--	-6.0%	0.6%
<b>Thursday</b>	United States Initial Jobless Claims 39356	210k	207k	209k
	United States CPI MoM Sep	0.3%	0.6%	0.4%
	United States CPI YoY Sep	3.6%	3.7%	3.7%
	Japan PPI YoY Sep	2.4%	3.2%	2.0%
	Japan Core Machine Orders MoM Aug	0.6%	-1.1%	-0.5%
	United Kingdom Industrial Production MoM Aug	-0.2%	-0.7%	-0.7%
<b>Friday</b>	United States CPI Ex Food and Energy MoM Sep	0.3%	0.3%	0.3%
	China CPI YoY Sep	0.2%	0.1%	0.0%
	France CPI YoY Sep F	4.9%	4.9%	4.9%
	United States U. of Mich. Sentiment Oct P	67.0	68.1	63.0
	China PPI YoY Sep	-2.4%	-3.0%	-2.5%
	United Kingdom Manufacturing Production MoM Aug	-0.3%	-0.8%	-0.8%
	United States PPI Final Demand MoM Sep	0.3%	0.7%	0.5%
	China Money Supply M2 YoY Sep	10.6%	10.6%	10.3%
	Australia Westpac Consumer Conf SA MoM Oct	--	-1.5%	2.9%
China Trade Balance Sep	\$70.60b	\$68.36b	\$77.71b	
China Exports YoY Sep	-7.5%	-8.8%	-6.2%	

Source: Bloomberg, data accessed 16 October 2023.





## Economic indicators (week beginning 16 October 2023)

Day	Data Release	Consensus	Prior
<b>Monday</b>	Japan Industrial Production MoM Aug F	--	0.0%
	Italy CPI EU Harmonized YoY Sep F	5.70%	5.70%
	United States Empire Manufacturing Oct	-6.0	1.9
<b>Tuesday</b>	Germany ZEW Survey Expectations Oct	-9.0	-11.4
	Canada CPI YoY Sep	4.0%	4.0%
	Germany ZEW Survey Current Situation Oct	-80.8	-79.4
	United States Retail Sales Advance MoM Sep	0.3%	0.6%
	Canada CPI NSA MoM Sep	0.0%	0.4%
	United States Industrial Production MoM Sep	0.0%	0.4%
	Japan Tertiary Industry Index MoM Aug	0.3%	0.9%
<b>Wednesday</b>	United Kingdom CPI YoY Sep	6.6%	6.7%
	United Kingdom CPI MoM Sep	0.5%	0.3%
	China GDP YoY 3Q	4.5%	6.3%
	Eurozone CPI YoY Sep F	4.3%	4.3%
	United Kingdom CPI Core YoY Sep	6.0%	6.2%
	United States MBA Mortgage Applications 41548	--	0.6%
	United States Housing Starts Sep	1380k	1283k
	China Industrial Production YoY Sep	4.4%	4.5%
	Eurozone CPI MoM Sep F	0.3%	0.3%
China Retail Sales YoY Sep	4.9%	4.6%	
<b>Thursday</b>	United States Initial Jobless Claims 41913	212k	209k
	United States Existing Home Sales Sep	3.88m	4.04m
	United States Leading Index Sep	-0.4%	-0.4%
<b>Friday</b>	Japan Natl CPI YoY Sep	3.0%	3.2%
	United Kingdom Retail Sales Inc Auto Fuel MoM Sep	-0.4%	0.4%
	United Kingdom Retail Sales Inc Auto Fuel YoY Sep	-0.2%	-1.4%

Source: Bloomberg, data accessed 16 October 2023.



## Asset market performance

Index	Value	As at Friday close		YTD	
		CR	TR	CR	TR
MSCI UK GBP	2182	1.57%	1.61%	1.77%	5.36%
MSCI USA USD	4118	0.41%	0.42%	13.14%	14.15%
MSCI Europe ex UK EUR	178	0.91%	0.93%	6.67%	8.97%
MSCI AC Asia Pacific ex JPN USD	492	1.25%	1.25%	-2.65%	-0.41%
MSCI Japan JPY	1416	2.42%	2.42%	23.10%	25.52%
MSCI Emerging Markets USD	951	1.49%	1.51%	-0.53%	1.69%
Barclays Sterling Gilts GBP	216		1.87%		-4.28%
GOLD USD	1933	5.45%		5.96%	
WTI Oil USD	88	5.92%		9.26%	
MSCI PIMFA Income		1.07%	1.10%	1.65%	3.64%
MSCI PIMFA Balanced		1.07%	1.09%	2.75%	4.70%
MSCI PIMFA Growth		1.01%	1.03%	4.35%	6.28%

Source: Bloomberg, MSCI; please see important information, data accessed 16 October 2023.

**YTD denotes year to date, TR denotes total return and CR denotes capital return.**



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