

Chief Investment Office

# Weekly Market Commentary

For professional advisers only



## In Summary

- Markets still cautious but investors unwind some of the recent flight-to-safety moves as prices of US Treasuries, gold, and crude drop a little.
- European Central Bank are meeting on monetary policy, but expectations are for interest rates to stay unchanged as inflation continues to ease.
- First read of US Q3 GDP (Gross Domestic Product) is due, as markets brace for a very strong reading, and again pushing back on recession worries.
- Latest Q3 company results season continues to unfold, as a host of so-called 'Big Tech' companies including Microsoft are due to report this week.

### Investors unwind some of the recent flight-to-safety moves.

Markets are still in a cautious mood, but there are signs that some of the recent investor-flight-to-safety is unwinding at the edges. In the latest Middle East news on the conflict between Israel and Gaza, this is following the release of two US hostages by Hamas at the end of last week, as well as humanitarian aid starting to move through Egypt's border with Gaza at the weekend. Prices of US Treasuries, gold, and crude oil have all dropped a little coming into Monday. Looking forward, there is a lot for investors to get their teeth into this week. Global flash PMIs (Purchasing Manager Indices) out Tuesday will be important for markets to try to gauge the resilience of economic momentum in the US, including the services component, as well as getting a handle on the relative slowdown in Europe currently. As well as more Q3 company results due out this week, we also have the first read of US Q3 GDP on Thursday, while September PCE (Personal Consumption Expenditures) inflation data and Tokyo CPI (Consumer Price Index) are both due on Friday. The highlight of the week though is likely to be the European Central Bank (ECB) meeting on Thursday.

### European Central Bank expected to keep interest rates on hold.

The focus for investors in Europe this week is the latest European Central Bank (ECB) decision due on Thursday. On balance, expectations are for the central bank to keep rates on hold, not least given progress on the inflation front lately has been better than expected - the Euro Area consumer annual inflation print was 4.3% in September, the lowest in almost 2 years, since October 2021. Instead, attention is likely to be on the ECB's messaging around how long it could keep rates at current levels. As an aside, not that the two events are linked, but the day before the ECB decision, another key global central bank, the Bank of Canada (BoC), is also deciding on rates - while expectations are for a hold on rates there as well, any views around the BoC's outlook on global inflation and growth dynamics might still weigh for the ECB as they meet.



### **Key US economic data likely to continue to push back on recession worries.**

On Thursday, we are due to get the preliminary estimate of US 3Q GDP. With increasing optimism about the growth trajectory for the US economy and hopes of a so-called 'soft-landing', this print will be very important. According to the Atlanta Federal Reserve's 'NowGDP', their estimate is for a Q3 GDP annualised growth rate of 5.4%, which is clearly well above the Fed's longer-run economic growth model assumption of 1.8%. The following day, on Friday, we get US personal income and spending data, together with the US Federal Reserve's preferred PCE (Personal Consumption Expenditures) inflation gauge. It is worth bearing in mind that this data is following recent resilient prints for both CPI and retail sales in recent weeks.

### **Q3 company results season continues, with 'Big Tech' firms amongst the reports to watch.**

While attention continues to be focused on events in the Middle East, markets will also be watching more Q3 company results land. While it is still early days in the reporting season, with just under a fifth of US companies having reported Q3 numbers so far, according to FactSet, 73% of those companies reported have delivered earnings ahead of expectations, which is more or less in-line with the 10-year average of 74%. Out this week, so-called 'Big Tech' firms will be a highlight, with numbers due from the sector including Microsoft, Alphabet, Meta, Amazon, and Intel. Given the oil price volatility lately, of particular interest will be results from Exxon, Chevron, and Total. Also, there should be plenty of opportunities to calibrate the current strength of the consumer, given numbers are due from the likes of Coca-Cola and Heineken, as well as a raft of US and European car makers.

Source: Bloomberg, data accessed 23 October 2023.



## Economic indicators (week beginning 16 October)

Day	Data Release	Consensus	Prior	Actual
<b>Monday</b>	Japan Industrial Production MoM Aug F	--	0.0%	-0.7%
	Italy CPI EU Harmonized YoY Sep F	5.7%	5.7%	5.6%
	United States Empire Manufacturing Oct	-6.0	1.9	-4.6
<b>Tuesday</b>	Germany ZEW Survey Expectations Oct	-9.8	-11.4	-11
	Canada CPI YoY Sep	4.0%	4.0%	3.8%
	Germany ZEW Survey Current Situation Oct	-81	-79.4	-79.9
	United States Retail Sales Advance MoM Sep	0.3%	0.6%	0.7%
	United Kingdom Jobless Claims Change Sep	--	0.9k	0.9k
	Canada CPI NSA MoM Sep	0.0%	0.4%	-0.1%
	United States Industrial Production MoM Sep	0.0%	0.4%	0.3%
	United Kingdom Claimant Count Rate Sep	--	4.0%	4.0%
<b>Wednesday</b>	United Kingdom CPI YoY Sep	6.6%	6.7%	6.7%
	United Kingdom CPI MoM Sep	0.5%	0.3%	0.5%
	China GDP YoY 3Q	4.5%	6.3%	4.9%
	Eurozone CPI YoY Sep F	4.3%	4.3%	4.3%
	United Kingdom CPI Core YoY Sep	6.0%	6.2%	6.1%
	United States MBA Mortgage Applications 41548	--	0.6%	-6.9%
	Eurozone CPI MoM Sep F	0.3%	0.3%	0.3%
<b>Thursday</b>	United States Initial Jobless Claims 41913	212k	209k	198k
	United States Existing Home Sales Sep	3.88m	4.04m	3.96m
<b>Friday</b>	Japan Natl CPI YoY Sep	3.0%	3.2%	3.0%
	United States Housing Starts Sep	1380k	1283k	1358k
	China Industrial Production YoY Sep	4.4%	4.5%	4.5%
	Japan Tertiary Industry Index MoM Aug	0.3%	0.9%	-0.1%
	China Retail Sales YoY Sep	4.9%	4.6%	5.5%
	United Kingdom Retail Sales Inc Auto Fuel MoM Sep	-0.4%	0.4%	-0.9%
	United States Leading Index Sep	-0.4%	-0.4%	-0.7%
	United Kingdom Retail Sales Inc Auto Fuel YoY Sep	-0.2%	-1.4%	-1.0%

Source: Bloomberg, data accessed 23 October 2023.



## Economic indicators (week beginning 23 October 2023)

Day	Data Release	Consensus	Prior
Tuesday	France HCOB France Manufacturing PMI Oct P	44.5	44.2
	United Kingdom Jobless Claims Change Sep	--	0.9k
	France HCOB France Services PMI Oct P	45.0	44.4
	Japan Jibun Bank Japan PMI Mfg Oct P	--	48.5
	Germany HCOB Germany Manufacturing PMI Oct P	40.1	39.6
	United Kingdom S&P Global/CIPS UK Manufacturing PMI Oct P	44.7	44.3
	United Kingdom ILO Unemployment Rate 3Mths Aug	4.3%	4.3%
	France HCOB France Composite PMI Oct P	44.6	44.1
	United Kingdom Claimant Count Rate Sep	--	4.0%
Wednesday	Germany IFO Business Climate Oct	86.0	85.7
	Canada Bank of Canada Rate Decision 45931	5.0%	5.0%
	Australia CPI QoQ 3Q	1.1%	0.8%
	Australia CPI YoY 3Q	5.3%	6.0%
Thursday	United States Initial Jobless Claims 44470	208k	198k
	United States GDP Annualized QoQ 3Q A	4.3%	2.1%
	United States Durable Goods Orders Sep P	15%	0.1%
	United States Wholesale Inventories MoM Sep P	0.1%	-0.1%
Friday	Italy Manufacturing Confidence Oct	96.0	96.4
	United States U. of Mich. Sentiment Oct F	63.0	63.0
	Japan Tokyo CPI Ex-Fresh Food YoY Oct	2.5%	2.5%
	United States S&P Global US Manufacturing PMI Oct P	49.4	49.8
	United States MBA Mortgage Applications 44105	--	-6.9%
	United States New Home Sales Sep	682k	675k
	Italy Consumer Confidence Index Oct	105.2	105.4
	United States Personal Income Sep	0.4%	0.4%
	United States Personal Spending Sep	0.5%	0.4%
Germany IFO Expectations Oct	83.5	82.9	

Source: Bloomberg, data accessed 23 October 2023.



## Asset market performance

Index	Value	As at Friday close		YTD	
		CR	TR	CR	TR
MSCI UK GBP	2126	-2.56%	-2.53%	-0.83%	2.69%
MSCI USA USD	4018	-2.45%	-2.44%	10.37%	11.36%
MSCI Europe ex UK EUR	172	-3.52%	-3.51%	2.92%	5.14%
MSCI AC Asia Pacific ex JPN USD	479	-2.76%	-2.76%	-5.34%	-3.16%
MSCI Japan JPY	1381	-2.48%	-2.48%	20.05%	22.41%
MSCI Emerging Markets USD	926	-2.70%	-2.70%	-3.22%	-1.05%
Barclays Sterling Gilts GBP	211		-2.14%		-6.34%
GOLD USD	1981	2.51%		8.63%	
WTI Oil USD	89	1.21%		10.58%	
MSCI PIMFA Income		-2.02%	-1.98%	-0.40%	1.59%
MSCI PIMFA Balanced		-2.13%	-2.09%	0.56%	2.51%
MSCI PIMFA Growth		-2.26%	-2.24%	1.99%	3.90%

Source: Bloomberg, MSCI; please see important information, data accessed 23 October 2023.

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



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