

Chief Investment Office

Weekly Market Commentary

For professional advisers only



In Summary

- The equity rally continued in the United States last week, but European indices struggled to maintain positive momentum
- US CPI on Tuesday will be the major market event of the week with the core reading expected to remain sticky
- Investors will be hoping for economic goldilocks with US retail sales growth contracting modestly

US equity markets rallied sharply on Friday, shrugging off some of the weakness seen on Thursday. European equity markets in contrast fell on Friday, and for the week as a whole, as weaker corporate earnings and a challenging inflation outlook weighed on the region. This week sees a number of major US and European economic data points as well as the risk of a US government shutdown and a key meeting between President Biden and President Xi takes place on Wednesday.

Starting off with inflation, Tuesday sees the latest US Consumer Price Index (CPI) report and this is arguably the single most important global datapoint in any given month. Consensus expectations are for a mere 0.1% month-on-month gain at a headline level due to the moves lower within energy prices. The core reading will be of greater interest to the market however and that is expected to remain at 0.3% month-on-month. While the pace of monthly core inflation is markedly lower than its peak, this reading is expected to remain elevated which will prove a challenge for the US Federal Reserve (Fed). As these numbers get smaller, much of the market reaction will be around the second decimal point of these readings, and should there

be any sign of a continuation of disinflationary trends, bonds and equities could quickly rally. On Wednesday we will see the producer price inflation figures which are expected to tell a similar story with core remaining sticky but headline producer price inflation remaining muted due to the recent fall in oil and gas prices.

US retail sales on Wednesday will also be an important barometer for a market that is hoping to see the economy cool, but not too much. After strong prints last month, both the headline US retail sales and retail sales ex autos are expected to fall into negative territory for October. Given retail sales were a major contributor to the rapid US Gross Domestic Product (GDP) expansion in Q3, this is an important reading. Over in the UK we have the latest employment and inflation data this week.

With last week representing the post-US employment report lull, investors will have plenty of news flow to consider this week. Alongside the data, this week also sees Moody's conclude its review on Italy's credit rating. This comes after Moody's shifted its US credit rating to a negative outlook last week due to risks around the budget deficit.



Economic indicators (week beginning 6 November 2023)

Day	Data Release	Consensus	Prior	Actual
Monday	France HCOB France Services PMI Oct F	46.1	46.1	45.2
	Australia Melbourne Institute Inflation MoM Oct	--	0.0%	-0.1%
Tuesday	Australia RBA Cash Rate Target 39387	4.35%	4.10%	4.35%
	Germany Industrial Production SA MoM Sep	-0.1%	-0.2%	-1.4%
	China Trade Balance Oct	\$82.00b	\$77.71b	\$56.53b
Wednesday	Japan BoP Current Account Balance Sep	¥2977.8b	¥2279.7b	¥2723.6
	Germany CPI YoY Oct F	3.8%	3.8%	3.8%
	Germany CPI MoM Oct F	0.0%	0.0%	0.0%
	United States MBA Mortgage Applications 37926	--	-2.1%	2.5%
	United States Wholesale Inventories MoM Sep F	0.0%	0.0%	0.2%
Thursday	United States Initial Jobless Claims 38292	220k	217k	217k
	China CPI YoY Oct	-0.1%	0.0%	-0.2%
	China PPI YoY Oct	-2.7%	-2.5%	-2.6%
Friday	China Imports YoY Oct	-5.0%	-6.2%	3.0%
	United Kingdom GDP QoQ 3Q P	-0.1%	0.2%	0.0%
	United Kingdom GDP YoY 3Q P	0.5%	0.6%	0.6%
	United States U. of Mich. Sentiment Nov P	63.5	63.8	60.4
	Italy Industrial Production MoM Sep	-0.2%	0.2%	0.0%
	United Kingdom Industrial Production MoM Sep	0.0%	-0.7%	0.0%
	United Kingdom Manufacturing Production MoM Sep	0.2%	-0.8%	0.1%
	Germany Factory Orders MoM Sep	-1.5%	3.9%	200%
	France HCOB France Composite PMI Oct F	45.3	45.3	44.6
	China Money Supply M2 YoY Oct	10.3%	10.3%	10.3%
	United States Trade Balance Sep	-\$60.0b	-\$58.3b	-\$61.5b
China Exports YoY Oct	-3.5%	-6.2%	-6.4%	

Source: Bloomberg, data accessed 13 November 2023.



Economic indicators (week beginning 13 November 2023)

Day	Data Release	Consensus	Prior
Monday	Australia Westpac Consumer Conf SA MoM Nov	--	2.9%
	United States CPI MoM Oct	0.1%	0.4%
	Japan GDP SA QoQ 3Q P	-0.1%	1.2%
Tuesday	Germany ZEW Survey Expectations Nov	5.0	-1.1
	Japan GDP Annualized SA QoQ 3Q P	-0.4%	4.8%
	United States CPI YoY Oct	3.3%	3.7%
	Germany ZEW Survey Current Situation Nov	-77.0	-79.9
	Japan GDP Deflator YoY 3Q P	4.8%	3.5%
	United Kingdom Claimant Count Rate Oct	--	4.0%
	Japan Industrial Production MoM Sep F	--	0.2%
Wednesday	United Kingdom CPI YoY Oct	4.7%	6.7%
	United Kingdom CPI MoM Oct	0.1%	0.5%
	Italy CPI EU Harmonized YoY Oct F	1.9%	1.9%
	France CPI YoY Oct F	4.0%	4.0%
	United States Retail Sales Advance MoM Oct	-0.3%	0.7%
	United Kingdom CPI Core YoY Oct	5.8%	6.1%
	China Industrial Production YoY Oct	4.5%	4.5%
	United States PPI Final Demand MoM Oct	0.1%	0.5%
	China Retail Sales YoY Oct	7.0%	5.5%
	United States Empire Manufacturing Nov	-3.0	-4.6
Thursday	United States Initial Jobless Claims 40848	220k	217k
	Australia Unemployment Rate Oct	3.7%	3.6%
	Australia Employment Change Oct	24.0k	6.7k
	United States Industrial Production MoM Oct	-0.3%	0.3%
	Australia Participation Rate Oct	66.8%	66.7%
	Canada Housing Starts Oct	256.0k	270.5k
Friday	Japan Core Machine Orders MoM Sep	0.9%	-0.5%
	United Kingdom Jobless Claims Change Oct	--	20.4k
	United States MBA Mortgage Applications 40483	--	2.5%
	United States Housing Starts Oct	1349k	1358k
	Japan Tertiary Industry Index MoM Sep	-0.1%	-0.1%
	China Money Supply M2 YoY Oct	10.3%	10.3%
	United Kingdom Retail Sales Inc Auto Fuel MoM Oct	0.5%	-0.9%
	United Kingdom Retail Sales Inc Auto Fuel YoY Oct	-1.6%	-1.0%

Source: Bloomberg, data accessed 13 November 2023.



Asset market performance

Index	Value	As at Friday close		YTD	
		CR	TR	CR	TR
MSCI UK GBP	2112	-0.62%	-0.48%	-1.47%	2.19%
MSCI USA USD	4199	1.28%	1.31%	15.34%	16.45%
MSCI Europe ex UK EUR	177	0.15%	0.15%	5.95%	8.30%
MSCI AC Asia ex JPN USD	487	-0.47%	-0.43%	-3.75%	-1.46%
MSCI Japan JPY	1432	0.75%	0.76%	24.48%	26.96%
MSCI Emerging Markets USD	948	0.01%	0.02%	-0.84%	1.44%
Barclays Sterling Gilts GBP	218		0.05%		-3.24%
GOLD USD	1940	-2.63%		6.37%	
WTI Oil USD	77	-4.15%		-3.85%	
MSCI PIMFA Income		0.60%	0.65%	1.86%	3.99%
MSCI PIMFA Balanced		0.72%	0.78%	2.89%	4.98%
MSCI PIMFA Growth		1.00%	1.06%	4.39%	6.43%

Source: Bloomberg, MSCI; please see important information, data accessed 13 November 2023.

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



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