

Chief Investment Office

Weekly Market Commentary

For professional advisers only



In Summary

- US employment reports surprises to the upside, pushing back against the market's dovish narrative
- US Consumer Price Index (CPI) will be in focus this week with no headline inflation expected month-on-month
- Central banks follow with the US Federal Reserve (Fed), European Central Bank (ECB) and Bank of England holding their final meeting of 2023

Despite the US equity market now posting its 6th consecutive weekly gain, there should be no complacency ahead of this week which sees a Fed meeting, an ECB meeting and perhaps most importantly, a US CPI print.

Before we move onto this week, we should acknowledge the US employment report which was slightly stronger than markets were expecting on a headline level and saw the US unemployment rate fall to 3.7% versus the 3.9% expected. Average hourly earnings were also slightly stronger than expectations. Taken as a whole, the US jobs report pushed back against the soft-landing narrative and expectations for a near immediate loosening of policy. There was some good news on Friday however as the University of Michigan survey showed 1 year inflation surprising to the downside, coming in at 3.1% versus the 4.3% that was expected.

The jobs report is likely to dissuade the Fed from sounding too dovish this week and markets also reduced the implied number of interest rate cuts in 2024 as a result. The key question

for Wednesday's Fed meeting statement will be whether the Fed explicitly rebukes the market's pricing of around 4½25bp interest rate cuts in 2024. With the jobs report in recent memory, the Fed is likely to strike a more cautious tone, saying that while rate rises are likely finished, this does not mean rate cuts are imminent. The tone of the statement and press conference will be key, as will the dot plot of interest rate expectations. The ECB and Bank of England will report on Thursday, with expectations of a pause in interest rates from both central banks.

Before we get to the trio of central banks, markets will need to contend with the US CPI release on Tuesday. The consensus expects there to be no month-on-month inflation at a headline level and 0.3% growth for Core CPI. The major difference between these two readings is the gas price which is down -8% since October and is excluded from the Core CPI reading. The two-day Federal Reserve meeting will already be underway when the CPI report lands but it is undoubtedly going to feed into their thinking if we see an upside or downside surprise.

Economic indicators (week beginning 4 December 2023)

Day	Data Release	Consensus	Prior	Actual
Monday	Japan Tokyo CPI Ex-Fresh Food YoY Nov	2.4%	2.7%	2.3%
	United States Durable Goods Orders Oct F	-5.4%	-5.4%	-5.4%
	United States Factory Orders Oct	-3.0%	2.8%	-3.6%
	Australia Melbourne Institute Inflation MoM Nov	--	-0.1%	0.3%
Tuesday	Australia RBA Cash Rate Target 38687	4.35%	4.35%	4.35%
	France HCOB France Services PMI Nov F	45.3	45.3	45.4
Wednesday	Canada Bank of Canada Rate Decision 39052	5.0%	5.0%	5.0%
	Australia GDP SA QoQ 3Q	0.4%	0.4%	0.2%
	United States ADP Employment Change Nov	120k	113k	103k
	Australia GDP YoY 3Q	1.8%	2.1%	2.1%
	Germany Factory Orders MoM Oct	0.1%	0.2%	-3.7%
	United States Trade Balance Oct	-\$64.2b	-\$61.5b	-\$64.3b
Thursday	United States Initial Jobless Claims 37591	222k	218k	220k
	Japan GDP SA QoQ 3Q F	-0.5%	-0.5%	-0.7%
	Japan GDP Annualized SA QoQ 3Q F	-2.0%	-2.1%	-2.9%
	Japan BoP Current Account Balance Oct	¥1689.3b	¥2723.6b	¥2582.8b
	Italy Industrial Production MoM Oct	-0.4%	0.0%	-0.2%
	Japan GDP Deflator YoY 3Q F	5.1%	5.1%	5.3%
	China Trade Balance Nov	\$55.30b	\$56.53b	\$68.39b
	United States Wholesale Inventories MoM Oct F	-0.2%	-0.2%	-0.4%
China Exports YoY Nov	-0.9%	-6.4%	0.5%	
Friday	United States Change in Nonfarm Payrolls Nov	180k	150k	199k
	United States U. of Mich. Sentiment Dec P	62.0	61.3	69.4
	Germany CPI YoY Nov F	3.2%	3.2%	3.2%
	Germany CPI MoM Nov F	-0.4%	-0.4%	-0.4%
	United States MBA Mortgage Applications 37226	--	0.3%	2.8%
	United States Unemployment Rate Nov	3.9%	3.9%	3.7%
	Germany Industrial Production SA MoM Oct	0.1%	-1.4%	-0.4%
	France HCOB France Composite PMI Nov F	44.5	44.5	44.6
	France Industrial Production MoM Oct	0.2%	-0.5%	-0.3%
	Australia Trade Balance Oct	A\$7500m	A\$6786m	A\$7129m

Source: Bloomberg, data accessed 11 December 2023.

Economic indicators (week beginning 11 December 2023)

Day	Data Release	Consensus	Prior
Monday	Japan PPI YoY Nov	0.1%	0.8%
	Australia Westpac Consumer Conf SA MoM Dec	--	-2.6%
Tuesday	United States CPI MoM Nov	0.0%	0.0%
	Germany ZEW Survey Expectations Dec	8.0	9.8
	United States CPI YoY Nov	3.1%	3.2%
	Germany ZEW Survey Current Situation Dec	-76.0	-79.8
	United Kingdom Jobless Claims Change Nov	--	17.8k
	Japan Tankan Large Mfg Index 4Q	10	9
	Japan Tankan Large All Industry Capex 4Q	12.7%	13.6%
	Japan Tankan Large Mfg Outlook 4Q	9	10
	United Kingdom Claimant Count Rate Nov	--	4.0%
Japan Tankan Large Non-Mfg Index 4Q	27	27	
Wednesday	United States FOMC Rate Decision (Upper Bound) 41609	5.50%	5.50%
	United Kingdom Manufacturing Production MoM Oct	0.0%	0.1%
	United States PPI Final Demand MoM Nov	0.0%	-0.5%
Thursday	Japan Industrial Production MoM Oct F	--	1.0%
	United Kingdom Bank of England Bank Rate 41974	5.3%	5.3%
	United States Initial Jobless Claims 40148	221k	220k
	Australia Unemployment Rate Nov	3.8%	3.7%
	Australia Employment Change Nov	11.5k	55.0k
	United States Retail Sales Advance MoM Nov	-0.1%	-0.1%
Australia Participation Rate Nov	66.9%	67.0%	
Friday	France HCOB France Manufacturing PMI Dec P	43.3	42.9
	Italy CPI EU Harmonized YoY Nov F	0.7%	0.7%
	France CPI YoY Nov F	3.4%	3.4%
	France HCOB France Services PMI Dec P	46.0	45.4
	Japan Core Machine Orders MoM Oct	-0.4%	1.4%
	United Kingdom Industrial Production MoM Oct	-0.1%	0.0%
	United States MBA Mortgage Applications 39783	--	2.8%
	Japan Jibun Bank Japan PMI Mfg Dec P	--	48.3
	Germany HCOB Germany Manufacturing PMI Dec P	43.2	42.6
	United Kingdom S&P Global/CIPS UK Manufacturing PMI Dec P	47.5	47.2
	United States S&P Global US Manufacturing PMI Dec P	49.3	49.4
	France HCOB France Composite PMI Dec P	45.0	44.6
	China Industrial Production YoY Nov	5.7%	4.6%
	United States Industrial Production MoM Nov	0.3%	-0.6%
	Japan Tertiary Industry Index MoM Oct	0.1%	-1.0%
	China Retail Sales YoY Nov	12.5%	7.6%
China Money Supply M2 YoY Nov	10.0%	10.3%	
United States Empire Manufacturing Dec	2.0	9.1	
Canada Housing Starts Nov	260.0k	274.7k	

Source: Bloomberg, data accessed 11 December 2023.



Asset market performance

Index	Value	As at Friday close		YTD	
		CR	TR	CR	TR
MSCI UK GBP	2164	0.25%	0.25%	0.93%	5.03%
MSCI USA USD	4390	0.21%	0.23%	20.61%	21.92%
MSCI Europe ex UK EUR	189	1.62%	1.65%	13.38%	16.00%
MSCI AC Asia ex JPN USD	501	-0.40%	-0.39%	-0.93%	1.55%
MSCI Japan JPY	1423	-2.59%	-2.59%	23.72%	26.20%
MSCI Emerging Markets USD	975	-0.73%	-0.71%	1.95%	4.42%
Barclays Sterling Gilts GBP	224		1.42%		-0.60%
GOLD USD	2005	-3.26%		9.90%	
WTI Oil USD	71	-3.83%		-11.25%	
MSCI PIMFA Income		0.69%	0.72%	3.87%	6.24%
MSCI PIMFA Balanced		0.69%	0.72%	4.94%	7.27%
MSCI PIMFA Growth		0.66%	0.69%	6.45%	8.71%

Source: Bloomberg, MSCI; please see important information, data accessed 11 December 2023.

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



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