

Chief Investment Office

Weekly Market Commentary

For professional advisers only



In Summary

- The US Equity Index posts its first weekly loss after nine weeks of consecutive gains
- The headline US employment report pointed to a robust labour market backdrop
- This week the market will focus on the US Consumer Price Index (CPI) report, released on Thursday

Markets began 2024 in a downbeat mood with equities suffering as bond investors pushed back their expectations for US interest rate cuts based on the US Federal Reserve (Fed) commentary and strong economic data. The highest profile of these strong data points was the headline US employment report on Friday. This week the main event will likely be the US CPI report which is released, unusually, on Thursday.

The headline number of new jobs created in the US was 216,000 versus market expectations of just 160,000. With that stronger number, the overall unemployment rate remained steady at 3.7% compared to the consensus expectation of a rise to 3.8%. Lastly, the average hourly earnings was expected to slow to 0.3% however it actually still expanded by 0.4% month-on-month. Within the data there were some signs of a slowdown including the household survey which showed a loss of 686,000 jobs, the highest since April 2020. Last month that same survey saw a gain of 586,000 so clearly volatile, but one to keep an eye on. Later in the day, the US Institute of Supply Management (ISM) services survey pointed to a significant weakening in job prospects with the employment subcomponent back to levels

last seen in 2020. The combination of the ISM survey and non-farm payroll report shows a mixed picture. However, markets latched onto the headline number of new jobs created, creating a sombre mood even if the US Equity Index did manage to post a very small gain by the end of the day.

Thursday will see the US CPI report released for December, with market expectations pointing to a headline 0.2% month-on-month gain and a 3.2% year-on-year gain. For the core CPI figures, the consensus expects 0.25% month-on-month and 3.8% year-on-year. The year-on-year numbers continue to fall, however it is clear that the 'last mile' to bring the CPI numbers back to the Fed's target are going to be difficult.

With the US equity market having had a negative week, after a very impressive nine consecutive weeks of gains, sentiment is clearly a little shaken ahead of the US CPI release. This week, alongside the CPI report are a series of Fed speakers, a number of Treasury auctions which will test appetite for US Treasuries at the current yield levels and also the latest New York Fed 1-year inflation expectations.



Economic indicators (week beginning 2 January 2024)

Day	Data Release	Consensus	Prior	Actual
Tuesday	France HCOB France Manufacturing PMI Dec F	42.0	42.0	42.1
	China Caixin China PMI Mfg Dec	50.3	50.7	50.8
	Italy HCOB Italy Manufacturing PMI Dec	44.2	44.4	45.3
	Germany HCOB Germany Manufacturing PMI Dec F	43.1	43.1	43.3
	United Kingdom S&P Global UK Manufacturing PMI Dec F	46.4	46.4	46.2
Wednesday	United States ISM Manufacturing Dec	47.1	46.7	47.4
	Germany Unemployment Change (000's) Dec	200k	22.0k	5.0k
Thursday	United States Initial Jobless Claims 11293	216k	218k	202k
	France CPI YoY Dec P	3.7%	3.5%	3.7%
	Germany CPI YoY Dec P	3.7%	3.2%	3.7%
	France HCOB France Services PMI Dec F	44.3	44.3	45.7
	United States ADP Employment Change Dec	125k	103k	164
	Germany CPI MoM Dec P	0.2%	-0.4%	0.1%
	United Kingdom Mortgage Approvals Nov	48.8k	47.4k	50.1k
Friday	United States Change in Nonfarm Payrolls Dec	175k	199k	216k
	Italy CPI EU Harmonized YoY Dec P	0.5%	0.6%	0.5%
	Canada Unemployment Rate Dec	5.9%	5.8%	5.8%
	United States Durable Goods Orders Nov F	5.4%	5.4%	5.4%
	Canada S&P Global Canada Manufacturing PMI Dec	--	47.7	45.4
	United States S&P Global US Manufacturing PMI Dec F	48.4	48.2	47.9
	United States MBA Mortgage Applications 47453	--	1.4%	-10.7%
	Japan Jibun Bank Japan PMI Mfg Dec F	--	47.7	47.9
	United States Unemployment Rate Dec	3.8%	3.7%	3.7%
	Italy CPI EU Harmonized MoM Dec P	0.2%	-0.4%	0.2%
	France HCOB France Composite PMI Dec F	43.7	43.7	44.8
	Canada Net Change in Employment Dec	15.0k	24.9k	0.1k
United States Factory Orders Nov	2.4%	-3.6%	2.6%	

Source: Bloomberg, data accessed 8 January 2024.



Economic indicators (week beginning 8 January 2024)

Day	Data Release	Consensus	Prior
Monday	Japan Tokyo CPI Ex-Fresh Food YoY Dec	2.1%	2.3%
Tuesday	Australia Building Approvals MoM Nov	-2.0%	7.5%
	Germany Industrial Production SA MoM Nov	0.3%	-0.4%
	Australia Retail Sales MoM Nov	1.2%	-0.2%
	United States Trade Balance Nov	-\$65.0b	-\$64.3b
Wednesday	United States MBA Mortgage Applications 38353	--	-10.7%
Thursday	United States Initial Jobless Claims 38718	210k	202k
	United States CPI MoM Dec	0.2%	0.1%
	United States CPI YoY Dec	3.2%	3.1%
	Japan BoP Current Account Balance Nov	¥2385.1b	¥2582.8b
	Italy Industrial Production MoM Nov	-0.2%	-0.2%
Friday	China Imports YoY Dec	0.0%	-0.6%
	China CPI YoY Dec	-0.4%	-0.5%
	France CPI YoY Dec F	3.7%	3.7%
	United Kingdom Industrial Production MoM Nov	0.3%	-0.8%
	China PPI YoY Dec	-2.6%	-3.0%
	United Kingdom Manufacturing Production MoM Nov	0.3%	-1.1%
	United States PPI Final Demand MoM Dec	0.1%	0.0%
	France Industrial Production MoM Nov	0.0%	-0.3%
	Germany Factory Orders MoM Nov	1.1%	-3.7%
	Australia Trade Balance Nov	A\$7500m	A\$7129m
	China Money Supply M2 YoY Dec	10.1%	10.0%
	China Trade Balance Dec	\$76.00b	\$68.39b
	United States Wholesale Inventories MoM Nov F	-0.2%	-0.2%
China Exports YoY Dec	1.6%	0.5%	

Source: Bloomberg, data accessed 8 January 2024.



Asset market performance

Index	Value	As at Friday close		YTD	
		CR	TR	CR	TR
MSCI UK GBP	2206	-0.44%	-0.43%	2.88%	7.20%
MSCI USA USD	4476	-1.66%	-1.65%	22.97%	24.41%
MSCI Europe ex UK EUR	191	-0.68%	-0.66%	14.11%	16.79%
MSCI AC Asia ex JPN USD	516	-2.48%	-2.46%	2.00%	4.72%
MSCI Japan JPY	1465	1.14%	1.14%	27.33%	30.02%
MSCI Emerging Markets USD	1002	-2.12%	-2.09%	4.78%	7.53%
Barclays Sterling Gilts GBP	229		-1.93%		1.56%
GOLD USD	2045	-0.85%		12.14%	
WTI Oil USD	74	3.01%		-8.04%	
MSCI PIMFA Income		-1.35%	-1.32%	5.12%	7.66%
MSCI PIMFA Balanced		-1.35%	-1.33%	6.17%	8.65%
MSCI PIMFA Growth		-1.30%	-1.28%	7.59%	10.00%

Source: Bloomberg, MSCI; please see important information, data accessed 8 January 2024.

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



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