

Chief Investment Office

# Weekly Market Commentary

For professional advisers only



## In Summary

- The US equity market hits a fresh all-time high as the Magnificent Seven lead the way
- The European Central Bank (ECB) meets this week, with the central bank expected to push back against hopes for imminent interest rate cuts
- An important week for US data with the US Federal Reserve's (Fed's) preferred inflation measure released on Friday

The US equity market closed at an all-time high on Friday with equity market futures pointing a positive start to this week as well. The equity gains last week were driven by the Magnificent Seven, without their contribution it would have been a rather more lacklustre index performance which would sit well below all-time highs. At the same time as the headline equity rally, US Treasury bonds were under further pressure with 10-year Treasury yields up almost 0.25% year-to-date.

The Fed is now within its blackout period ahead of the next Fed meeting and therefore we will have a week away from US central bank speak. The ECB will also be fairly quiet in the first half of the week as they build up to their meeting which takes place this Thursday. The meeting is likely to push back against market expectations for a Q1 interest rate cut, stressing the need for monetary policy, and by extension financial market pricing, to keep the pressure up on inflation. The ECB (and Bank of England) have a far weaker economic growth backdrop than the US and therefore could be forced to act due to recession fears rather than purely taking into account the level of inflation. Before we get to the ECB, the European bank lending survey is released tomorrow which will allow investors to gauge the level of risk appetite from the European banking sector.

On Thursday the US will release its first estimate for Q4 Gross Domestic Product (GDP) which is expected to be more buoyant after the strong US retail sales data released last week. This will also give an insight into the US core Personal Consumption Expenditures (PCE) trends ahead of the personal income and spending report which is released on Friday. The components of PCE mean that it should be slightly less impacted by some of the stickier US Consumer Prices Index (CPI) components and therefore may tell a story of continued disinflation ahead of the Fed meeting next week.

This week will also be an important week for US politics with the second state voting in the Republican nomination process. Overnight Ron DeSantis pulled out of the race, endorsing former President Donald Trump. It is now effectively a two-horse race between Trump and Nikki Haley with Haley still trailing ahead of tomorrow's New Hampshire primary.

## Economic indicators (week beginning 15 January 2024)

Day	Data Release	Consensus	Prior	Actual
<b>Monday</b>	Japan PPI YoY Dec	-0.3%	0.3%	0.0%
	Australia Westpac Consumer Conf SA MoM Jan	--	2.7%	-1.3%
	Australia Melbourne Institute Inflation MoM Dec	--	0.3%	1.0%
<b>Tuesday</b>	Germany ZEW Survey Expectations Jan	11.7	12.8	15.2
	Canada CPI YoY Dec	3.4%	3.1%	3.4%
	Italy CPI EU Harmonized YoY Dec F	0.5%	0.5%	0.5%
	Germany ZEW Survey Current Situation Jan	-77.0	-77.1	-77.3
	Germany CPI YoY Dec F	3.7%	3.7%	3.7%
	United States Empire Manufacturing Jan	-5.0	-14.5	-43.7
	United Kingdom Claimant Count Rate Dec	--	4.0%	4.0%
Canada Housing Starts Dec	247.5k	212.6k	249.3k	
<b>Wednesday</b>	United Kingdom CPI YoY Dec	3.8%	3.9%	4.0%
	United Kingdom CPI MoM Dec	0.2%	-0.2%	0.4%
	China GDP YoY 4Q	5.3%	4.9%	0.1%
	United States Retail Sales Advance MoM Dec	0.4%	0.3%	0.6%
	United Kingdom CPI Core YoY Dec	4.9%	5.1%	5.1%
	United States MBA Mortgage Applications 40909	--	9.9%	10.4%
	China Industrial Production YoY Dec	6.7%	6.6%	6.8%
China Retail Sales YoY Dec	8.0%	10.1%	7.4%	
<b>Thursday</b>	Japan Industrial Production MoM Nov F	--	-0.9%	-0.9%
	United States Initial Jobless Claims 41275	206k	202k	187k
	Australia Unemployment Rate Dec	3.9%	3.9%	3.9%
	Australia Employment Change Dec	15.0k	61.5k	-65.1k
	Japan Natl CPI YoY Dec	2.5%	2.8%	2.6%
<b>Friday</b>	United States U. of Mich. Sentiment Jan P	70.0	69.7	78.8
	United Kingdom Jobless Claims Change Dec	--	16.0k	11.7k
	Japan Core Machine Orders MoM Nov	-0.8%	0.7%	0.0%
	Germany CPI MoM Dec F	0.1%	0.1%	0.1%
	Canada CPI NSA MoM Dec	-0.3%	0.1%	-0.3%
	United States Housing Starts Dec	1425k	1560k	1460k
	Japan Tertiary Industry Index MoM Nov	0.1%	-0.8%	-0.7%
	United States Industrial Production MoM Dec	0.0%	0.2%	0.1%
	United States Existing Home Sales Dec	3.83m	3.82m	3.78m
	United Kingdom Retail Sales Inc Auto Fuel MoM Dec	-0.5%	1.3%	-3.2%
United Kingdom Retail Sales Inc Auto Fuel YoY Dec	1.1%	0.1%	-2.4%	

Source: Bloomberg, data accessed 22 January 2024.



## Economic indicators (week beginning 22 January 2024)

Day	Data Release	Consensus	Prior
<b>Monday</b>	United States Leading Index Dec	-0.3%	-0.5%
<b>Tuesday</b>	Japan BOJ Policy Balance Rate 44927	-0.1%	-0.1%
<b>Wednesday</b>	Canada Bank of Canada Rate Decision 45292	5.0%	5.0%
	France HCOB France Manufacturing PMI Jan P	42.5	42.1
	France HCOB France Services PMI Jan P	46.0	45.7
	Japan Jibun Bank Japan PMI Mfg Jan P	--	47.9
	Germany HCOB Germany Manufacturing PMI Jan P	43.7	43.3
	United Kingdom S&P Global UK Manufacturing PMI Jan P	46.7	46.2
	United States MBA Mortgage Applications 43466	--	10.4%
	United States S&P Global US Manufacturing PMI Jan P	47.5	47.9
	France HCOB France Composite PMI Jan P	45.2	44.8
<b>Thursday</b>	United States Initial Jobless Claims 43831	200k	187k
	Germany IFO Business Climate Jan	86.6	86.4
	United States GDP Annualized QoQ 4Q A	2.0%	4.9%
	Japan Tokyo CPI Ex-Fresh Food YoY Jan	1.9%	2.1%
	United States Durable Goods Orders Dec P	1.1%	5.4%
	United States New Home Sales Dec	649k	590k
	Germany IFO Expectations Jan	84.8	84.3
	United States Wholesale Inventories MoM Dec P	-0.2%	-0.2%
<b>Friday</b>	United States Personal Income Dec	0.3%	0.4%
	United States Personal Spending Dec	0.4%	0.2%

Source: Bloomberg, data accessed 22 January 2024.



## Asset market performance

Index	Value	As at Friday close		YTD	
		CR	TR	CR	TR
MSCI UK GBP	2138	-2.35%	-2.32%	-0.27%	3.97%
MSCI USA USD	4614	1.18%	1.19%	26.76%	28.28%
MSCI Europe ex UK EUR	189	-1.29%	-1.28%	12.90%	15.57%
MSCI AC Asia ex JPN USD	498	-2.63%	-2.62%	-1.44%	1.19%
MSCI Japan JPY	1547	0.78%	0.78%	34.47%	37.31%
MSCI Emerging Markets USD	971	-2.55%	-2.54%	1.52%	4.20%
Barclays Sterling Gilts GBP	226		-1.04%		0.08%
GOLD USD	2029	-0.96%		11.26%	
WTI Oil USD	73	1.00%		-8.53%	
MSCI PIMFA Income		-0.51%	-0.47%	4.92%	7.53%
MSCI PIMFA Balanced		-0.45%	-0.42%	6.11%	8.66%
MSCI PIMFA Growth		-0.25%	-0.23%	7.97%	10.42%

Source: Bloomberg, MSCI; please see important information, data accessed 22 January 2024.

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



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