

Chief Investment Office

Weekly Market Commentary

For professional advisers only



In Summary

- The S&P 500 reached a new all-time high, closing above 5,000 for the first time and marking its fifth consecutive week of gains.
- The 'Magnificent Seven' tech giants continued to outperform the broader market.
- With data pointing to a more robust US economy, investors reduced expectations of rate cuts in 2024, driving the expected rate for the December meeting up to 4.20%.

The proliferation of artificial intelligence (AI) remains a significant secular growth theme, providing a substantial boost to the technology sector. This trend has been evident in the impressive post-earnings rallies of companies like Arm and Palantir, which have capitalised on the AI wave. However, there are ongoing concerns regarding market breadth and concentration, as highlighted by the performance disparities between the S&P 500 and its equal-weight counterpart, as well as the Nasdaq and Russell 2000 indices, which have both reached new highs recently.

New York Community Bancorp (NYCB) saw a respite from its recent troubles as shares surged by 16.9% on Friday, buoyed by news of share purchases by its management. Despite rising concerns in the commercial real estate (CRE) sector, particularly around regional banks, there has been no significant spillover effect on the broader market. The risks associated with NYCB continue to be flagged by Wall Street analysts as idiosyncratic and isolated, suggesting that the issues may not be indicative of a wider systemic problem within the banking sector.

Yields have continued to rise following comments from US Federal Reserve Chairman Jerome Powell and the recent payroll

data. Powell's remarks pushed back against the expectation of early easing in March. The prevailing sentiment from Federal Reserve (Fed) officials has been notably more hawkish than market predictions, which have priced in just under 115 basis points of rate cuts for the year. Fed officials have emphasised the need to observe more data confirming disinflationary trends before considering policy easing, indicating a willingness to be patient before adjusting interest rates. Investors are eagerly waiting for the US Consumer Price Index (CPI) release on Tuesday. Consensus estimates predict a slowdown in year-on-year core CPI inflation to 3.7%, with the headline rate anticipated to recede by 0.4% to 2.9%.

In Asia, Chinese equities have experienced a resurgence ahead of the Lunar New Year festivities, potentially driven by stimulus sentiment and market stabilisation discussions involving President Xi Jinping and the new head of the China Securities Regulatory Commission (CSRC). This comes as the Chinese economy grapples with a deflationary trend, with consumer prices dropping at the fastest rate in over 14 years and producer prices declining for the 16th consecutive month. These economic indicators may influence the country's policy decisions and affect market sentiment.

Economic indicators (week beginning 5 February 2024)

Day	Data Release	Consensus	Prior	Actual
Monday	France HCOB France Services PMI Jan F	45.0	45.0	45.4
	France HCOB France Composite PMI Jan F	44.2	44.2	44.6
	Australia Trade Balance Dec	A\$10500m	A\$11437m	A\$10959m
	Australia Melbourne Institute Inflation MoM Jan	--	1.0%	0.3%
Tuesday	Australia RBA Cash Rate Target 38749	4.4%	4.4%	4.4%
	Italy Manufacturing Confidence Jan	96.5	95.4	88.3
	Italy Consumer Confidence Index Jan	107.0	106.7	96.4
	Germany Factory Orders MoM Dec	-0.3%	0.3%	8.9%
Wednesday	Japan BoP Current Account Balance Dec	¥1138.7b	¥1925.6b	¥744.3b
	United States MBA Mortgage Applications 37288	--	-7.20%	3.70%
	Germany Industrial Production SA MoM Dec	-0.5%	-0.7%	-1.6%
	United States Trade Balance Dec	-\$62.2b	-\$63.2b	-\$62.2b
Thursday	United States Initial Jobless Claims 37653	220k	224k	218k
	China CPI YoY Jan	-0.6%	-0.3%	-0.8%
	China PPI YoY Jan	-2.6%	-2.7%	-2.5%
	United States Wholesale Inventories MoM Dec F	0.4%	0.4%	0.4%
Friday	Germany CPI YoY Jan F	2.9%	2.9%	2.9%
	Canada Unemployment Rate Jan	5.9%	5.8%	5.7%
	Italy Industrial Production MoM Dec	0.9%	-1.5%	1.1%
	Germany CPI MoM Jan F	0.2%	0.2%	0.2%
	Canada Net Change in Employment Jan	15.0k	0.1k	37.3k
	China Money Supply M2 YoY Jan	9.3%	9.7%	8.7%

Source: Bloomberg, data accessed 12 February 2024.

Economic indicators (week beginning 12 February 2024)

Day	Data Release	Consensus	Prior
Monday	Japan PPI YoY Jan	0.1%	0.0%
	Australia Westpac Consumer Conf SA MoM Feb	--	-1.3%
Tuesday	United States CPI MoM Jan	0.2%	0.3%
	Germany ZEW Survey Expectations Feb	17.5	15.2
	United States CPI YoY Jan	2.9%	3.4%
	Germany ZEW Survey Current Situation Feb	-79.0	-77.3
	United Kingdom Jobless Claims Change Jan	--	11.7k
	United Kingdom ILO Unemployment Rate 3Mths Dec	4.0%	3.9%
	United Kingdom Claimant Count Rate Jan	--	4.0%
Wednesday	United Kingdom CPI YoY Jan	4.1%	4.0%
	Japan GDP SA QoQ 4Q P	0.2%	-0.7%
	United Kingdom CPI MoM Jan	-0.3%	0.4%
	Japan GDP Annualized SA QoQ 4Q P	1.1%	-2.9%
	United Kingdom CPI Core YoY Jan	5.2%	5.1%
	United States MBA Mortgage Applications 39845	--	3.7%
Thursday	Japan GDP Deflator YoY 4Q P	4.0%	5.3%
	Japan Industrial Production MoM Dec F	--	1.8%
	United States Initial Jobless Claims 40210	220k	218k
	Australia Unemployment Rate Jan	4.0%	3.9%
	United Kingdom GDP QoQ 4Q P	-0.1%	-0.1%
	Australia Employment Change Jan	25.0k	-65.1k
	United Kingdom GDP YoY 4Q P	0.1%	0.3%
	United States Retail Sales Advance MoM Jan	-0.1%	0.6%
	United Kingdom Industrial Production MoM Dec	-0.1%	0.3%
	United States Industrial Production MoM Jan	0.3%	0.1%
Friday	United Kingdom Manufacturing Production MoM Dec	-0.1%	0.4%
	United States Empire Manufacturing Feb	-11.8	-43.7
	France CPI YoY Jan F	3.1%	3.1%
	United States U. of Mich. Sentiment Feb P	80.0	79.0
	United States Housing Starts Jan	1460k	1460k
	Japan Tertiary Industry Index MoM Dec	0.2%	-0.7%
	United States PPI Final Demand MoM Jan	0.1%	-0.1%
United Kingdom Retail Sales Inc Auto Fuel MoM Jan	1.6%	-3.2%	
United Kingdom Retail Sales Inc Auto Fuel YoY Jan	-1.8%	-2.4%	

Source: Bloomberg, data accessed 12 February 2024.

Asset market performance

Index	Value	As at Friday close		YTD	
		CR	TR	CR	TR
MSCI UK GBP	2171	-0.60%	-0.60%	-2.00%	-1.94%
MSCI USA USD	4794	1.44%	1.46%	5.33%	5.42%
MSCI Europe ex UK EUR	195	0.37%	0.41%	1.88%	1.97%
MSCI AC Asia ex JPN USD	512	0.66%	0.67%	-3.20%	-3.16%
MSCI Japan JPY	1579	1.12%	1.12%	9.05%	9.05%
MSCI Emerging Markets USD	996	0.74%	0.75%	-2.76%	-2.70%
Barclays Sterling Gilts GBP	224		-0.99%		-4.23%
GOLD USD	2024	-0.76%		-1.88%	
WTI Oil USD	77	6.31%		7.24%	
MSCI PIMFA Income		0.13%	0.16%	0.12%	0.30%
MSCI PIMFA Balanced		0.26%	0.28%	0.54%	0.70%
MSCI PIMFA Growth		0.53%	0.55%	1.57%	1.68%

Source: Bloomberg, MSCI; please see important information, data accessed 12 February 2024.

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



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