

Chief Investment Office

Weekly Market Commentary

For professional advisers only



In Summary

- Super Tuesday in the US saw Nikki Haley exit from the race, setting up a Trump-Biden rematch for the general election.
- The European Central Bank (ECB) maintained interest rates but signalled potential rate cuts later in the year.
- Despite ongoing debates on inflation, recent central bank communications from both the ECB and the US Federal Reserve (Fed) have reignited market optimism of policy easing in early summer.

Last week's two main political events were Super Tuesday in the US and the unveiling of the UK's Spring Budget on Wednesday. Super Tuesday was expected to have a negligible impact on the markets, with a Trump-Biden rematch seen as a near certainty. The key question was whether Donald Trump's primary performance would reflect polling predictions. Although his primary wins were notable, they fell short of expectations, raising questions about his standing in national polls as the year progresses. The results of Super Tuesday prompted Nikki Haley to exit the Republican primary race, leaving Donald Trump and Joe Biden as the main contenders, setting the stage for a direct rematch in the general election for the first time since 1956. In the UK, Chancellor Jeremy Hunt presented the spring budget for 2024, with a reduction in National Insurance being his centrepiece, but overall fiscal support is marginal. Financial markets appeared to react more positively to the budget than the general public, especially because of the introduction of the British ISA and the requirement for Pension Schemes to disclose their UK investment allocations.

Separately, on the monetary policy front, investor sentiment has been uplifted by the ECB's dovish announcement on Thursday, sparking hopes for rate cuts later in the year. The ECB maintained interest rates but signalled possible reductions ahead, revising its inflation forecast downward to 2.3% for this year, with a gradual decline to the 2% target by 2025. Core inflation is also expected to decrease, aligning with a slightly lowered economic growth forecast for 2024.

ECB President Christine Lagarde's remarks pointed to June as a significant juncture, suggesting a clearer picture will emerge by then. Consequently, the likelihood of a rate reduction in April has diminished to a mere 14%, while a cut in June remains highly probable at over 90%, coinciding with market expectation for the Fed's first rate cut in June.

Meanwhile, Fed Chair Jerome Powell also said in a recent statement the policy rate may have peaked for the current tightening cycle, hinting at potential policy easing later in the year if the economy evolves as expected. However, due to the unpredictable nature of the economic landscape, the risks are two-sided: premature or excessive rate cuts could undermine the progress made in controlling inflation and might necessitate an even more stringent policy stance. Markets are anticipating three to four rate cuts by year's end.

Overall, central bank narratives have recently shifted market dynamics, with rate cut expectations moving from delay to anticipation. Last week's communications from the Fed and the ECB have reinforced the view that policy easing may begin by early summer. Although the US Consumer Price Index (CPI) and Produce Price Index (PPI) data in the coming week is pivotal and the inflation debate continues, the market's optimism for a 'soft landing' and timely rate cuts is on the rise. The Fed and the Bank of England are scheduled to convene for rate discussion meetings later this month, which will be closely monitored for further policy insights.

Economic indicators (week beginning 4 March 2024)

Day	Data Release	Consensus	Prior	Actual
Monday	Japan Tokyo CPI Ex-Fresh Food YoY Feb	2.5%	2.5%	2.5%
	Australia Building Approvals MoM Jan	4.0%	4.0%	-1.0%
	Australia Melbourne Institute Inflation MoM Feb	--	--	-10.0%
Tuesday	United States Durable Goods Orders Jan F	-6.1%	-6.1%	-6.2%
	France HCOB France Services PMI Feb F	48.0	48.0	48.4
	France HCOB France Composite PMI Feb F	47.7	47.7	48.1
	France Industrial Production MoM Jan	-0.1%	1.1%	-1.1%
	United States Factory Orders Jan	-2.9%	0.2%	-3.6%
	Italy GDP WDA QoQ 4Q F	0.2%	0.2%	0.2%
Wednesday	Canada Bank of Canada Rate Decision 38777	5.0%	5.0%	5.0%
	Australia GDP SA QoQ 4Q	0.2%	0.2%	0.2%
	United States ADP Employment Change Feb	150k	107k	140k
	United States MBA Mortgage Applications 36951	--	-5.6%	9.7%
	Australia GDP YoY 4Q	1.4%	2.1%	1.5%
	United States Wholesale Inventories MoM Jan F	-0.1%	-0.1%	-0.3%
Thursday	United States Initial Jobless Claims 37316	218k	215k	217k
	Japan BoP Current Account Balance Jan	-¥330.4b	¥744.3b	¥438.2b
	Germany Factory Orders MoM Jan	-6.3%	8.9%	-11.3%
	Australia Trade Balance Jan	A\$11500m	A\$10959m	A\$11027m
	United States Trade Balance Jan	-\$63.5b	-\$62.2b	-\$67.4b
Friday	United States Change in Nonfarm Payrolls Feb	200k	353k	275k
	Canada Unemployment Rate Feb	5.8%	5.7%	5.8%
	United States Unemployment Rate Feb	3.7%	3.7%	3.9%
	Germany Industrial Production SA MoM Jan	0.6%	-1.6%	1.0%
	Canada Net Change in Employment Feb	20.0k	37.3k	40.7k

Source: Bloomberg, data accessed 11 March 2024.



Economic indicators (week beginning 11 March 2024)

Day	Data Release	Consensus	Prior
Monday	Japan PPI YoY Feb	0.5%	0.2%
	United States CPI MoM Feb	0.4%	0.3%
	United States CPI YoY Feb	3.1%	3.1%
	Germany CPI YoY Feb F	2.5%	2.5%
Tuesday	United Kingdom Jobless Claims Change Feb	--	14.1k
	Germany CPI MoM Feb F	0.4%	0.4%
	United Kingdom ILO Unemployment Rate 3Mths Jan	3.8%	3.8%
	United Kingdom Claimant Count Rate Feb	--	4.0%
	Germany CPI EU Harmonized YoY Feb F	2.7%	2.7%
Wednesday	United Kingdom Industrial Production MoM Jan	0.0%	0.6%
	United States MBA Mortgage Applications 39508	--	9.7%
	United Kingdom Manufacturing Production MoM Jan	0.0%	0.8%
Thursday	United States Initial Jobless Claims 39873	219k	217k
	United States Retail Sales Advance MoM Feb	0.8%	-0.8%
	United States PPI Final Demand MoM Feb	0.3%	0.3%
Friday	France CPI YoY Feb F	2.9%	2.9%
	Italy CPI EU Harmonized YoY Feb F	0.9%	0.9%
	United States U. of Mich. Sentiment Mar P	77.1	76.9
	Japan Tertiary Industry Index MoM Jan	0.1%	0.7%
	United States Industrial Production MoM Feb	0.0%	-0.1%
	China Money Supply M2 YoY Feb	8.8%	8.7%
	United States Empire Manufacturing Mar	-7.0%	-2.4%

Source: Bloomberg, data accessed 11 March 2024.

Asset market performance

Index	Value	As at Friday close		YTD	
		CR	TR	CR	TR
MSCI UK GBP	2197	-0.43%	-0.04%	-0.83%	0.09%
MSCI USA USD	4886	-0.25%	-0.23%	7.34%	7.55%
MSCI Europe ex UK EUR	204	1.44%	1.50%	6.37%	6.56%
MSCI AC Asia ex JPN USD	537	1.88%	2.00%	1.59%	1.91%
MSCI Japan JPY	1688	0.46%	0.46%	16.56%	16.60%
MSCI Emerging Markets USD	1037	1.21%	1.24%	1.30%	1.51%
Barclays Sterling Gilts GBP	228		1.11%		-2.25%
GOLD USD	2179	4.61%		5.62%	
WTI Oil USD	78	-2.45%		8.88%	
MSCI PIMFA Income		-0.16%	-0.07%	1.39%	1.83%
MSCI PIMFA Balanced		-0.32%	-0.23%	1.81%	2.24%
MSCI PIMFA Growth		-0.64%	-0.53%	2.79%	3.16%

Source: Bloomberg, MSCI; please see important information, data accessed 11 March 2024.

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



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