

Chief Investment Office

# Weekly Market Commentary

For professional advisers only



## In Summary

- Another UK record close on Friday caps a decent week for equity markets.
- All about US inflation this week as latest consumer inflation data due.
- Taking a snapshot of the latest quarterly company results season so far.
- Testing the latest market narrative for lower inflation and interest rates.

Equity markets managed to end last week in positive territory, capping a decent week for most indices. The UK's FTSE 100 equity index hit another record high on Friday, its fifth straight session in a row. Chinese equity performance meanwhile seems to be having some sand in the gears lately. Over the weekend, China inflation data has continued to point to weak inflationary pressures, with annual consumer inflation at just +0.3% in April, and annual producer inflation negative at -2.5%. Looking forward to this week, the focus will be on US consumer inflation data due on Wednesday, but there are other things to watch out for. Closer to home, the UK sees the latest labour market data out on Tuesday. Wednesday sees Sweden's consumer inflation data published. Then over in Asia, on Thursday we get Q1 Gross Domestic Product (GDP) out from Japan. Back in the US, we are also due retail sales figures on Wednesday as well as industrial production data on Thursday.

This week is all about the latest temperature-check on inflation in the US. Later today we get the New York Federal Reserve's monthly survey of consumers' inflation expectations. This is followed tomorrow by monthly US Producer Price Index (PPI). Then, on Wednesday we get the latest monthly reading for US Consumer Price Index (CPI) inflation. Of these three data points, the most important will be the US CPI - coming into this week, we have had three back-to-back monthly CPI prints which have all been higher than expected. Expectations for this week's CPI is that core inflation will be +0.3% month-on-month (MoM) for April, after three consecutive monthly prints of +0.4% MoM. Year-on-year, CPI is expected to be running at +3.6% in April.

For the Q1 company results season, we are through the hump now, with 92% of US S&P 500 equity index companies having already reported. According to Factset, of these companies, 78% have reported actual earnings per share (EPS) above the mean EPS estimate, running above the 10-year average of 74%. Also constructive, is the scale of the earnings 'beat' versus estimates, where companies are reporting earnings that are +7.5% above expectations, above the 10-year average of +6.7%. At the sector level, the health care (87%) and information technology (86%) sectors have the highest percentages of companies reporting earnings above estimates. Still to come on the results front this week are US retailers Home Depot on Tuesday and Walmart on Thursday, while on the technology front, China's Alibaba is out on Tuesday, and US Applied Materials is out on Thursday.

The market narrative recently is that inflation can ultimately be tamed, and interest rates lowered. Echoing this, the central banks that met last week either cut interest rates (in the case of Sweden's Riksbank), or suggested that rate cuts are coming (in the case of the UK's Bank of England). As a result, this week's data is important as it can either reinforce or challenge that narrative. The US Federal Reserve is already perceived in markets as likely to lag other central banks in getting around to cutting interest rates this year. Should this week's US inflation data once again come in hotter, that could really test investors' patience as well as push back against the latest market narrative around hopes for lower interest rates.



## Economic indicators (week beginning 29 April 2024)

Day	Data Release	Consensus	Prior	Actual
<b>Monday</b>	Germany CPI YoY Apr P	2.3%	2.2%	2.2%
	Germany CPI MoM Apr P	0.6%	0.4%	0.5%
	Germany CPI EU Harmonized YoY Apr P	2.4%	2.3%	2.4%
<b>Tuesday</b>	Japan Industrial Production MoM Mar P	3.3%	-0.6%	3.8%
	Japan Jobless Rate Mar	2.5%	2.6%	2.6%
	China Manufacturing PMI Apr	50.3	50.8	50.4
	France CPI YoY Apr P	2.2%	2.3%	2.2%
	Italy CPI EU Harmonized YoY Apr P	1.1%	1.2%	1.0%
	China Caixin China PMI Mfg Apr	51.0	51.1	51.4
	United States Conf. Board Consumer Confidence Apr	104.0	104.7	97.0
	Italy CPI EU Harmonized MoM Apr P	0.6%	1.2%	0.6%
	Australia Retail Sales MoM Mar	0.2%	0.3%	-0.4%
	Japan Job-To-ApPLICANT Ratio Mar	1.3%	1.3%	1.3%
	United Kingdom Mortgage Approvals Mar	61.5k	60.4k	61.3k
	Germany Unemployment Change (000's) Apr	8.0k	4.0k	10.0k
	France GDP QoQ 1Q P	0.1%	0.1%	0.2%
	Italy GDP WDA QoQ 1Q P	0.1%	0.2%	0.3%
	Canada GDP MoM Feb	0.3%	0.6%	0.2%
United States MNI Chicago PMI Apr	45.0	41.4	37.9	
<b>Wednesday</b>	United States FOMC Rate Decision (Upper Bound) 37012	5.5%	5.5%	5.5%
	United States ISM Manufacturing Apr	50.1	50.3	49.2
	United States ADP Employment Change Apr	180k	184k	192k
	Japan Jibun Bank Japan PMI Mfg Apr F	--	49.9	49.6
	United Kingdom S&P Global UK Manufacturing PMI Apr F	48.7	48.7	49.1
	Canada S&P Global Canada Manufacturing PMI Apr	--	49.8	49.4
	United States S&P Global US Manufacturing PMI Apr F	49.9	49.9	50.0
	United States MBA Mortgage Applications 46113	--	-2.7%	2.6%
	United Kingdom Nationwide House Px MoM Apr	0.1%	-0.2%	-0.4%
United Kingdom Nationwide House Px NSA YoY Apr	1.2%	1.6%	0.6%	
<b>Thursday</b>	United States Initial Jobless Claims 46478	210k	207k	231k
	France HCOB France Manufacturing PMI Apr F	44.9	44.9	45.3
	United States Durable Goods Orders Mar F	2.6%	2.6%	2.6%
	Italy HCOB Italy Manufacturing PMI Apr	50.4	50.4	47.3
	Germany HCOB Germany Manufacturing PMI Apr F	42.2	42.2	42.5
	Australia Building Approvals MoM Mar	3.4%	-1.9%	1.9%
	United States Factory Orders Mar	1.6%	1.4%	1.6%
	Australia Trade Balance Mar	A\$7200m	A\$7280m	A\$5024m
	United States Trade Balance Mar	-\$69.2b	-\$68.9b	-\$69.4
<b>Friday</b>	United States Change in Nonfarm Payrolls Apr	250k	303k	175k
	United States Unemployment Rate Apr	3.8%	3.8%	3.9%
	France Industrial Production MoM Mar	0.3%	0.2%	-0.3%
	United Kingdom Net Lending Sec. on Dwellings Mar	1.5b	1.5b	0.3b

Source: Bloomberg, data accessed 13 May 2024.



## Economic indicators (week beginning 13 May 2024)

Day	Data Release	Consensus	Prior
Tuesday	Germany ZEW Survey Expectations May	46.4	42.9
	Japan PPI YoY Apr	0.8%	0.8%
	Germany ZEW Survey Current Situation May	-76.1	-79.2
	Germany CPI YoY Apr F	2.2%	2.2%
	United Kingdom Jobless Claims Change Apr	--	10.9k
	Germany CPI MoM Apr F	0.5%	0.5%
	United States PPI Final Demand MoM Apr	0.3%	0.2%
	United Kingdom ILO Unemployment Rate 3Mths Mar	4.3%	4.2%
	United Kingdom Claimant Count Rate Apr	--	4.0%
	Germany CPI EU Harmonized YoY Apr F	2.4%	2.4%
Wednesday	United States CPI MoM Apr	0.4%	0.4%
	United States CPI YoY Apr	3.4%	3.5%
	France CPI YoY Apr F	2.2%	2.2%
	United States Retail Sales Advance MoM Apr	0.4%	0.7%
	United States MBA Mortgage Applications 40299	--	2.6%
	United States Empire Manufacturing May	-10.0	-14.3
Thursday	Japan Industrial Production MoM Mar F	--	207k
	United States Initial Jobless Claims 40664	220k	44.9
	Japan GDP SA QoQ 1Q P	-0.3%	2.6%
	Australia Unemployment Rate Apr	3.9%	50.4
	Japan GDP Annualized SA QoQ 1Q P	-1.2%	42.2
	Australia Employment Change Apr	23.7k	-1.9%
	Italy CPI EU Harmonized YoY Apr F	1.0%	1.4%
	United States Housing Starts Apr	1420k	A\$7280m
	Japan GDP Deflator YoY 1Q P	3.3%	-\$68.9b
United States Industrial Production MoM Apr	0.1%		
Friday	China Industrial Production YoY Apr	5.5%	4.5%
	China Retail Sales YoY Apr	3.7%	3.1%
	United States Leading Index Apr	-0.3%	-0.3%
	China Property Investment YTD YoY Apr	-9.7%	-9.5%

Source: Bloomberg, data accessed 13 May 2024.



## Asset market performance

Index	Value	As at Friday close		YTD	
		CR	TR	CR	TR
MSCI UK GBP	2416	2.59%	2.83%	9.06%	10.96%
MSCI USA USD	4975	1.80%	1.83%	9.29%	9.66%
MSCI Europe ex UK EUR	208	3.22%	3.42%	8.39%	9.87%
MSCI AC Asia ex JPN USD	554	1.15%	1.24%	4.80%	5.51%
MSCI Japan JPY	1679	-0.35%	-0.31%	15.93%	16.89%
MSCI Emerging Markets USD	1072	0.96%	0.98%	4.68%	5.46%
Barclays Sterling Gilts GBP	226		0.73%		-3.33%
GOLD USD	2361	2.55%		14.42%	
WTI Oil USD	78	0.19%		9.23%	
MSCI PIMFA Income		1.45%	1.52%	4.46%	5.42%
MSCI PIMFA Balanced		1.59%	1.67%	5.49%	6.43%
MSCI PIMFA Growth		1.82%	1.90%	7.48%	8.37%

Source: Bloomberg, MSCI; please see important information, data accessed 13 May 2024.

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



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