

Chief Investment Office

Weekly Market Commentary

For professional advisers only



In Summary

- Markets finish May in positive mood, as US tech stocks lead performance.
- US economic data that US Federal Reserve members will probably like.
- Indian political election concludes as exit poll result welcomed by markets.
- European and US central banks' interest rate policy divergence beckons.

Friday saw some weaker US personal spending data, nudging up US rate cut hopes for later this year. That provided some welcome relief for government bond and equity markets, enabling investors to finish May on a positive note. Looking back at the month of May as a whole, most major equity indices recovered during the month after losses back in April. Equity indices were higher in May for both the US S&P 500 and the pan-European STOXX 600. The standout performer though was the so-called 'Magnificent 7' group of US megacap technology companies which were up +9.1% in US dollar terms in May. Looking forward, the focus this week is on central banks. While the Bank of Canada are expected to keep rates on hold when they meet on Wednesday, the European Central Bank (ECB) on Thursday are expected to cut. Elsewhere, amongst a fair bit of economic data out in Europe this week, of note, we have Swiss Consumer Price Index (CPI) data tomorrow, as well as Eurozone retail sales due on Thursday.

Friday saw the release of the latest monthly US Personal Consumption Expenditures (PCE) data for April. All in all, the data is likely to have been well received by US Federal Reserve (Fed) members who are due to meet to decide on rates next week, announcing their decision on 12 June. The US core PCE price index (excluding energy and food), which is the Fed's preferred gauge to measure inflation, rose by +0.2% month-on-month (MoM) in April, after a +0.3% MoM increase in March. The April MoM print was the slowest increase so far in 2024. Looking forward, we are still due to get four more PCE inflation reports between now and September, when the Fed are tipped by some to potentially

press the button on their first rate cut in the current cycle – currently, Fed funds futures have around a 60% probability of a 25 basis points cut in September.

Indian stocks have jumped to fresh record highs earlier on Monday as exit polls indicated a resounding victory for Prime Minister Narendra Modi's party. The National Stock Exchange of India (NSE) Nifty 50 Index rallied as much as +3.6% earlier on Monday, after most polls showed the Bharatiya Janata Party-led alliance securing a comfortable majority in general elections that finished over the weekend. The consensus view among investors is that should the exit polls be confirmed with the final election tally, then it would enable Modi's party to push through policies that are seen as crucial by some investors for boosting India's economic growth.

We could be heading into a more volatile couple of weeks for interest rate expectations in Europe and the US, given there are important decisions due on both sides of the Atlantic. Later this week, the ECB is due to announce its latest set of monetary policy settings, on Thursday 6 June. There is an expectation that the ECB will make its first interest rate cut of the current cycle. Interestingly, that could put it at odds against the Fed who are due to announce their latest rate views next week on Wednesday 12 June where the current expectation is that they will likely keep rates unchanged. As such, the next couple of weeks could well bring a more visible policy divergence between the ECB and the Fed. As well as the rate decisions, just as important will be the forward-guidance that both central banks issue for the timing of any future policy shifts.



Economic indicators (week beginning 20 May 2024)

Day	Data Release	Consensus	Prior	Actual
Monday	Japan Tertiary Industry Index MoM Mar	-0.1%	1.5%	-2.4%
Tuesday	Canada CPI YoY Apr	2.7%	2.9%	2.7%
	Canada CPI NSA MoM Apr	0.5%	0.6%	0.5%
	Australia Westpac Consumer Conf SA MoM May	--	-2.4%	-0.3%
Wednesday	United Kingdom CPI YoY Apr	2.1%	3.2%	2.3%
	United Kingdom CPI MoM Apr	0.1%	0.6%	0.3%
	United Kingdom CPI Core YoY Apr	3.6%	4.2%	3.9%
	Japan Core Machine Orders MoM Mar	-2.0%	7.7%	2.9%
	United States MBA Mortgage Applications 42856	--	0.5%	-5.7%
	United States Existing Home Sales Apr	4.22m	4.19m	4.14m
Thursday	United States Initial Jobless Claims 43221	220k	222k	219k
	France HCOB France Manufacturing PMI May P	45.9	45.3	46.7
	France HCOB France Services PMI May P	51.7	51.3	49.4
	Japan Jibun Bank Japan PMI Mfg May P	--	49.6	50.4
	Germany HCOB Germany Manufacturing PMI May P	43.3	42.5	45.4
	United Kingdom S&P Global UK Manufacturing PMI May P	49.5	49.1	51.3
	United States S&P Global US Manufacturing PMI May P	49.9	50.0	50.9
	United States New Home Sales Apr	679k	693k	634k
	France HCOB France Composite PMI May P	51.0	50.5	49.1
Friday	United States U. of Mich. Sentiment May F	67.7	67.4	69.1
	United States Durable Goods Orders Apr P	-0.7%	2.6%	0.7%
	Japan Natl CPI YoY Apr	2.4%	2.7%	2.5%
	United Kingdom Retail Sales Inc Auto Fuel MoM Apr	-0.5%	0.0%	-2.3%
	United Kingdom Retail Sales Inc Auto Fuel YoY Apr	-0.2%	0.8%	-2.7%
	United States U. of Mich. 5-10 Yr Inflation May F	--	3.1%	3.0%

Source: Bloomberg, data accessed 3 June 2024.



Economic indicators (week beginning 3 June 2024)

Day	Data Release	Consensus	Prior
Monday	France HCOB France Manufacturing PMI May F	46.7	46.7
	United States ISM Manufacturing May	49.6	49.2
	China Caixin China PMI Mfg May	51.6	51.4
	Japan Jibun Bank Japan PMI Mfg May F	--	50.5
	Italy HCOB Italy Manufacturing PMI May	48.0	47.3
	Germany HCOB Germany Manufacturing PMI May F	45.4	45.4
	United Kingdom S&P Global UK Manufacturing PMI May F	51.3	51.3
	Canada S&P Global Canada Manufacturing PMI May	--	49.4
	United States S&P Global US Manufacturing PMI May F	50.9	50.9
	Japan Capital Spending YoY 1Q	11.0%	16.4%
Australia Melbourne Institute Inflation MoM May	--	0.1%	
Tuesday	United States Durable Goods Orders Apr F	0.7%	0.7%
	United States Factory Orders Apr	0.6%	1.6%
	Germany Unemployment Change (000's) May	7.0k	10.0k
Wednesday	Canada Bank of Canada Rate Decision 38504	4.8%	5.0%
	Australia GDP SA QoQ 1Q	0.2%	0.2%
	France HCOB France Services PMI May F	49.4	49.4
	United States ADP Employment Change May	175k	192k
	United States MBA Mortgage Applications 11444	--	-5.7%
	France HCOB France Composite PMI May F	49.1	49.1
	France Industrial Production MoM Apr	0.3%	-0.3%
	Australia GDP YoY 1Q	1.2%	1.5%
United States ISM Services Index May	51.0	49.4	
Thursday	United States Initial Jobless Claims 37043	220k	219k
	Germany Factory Orders MoM Apr	0.5%	-0.4%
	Australia Trade Balance Apr	A\$5500m	A\$5024m
	United States Trade Balance Apr	-\$76.4b	-\$69.4b
Friday	United States Change in Nonfarm Payrolls May	190k	175k
	Canada Unemployment Rate May	6.2%	6.1%
	United States Unemployment Rate May	3.9%	3.9%
	Germany Industrial Production SA MoM Apr	0.2%	-0.4%
	Canada Net Change in Employment May	22.5k	90.4k
	China Trade Balance May	\$70.00b	\$72.35b
	China Exports YoY May	5.3%	1.5%
	United States Consumer Credit Apr	\$10.000b	\$6.274b

Source: Bloomberg, data accessed 3 June 2024.



Asset market performance

Index	Value	As at Friday close		YTD	
		CR	TR	CR	TR
MSCI UK GBP	2365	-0.59%	-0.56%	6.75%	8.95%
MSCI USA USD	5020	-0.64%	-0.63%	10.27%	10.72%
MSCI Europe ex UK EUR	207	-0.37%	-0.26%	7.99%	9.97%
MSCI AC Asia ex JPN USD	548	-2.53%	-2.45%	3.52%	4.44%
MSCI Japan JPY	1713	0.92%	0.93%	18.30%	19.30%
MSCI Emerging Markets USD	1049	-3.14%	-3.10%	2.46%	3.41%
Barclays Sterling Gilts GBP	224		-0.26%		-4.15%
GOLD USD	2327	-0.28%		12.81%	
WTI Oil USD	77	-0.94%		7.45%	
MSCI PIMFA Income		-0.45%	-0.41%	3.35%	4.48%
MSCI PIMFA Balanced		-0.49%	-0.44%	4.32%	5.43%
MSCI PIMFA Growth		-0.56%	-0.52%	6.19%	7.24%

Source: Bloomberg, MSCI; please see important information, data accessed 3 June 2024.

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



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