

Chief Investment Office

Weekly Market Commentary

For professional advisers only



In Summary

- A busy week ahead for inflation and interest rate news.
- Better than expected US jobs data confounds the bears.
- European Union Parliamentary elections impact the euro.
- Economic growth and interest rates a double-edged sword.

The week ahead is likely going to be dominated by the US. On Wednesday this week we have both the US Consumer Price Index (CPI) inflation report for May, followed by the US Federal Reserve (Fed)'s latest interest rate decision later the same day. The Fed is also due to publish its updated, so-called 'dot-plot' of Fed member expectations for interest rates alongside inflation and economic growth estimates. Away from the US, the other two big events of the week are probably Chinese consumer inflation due out on Wednesday, followed by the Bank of Japan's latest interest rate decision due on Friday. Finally, closer to home, we have UK Gross Domestic Product (GDP) for April due on Wednesday, and Euro Area April Industrial Production on Thursday.

Friday's US non-farm payroll employment data for May has confounded those bears still looking for signs of impending US economic recession. Instead, against a Bloomberg consensus median estimate for 180,000 jobs added, the actual number was 272,000 jobs added in May. According to Bloomberg, that was above all estimates. Not only that, but average hourly earnings climbed +4.1% from a year ago, above estimates looking for +3.9%. Elsewhere the unemployment rate edged up to 4.0% from 3.9%.

European Parliament election results landed over the weekend. Both France-President Emmanuel Macron's Renaissance party and Germany-Chancellor Olaf Scholz's Social Democrats party saw their share of votes fall. While a shift to the political right had been expected, the euro had

earlier this morning fallen to its weakest level in almost a month versus the US dollar on the news that Macron has decided to call a snap legislative ballot in France. For context, centre-left, and centre-right political parties across Europe were still set to preserve their overall majority in the European Union-wide ballot, and European Commission President Ursula von der Leyen's European People's Party is projected to finish first.

The latest US employment numbers highlight a labour market that continues to defy the bears, arguably blunting the impact on the economy from still-restrictive monetary policy. However, the flipside of this better economic data is that this will likely keep inflationary pressures stickier for longer. This is the 'double-edged' sword, between better economic news on the one side versus higher-for-longer-interest rates on the other. Perhaps not surprisingly, last week's stronger jobs report had a big impact on bond markets, with US treasuries posting their biggest daily loss (in price terms, with yields higher) in nearly two months on Friday. In currency markets on Friday, the US dollar was up as traders dialled-down the size of US central bank interest rate cuts expected this year, to 37 basis points (bps), down -12.8 bps on the day. All in all then, the latest economic data is likely to reinforce the US Fed's hitherto cautious stance on when to start easing interest rates. How last week's jobs data and this week's inflation print plays into the Fed meeting outcome this Wednesday, will be very interesting to see.

Economic indicators (week beginning 3 June 2024)

Day	Data Release	Consensus	Prior	Actual
Monday	France HCOB France Manufacturing PMI May F	46.7	46.7	46.4
	United States ISM Manufacturing May	49.6	49.2	48.7
	China Caixin China PMI Mfg May	51.6	51.4	51.7
	Japan Jibun Bank Japan PMI Mfg May F	--	50.5	50.4
	Italy HCOB Italy Manufacturing PMI May	48.0	47.3	45.6
	Germany HCOB Germany Manufacturing PMI May F	45.4	45.4	45.4
	United Kingdom S&P Global UK Manufacturing PMI May F	51.3	51.3	51.2
	Canada S&P Global Canada Manufacturing PMI May	--	49.4	49.3
	United States S&P Global US Manufacturing PMI May F	50.9	50.9	51.3
	Japan Capital Spending YoY 1Q	11.0%	16.4%	6.8%
	Australia Melbourne Institute Inflation MoM May	--	0.1%	0.3%
Tuesday	United States Durable Goods Orders Apr F	0.7%	0.7%	0.6%
	United States Factory Orders Apr	0.6%	1.6%	0.7%
	Germany Unemployment Change (000's) May	7.0k	10.0k	25.0k
Wednesday	Canada Bank of Canada Rate Decision 38504	4.8%	5.0%	4.8%
	Australia GDP SA QoQ 1Q	0.2%	0.2%	0.1%
	France HCOB France Services PMI May F	49.4	49.4	49.3
	United States ADP Employment Change May	175k	192k	152k
	United States MBA Mortgage Applications 11444	--	-5.7%	-5.2%
	France HCOB France Composite PMI May F	49.1	49.1	48.9
	France Industrial Production MoM Apr	0.3%	-0.3%	0.5%
	Australia GDP YoY 1Q	1.2%	1.5%	1.1%
United States ISM Services Index May	51.0	49.4	53.8	
Thursday	United States Initial Jobless Claims 37043	220k	219k	229k
	Germany Factory Orders MoM Apr	0.5%	-0.4%	-0.2%
	Australia Trade Balance Apr	A\$5500m	A\$5024m	A\$6548m
	United States Trade Balance Apr	-\$76.4b	-\$69.4b	-\$74.6b
Friday	United States Change in Nonfarm Payrolls May	190k	175k	272k
	Canada Unemployment Rate May	6.2%	6.1%	6.2%
	United States Unemployment Rate May	3.9%	3.9%	4.0%
	Germany Industrial Production SA MoM Apr	0.2%	-0.4%	-0.1%
	Canada Net Change in Employment May	22.5k	90.4k	26.7k
	China Trade Balance May	\$70.00b	\$72.35b	\$82.62b
	China Exports YoY May	5.3%	1.5%	7.6%
	United States Consumer Credit Apr	\$10.000b	\$6.274b	\$6.403b

Source: Bloomberg, data accessed 10 June 2024.

Economic indicators (week beginning 10 June 2024)

Day	Data Release	Consensus	Prior
Monday	Japan GDP SA QoQ 1Q F	-0.5%	-0.5%
	Japan GDP Annualized SA QoQ 1Q F	-2.0%	-2.0%
	Japan BoP Current Account Balance Apr	¥1783.5b	¥3398.8b
	Italy Industrial Production MoM Apr	0.2%	-0.5%
	Japan GDP Deflator YoY 1Q F	3.6%	3.6%
Tuesday	United Kingdom Jobless Claims Change May	--	8.9k
	United Kingdom ILO Unemployment Rate 3Mths Apr	4.3%	4.3%
	United Kingdom Claimant Count Rate May	--	4.1%
Wednesday	China CPI YoY May	0.4%	0.3%
	United States FOMC Rate Decision (Upper Bound) 41061	5.5%	5.5%
	United States CPI MoM May	0.1%	0.3%
	United States CPI YoY May	3.4%	3.4%
	Japan PPI YoY May	2.0%	0.9%
	Germany CPI YoY May F	2.4%	2.4%
	United Kingdom Industrial Production MoM Apr	-0.1%	0.2%
	China PPI YoY May	-1.5%	-2.5%
	Germany CPI MoM May F	0.1%	0.1%
	United States MBA Mortgage Applications 39234	--	-5.2%
	United Kingdom Manufacturing Production MoM Apr	-0.2%	0.3%
Germany CPI EU Harmonized YoY May F	2.8%	2.8%	
Thursday	United States Initial Jobless Claims 39600	220k	229k
	Australia Unemployment Rate May	4.0%	4.1%
	Australia Employment Change May	30.0k	38.5k
	United States PPI Final Demand MoM May	0.1%	0.5%
Friday	Japan Industrial Production MoM Apr F	--	-0.1%
	France CPI YoY May F	2.2%	2.2%
	United States U. of Mich. Sentiment Jun P	73.0	69.1
	Japan Tertiary Industry Index MoM Apr	0.4%	-2.4%
	China Money Supply M2 YoY May	7.1%	7.2%
	Japan BOJ Target Rate (Upper Bound) 41791	0.1%	0.1%
Japan BSI Large All Industry QoQ 2Q	--	0.0%	

Source: Bloomberg, data accessed 10 June 2024.



Asset market performance

Index	Value	As at Friday close		YTD	
		CR	TR	CR	TR
MSCI UK GBP	2356	-0.36%	-0.19%	6.36%	8.74%
MSCI USA USD	5082	1.25%	1.28%	11.65%	12.13%
MSCI Europe ex UK EUR	210	1.55%	1.58%	9.67%	11.70%
MSCI AC Asia ex JPN USD	563	2.80%	2.86%	6.42%	7.43%
MSCI Japan JPY	1706	-0.42%	-0.42%	17.80%	18.80%
MSCI Emerging Markets USD	1073	2.31%	2.36%	4.83%	5.85%
Barclays Sterling Gilts GBP	225		0.58%		-3.59%
GOLD USD	2294	-1.44%		11.19%	
WTI Oil USD	76	-1.90%		5.42%	
MSCI PIMFA Income		0.34%	0.40%	3.70%	4.89%
MSCI PIMFA Balanced		0.43%	0.48%	4.76%	5.94%
MSCI PIMFA Growth		0.53%	0.59%	6.75%	7.87%

Source: Bloomberg, MSCI; please see important information, data accessed 10 June 2024.

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



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