

Chief Investment Office

# Weekly Market Commentary

For professional advisers only



## In Summary

- A tale of two markets, Europe and US fortunes experience divergence.
- Looking to the week ahead, a busy one for central banks.
- US consumer in focus, as markets look to calibrate against recent fatigue.
- Still waiting for a global rate-cutting 'juggernaut' to get underway.

Markets last week gave investors very different experiences, depending on whether one was looking through a US or a European lens. In Europe, markets were weighed down by French political uncertainty, following French President Macron's decision a week ago to call snap Parliamentary elections in a high-stakes political gamble to see off the challenge of the political far-right. Across the Atlantic meanwhile, the US saw a pretty solid week on the back of encouraging consumer and producer inflation data, both coming in weaker than expected, and emboldening market hopes once again for rate cuts in the world's biggest economy sooner rather than later.

Looking to the week ahead now, we have central bank decisions due out from Australia on Tuesday, followed by a bumper Thursday with the UK, Switzerland, and Norway all due. For the UK, coming into the latest Bank of England meeting this week, we also have UK Consumer Price Index (CPI) data due on Wednesday. With the UK in the middle of a general election, expectations are high that there will not be any change to the current interest rate of 5.25%. If that turns out to be the case, that will make this week's meeting the seventh consecutive meeting where UK monetary policy has remained unchanged. Instead, what will be of more focus for markets, are any clues as to the path for rates later this year.

The latest US retail sales data is due out tomorrow. There have been some signs recently that the US consumer is starting to show some fatigue so this will be an important data point for markets to calibrate against. Ahead of this data, the latest context came from last week's University of Michigan survey - US consumer sentiment unexpectedly fell to a seven-month low in early June, with the sentiment index dropping to 65.6 from 69.1 the previous month, and short of expectations looking for a rise up to 72. That latest slide in sentiment suggests consumer demand in coming months could well be somewhat more restrained.

Ahead of central bank meetings due out this week, the US Federal Reserve last week arguably set the tone, paring back projections for the number of rate cuts expected over the rest of this year. While in recent months, we have had rate cuts from developed central banks across Switzerland, Sweden, Canada, and most recently the Euro Area's, European Central Bank, it still feels like central banks are on balance cagey about their first and next steps. Collectively then, it still feels as if monetary policy makers around the world are still not convinced enough about sustainable disinflationary trends to really get a global rate-cutting 'juggernaut' underway.



## Economic indicators (week beginning 10 June 2024)

Day	Data Release	Consensus	Prior	Actual
<b>Monday</b>	Japan GDP SA QoQ 1Q F	-0.5%	-0.5%	-0.5%
	Japan GDP Annualized SA QoQ 1Q F	-2.0%	-2.0%	-1.8%
	Japan BoP Current Account Balance Apr	¥1783.5b	¥3398.8b	¥2050.5b
	Italy Industrial Production MoM Apr	0.2%	-0.5%	-1.0%
	Japan GDP Deflator YoY 1Q F	3.6%	3.6%	3.4%
<b>Tuesday</b>	United Kingdom Jobless Claims Change May	--	8.9k	50.4k
	United Kingdom ILO Unemployment Rate 3Mths Apr	4.3%	4.3%	4.4%
	United Kingdom Claimant Count Rate May	--	4.1%	4.3%
<b>Wednesday</b>	China CPI YoY May	0.4%	0.3%	0.3%
	United States FOMC Rate Decision (Upper Bound) 41061	5.5%	5.5%	5.5%
	United States CPI MoM May	0.1%	0.3%	0.0%
	United States CPI YoY May	3.4%	3.4%	3.3%
	Japan PPI YoY May	2.0%	0.9%	2.4%
	Germany CPI YoY May F	2.4%	2.4%	2.4%
	United Kingdom Industrial Production MoM Apr	-0.1%	0.2%	-0.9%
	China PPI YoY May	-1.5%	-2.5%	-1.4%
	Germany CPI MoM May F	0.1%	0.1%	0.1%
	United States MBA Mortgage Applications 39234	--	-5.2%	15.6%
	United Kingdom Manufacturing Production MoM Apr	-0.2%	0.3%	-1.4%
Germany CPI EU Harmonized YoY May F	2.8%	2.8%	2.8%	
<b>Thursday</b>	United States Initial Jobless Claims 39600	220k	229k	242k
	Australia Unemployment Rate May	4.0%	4.1%	4.0%
	Australia Employment Change May	30.0k	38.5k	39.7k
	United States PPI Final Demand MoM May	0.1%	0.5%	-0.2%
<b>Friday</b>	Japan Industrial Production MoM Apr F	--	-0.1%	-0.9%
	France CPI YoY May F	2.2%	2.2%	2.3%
	United States U. of Mich. Sentiment Jun P	73.0	69.1	65.6
	Japan Tertiary Industry Index MoM Apr	0.4%	-2.4%	1.9%
	China Money Supply M2 YoY May	7.1%	7.2%	7.0%
	Japan BOJ Target Rate (Upper Bound) 41791	0.1%	0.1%	0.1%
	Japan BSI Large All Industry QoQ 2Q	--	0.0%	0.4%

Source: Bloomberg, data accessed 17 June 2024.





## Economic indicators (week beginning 17 June 2024)

Day	Data Release	Consensus	Prior
<b>Monday</b>	Italy CPI EU Harmonized YoY May F	0.8%	0.8%
	Japan Core Machine Orders MoM Apr	-3.0%	2.9%
	China Industrial Production YoY May	6.2%	6.7%
	China Retail Sales YoY May	3.0%	2.3%
	United States Empire Manufacturing Jun	-11.3%	-15.6%
<b>Tuesday</b>	Australia RBA Cash Rate Target 43252	4.4%	4.4%
	Germany ZEW Survey Expectations Jun	50.0	47.1
	Germany ZEW Survey Current Situation Jun	-65.0	-72.3
	United States Retail Sales Advance MoM May	0.3%	0.0%
	United States Industrial Production MoM May	0.3%	0.0%
<b>Wednesday</b>	United Kingdom CPI YoY May	2.0%	2.3%
	United Kingdom CPI MoM May	0.4%	0.3%
	United Kingdom CPI Core YoY May	3.5%	3.9%
	United States MBA Mortgage Applications 41791	--	15.6%
<b>Thursday</b>	United Kingdom Bank of England Bank Rate 43983	5.3%	5.3%
	United States Initial Jobless Claims 42156	235k	242k
	United States Housing Starts May	1375k	1360k
<b>Friday</b>	France HCOB France Manufacturing PMI Jun P	46.8	46.4
	Japan Natl CPI YoY May	2.9%	2.5%
	France HCOB France Services PMI Jun P	49.8	49.3
	Japan Jibun Bank Japan PMI Mfg Jun P	--	50.4
	Germany HCOB Germany Manufacturing PMI Jun P	46.4	45.4
	United Kingdom S&P Global UK Manufacturing PMI Jun P	51.3	51.2
	United States S&P Global US Manufacturing PMI Jun P	51.0	51.3
	France HCOB France Composite PMI Jun P	49.3	48.9
	United States Existing Home Sales May	4.09m	4.14m
	United Kingdom Retail Sales Inc Auto Fuel MoM May	1.6%	-2.3%
	United States Leading Index May	-0.4%	-0.6%
	United Kingdom Retail Sales Inc Auto Fuel YoY May	-0.6%	-2.7%
	United States Housing Starts MoM May	1.1%	5.7%

Source: Bloomberg, data accessed 17 June 2024.



## Asset market performance

Index	Value	As at Friday close		YTD	
		CR	TR	CR	TR
MSCI UK GBP	2327	-1.25%	-1.23%	5.04%	7.41%
MSCI USA USD	5162	1.57%	1.60%	13.40%	13.93%
MSCI Europe ex UK EUR	204	-2.84%	-2.81%	6.56%	8.56%
MSCI AC Asia ex JPN USD	564	0.13%	0.24%	6.55%	7.69%
MSCI Japan JPY	1696	-0.56%	-0.56%	17.13%	18.13%
MSCI Emerging Markets USD	1077	0.35%	0.50%	5.19%	6.38%
Barclays Sterling Gilts GBP	229		1.69%		-1.96%
GOLD USD	2333	1.71%		13.09%	
WTI Oil USD	78	3.87%		9.49%	
MSCI PIMFA Income		0.43%	0.48%	4.15%	5.39%
MSCI PIMFA Balanced		0.37%	0.41%	5.15%	6.38%
MSCI PIMFA Growth		0.26%	0.30%	7.03%	8.20%

Source: Bloomberg, MSCI; please see important information, data accessed 17 June 2024.

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



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