

Chief Investment Office

Weekly Market Commentary

For professional advisers only



In Summary

- Politics expected to move centre stage for markets.
- A reading of US inflation data due.
- Sweden's central bank expected to pause.
- Not just fundamentals but technical drivers matter too.

Markets are likely to shift their focus towards politics over the next couple of weeks. In UK we have the general election on Thursday next week, 4 July. Over in France, its Parliamentary two-stage election straddles this date, with a first round of voting this Sunday 30 June, followed by a second round the following Sunday 7 July. In both countries, the incumbent government party is behind in the polls. But while markets are broadly relaxed around the UK vote, given the fiscal constraints both leading parties have signed up to, in France the risks are seen as much bigger. For France, the concern is that Marine Le Pen's National Rally (NR) far-right party might end up taking control of a group-of-seven (G7) leading economy. As to the latest French polling, opinion polls over the weekend put NR on 33% share of the vote versus President Macron's party on 20%. Finally, not forgetting the US, we are due the first US presidential televised debate between President Joe Biden and former President Donald Trump, which is scheduled for Thursday evening in the US this week, 27 June.

We get some important inflation data out this week, but investors will have to wait until Friday to see it. This is part of the US Personal Consumption Expenditures (PCE) data due out on Friday. The core PCE reading (which excludes energy and food prices) is a key input for the members of the US Federal Reserve (Fed) in setting interest rate policy so will be closely watched. In terms of what markets are expecting, on a month-on-month (MoM) basis, the Bloomberg consensus is looking for just +0.1% MoM for core PCE. How that translates into annual estimates, core is expected to show +2.6% year-on-year. If that is the actual number, that would be the smallest annual core inflation print in over three years, since March 2021.

An interest rate decision is due out from Sweden's Riksbank on Thursday, which will book-end the major central bank meetings for June. Members of the Riksbank are widely expected by economists to pause their easing cycle after the initial rate cut last month, which

if that were the case, it would leave interest rates unchanged at 3.75%. Coming into this week's Riksbank meeting, is the similar experience of sticky inflation, which many advanced economies are grappling with currently. In Sweden's case for context, the annual inflation rate edged lower to 3.7% in May, down from 3.9% in the previous month, but it was still above the 3.5% market forecasts were looking for. While it was the lowest reading since January 2022, the suspicion is that the Riksbank members will want to see more progress on inflation coming back towards its 2% target, before resuming with more rate cuts. For investors, perhaps of greater interest is the read-across for other central banks. It will be interesting to see how the Riksbank might frame this pause (if indeed they do pause), given that a pause is also thought to be potentially on the cards for the European Central Bank (ECB) when they next meet mid-July.

As well as fundamentals, in terms of assessing the investment outlook it also pays to keep an eye on technical drivers too. One such technical driver is share buy backs. Share buy backs are defined as the reacquisition by a company of its own shares. As a way of using a company's cashflows, it represents an arguably alternative and perhaps a more flexible way of returning money to shareholders, versus say a stated dividend policy. Because it reduces the number of shares outstanding, share buy backs can increase a company's earnings-per-share metric, and as such, act as a tailwind for share prices. However, companies tend to avoid share buy backs during so-called 'closed' or 'blackout' periods leading up to earnings results announcements. With the US calendar Q2 earnings results season due to kick-off around the second week of July, some market estimates suggest as much as half of the US S&P 500 equity index by market capitalisation will be in black-out starting next week. That could have the effect of temporarily removing a sizeable technical positive for share prices in the near-term at least.

Economic indicators (week beginning 17 June 2024)

Day	Data Release	Consensus	Prior	Actual
Monday	Italy CPI EU Harmonized YoY May F	0.8%	0.8%	0.8%
	Japan Core Machine Orders MoM Apr	-3.0%	2.9%	-2.9%
	China Industrial Production YoY May	6.2%	6.7%	5.6%
	China Retail Sales YoY May	3.0%	2.3%	3.7%
	United States Empire Manufacturing Jun	-11.3%	-15.6%	-6.0%
Tuesday	Australia RBA Cash Rate Target 43252	4.4%	4.4%	4.4%
	Germany ZEW Survey Expectations Jun	50.00	47.10	47.50
	Germany ZEW Survey Current Situation Jun	-65.00	-72.30	-0.74
	United States Retail Sales Advance MoM May	0.3%	0.0%	0.1%
	United States Industrial Production MoM May	0.3%	0.0%	0.9%
Wednesday	United Kingdom CPI YoY May	2.0%	2.3%	2.0%
	United Kingdom CPI MoM May	0.4%	0.3%	0.3%
	United Kingdom CPI Core YoY May	3.5%	3.9%	3.5%
	United States MBA Mortgage Applications 41791	--	15.6%	90.0%
Thursday	United Kingdom Bank of England Bank Rate 43983	5.3%	5.3%	5.3%
	United States Initial Jobless Claims 42156	235k	242k	238.00
	United States Housing Starts May	1375k	1360k	1277.00
Friday	France HCOB France Manufacturing PMI Jun P	46.80	46.40	45.30
	Japan Natl CPI YoY May	2.9%	2.5%	2.8%
	France HCOB France Services PMI Jun P	49.80	49.30	48.80
	Japan Jibun Bank Japan PMI Mfg Jun P	--	50.40	50.10
	Germany HCOB Germany Manufacturing PMI Jun P	46.40	45.40	43.40
	United Kingdom S&P Global UK Manufacturing PMI Jun P	51.30	51.20	51.40
	United States S&P Global US Manufacturing PMI Jun P	51.00	51.30	51.70
	France HCOB France Composite PMI Jun P	49.30	48.90	48.20
	United States Existing Home Sales May	4.09m	4.14m	4.11
	United Kingdom Retail Sales Inc Auto Fuel MoM May	1.6%	-2.3%	2.9%
	United States Leading Index May	-0.4%	-0.6%	-0.5%
	United Kingdom Retail Sales Inc Auto Fuel YoY May	-0.6%	-2.7%	1.3%
	United States Housing Starts MoM May	1.1%	5.7%	-5.5%

Source: Bloomberg, data accessed 24 June 2024.



Economic indicators (week beginning 24 June 2024)

Day	Data Release	Consensus	Prior
Monday	Germany IFO Business Climate Jun	89.60	89.30
Tuesday	Canada CPI YoY May	2.6%	2.7%
	United States Conf. Board Consumer Confidence Jun	100.00	102.00
	Canada CPI NSA MoM May	0.3%	0.5%
	Australia Westpac Consumer Conf SA MoM Jun	--	-0.3%
Wednesday	United States MBA Mortgage Applications 44348	--	0.9%
	United States New Home Sales May	645k	634k
Thursday	United States Initial Jobless Claims 44713	235k	238k
	Italy Manufacturing Confidence Jun	88.60	88.40
	United States GDP Annualized QoQ 1Q T	1.4%	1.3%
	United States Durable Goods Orders May P	-0.2%	0.6%
	Italy Consumer Confidence Index Jun	96.90	96.40
	Eurozone M3 Money Supply YoY May	1.5%	1.3%
	United States Wholesale Inventories MoM May P	0.1%	0.1%
Friday	Japan Industrial Production MoM May P	2.0%	-0.9%
	Japan Jobless Rate May	2.6%	2.6%
	United Kingdom GDP QoQ 1Q F	0.6%	0.6%
	United Kingdom GDP YoY 1Q F	0.2%	0.2%
	France CPI YoY Jun P	2.2%	2.3%
	Italy CPI EU Harmonized YoY Jun P	0.9%	0.8%
	United States U. of Mich. Sentiment Jun F	66.00	65.60
	Japan Tokyo CPI Ex-Fresh Food YoY Jun	2.0%	1.9%
	Italy CPI EU Harmonized MoM Jun P	0.2%	0.2%
	Japan Job-To-Applicant Ratio May	1.26	1.26
	United States Personal Income May	0.4%	0.3%
	United States Personal Spending May	0.3%	0.2%
	Germany Unemployment Change (000's) Jun	15.0k	25.0k
	Canada GDP MoM Apr	0.3%	0.0%
United States MNI Chicago PMI Jun	40.00	35.40	
United Kingdom Total Business Investment QoQ 1Q F	0.9%	0.9%	

Source: Bloomberg, data accessed 24 June 2024.



Asset market performance

Index	Value	As at Friday close		YTD	
		CR	TR	CR	TR
MSCI UK GBP	2355	1.22%	1.27%	6.31%	8.77%
MSCI USA USD	5194	0.61%	0.63%	14.10%	14.64%
MSCI Europe ex UK EUR	206	0.70%	0.73%	7.31%	9.35%
MSCI AC Asia ex JPN USD	568	0.74%	0.78%	7.34%	8.53%
MSCI Japan JPY	1684	-0.76%	-0.76%	16.25%	17.24%
MSCI Emerging Markets USD	1087	0.93%	0.98%	6.17%	7.42%
Barclays Sterling Gilts GBP	228		-0.23%		-2.19%
GOLD USD	2322	-0.47%		12.55%	
WTI Oil USD	81	2.91%		12.67%	
MSCI PIMFA Income		0.47%	0.51%	4.64%	5.93%
MSCI PIMFA Balanced		0.58%	0.61%	5.76%	7.03%
MSCI PIMFA Growth		0.75%	0.78%	7.83%	9.04%

Source: Bloomberg, MSCI; please see important information, data accessed 24 June 2024.

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



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