

Chief Investment Office

Weekly Market Commentary

For professional advisers only



In Summary

- A busy week in prospect, with politics, inflation data and Q2 results season all on the menu.
- French parliamentary vote upset sees a hung parliament in Eurozone's second biggest economy.
- Lots of economic data to occupy the US Federal Reserve, ahead of their month-end meeting.

Politics has dominated the news headlines over the past week. In the UK, on Friday we learnt that the Labour party had swept to power in a landslide victory; yet despite the political earthquake, markets barely registered a tremor. Meanwhile, over in Europe, markets are likely to be a lot more agitated regarding the latest political news. France saw the second round of its parliamentary elections yesterday, where, not for the first time this year, a surprise political result has caught out markets. Meanwhile, separately, a defiant US President Biden has continued to resist calls over the weekend to stand aside for another candidate to face off against Trump in November. That US political 'standoff' will likely only intensify as tomorrow sees the start of a three-day NATO (North Atlantic Treaty Organization) summit in Washington DC. Further ahead this week, we have China consumer inflation figures out on Wednesday, but the biggest focus data-wise will likely be on US consumer inflation data for June, due out on Thursday. Wrapping up the week, is the start of the calendar Q2 earnings results season, kicking off with US banks JPMorgan and Citi both due out on Friday.

The big story in Europe at the start of this week has been the outcome from the second round of the French elections that were held yesterday. After last week's first round which saw Marine Le Pen's far right 'National Rally' (NR) party lead, markets had been bracing for an NR lead again yesterday. However, it appears that strategic efforts by the other political parties to selectively stand down competing candidates in individual races in order to hurt NR have worked. But while NR's result has suffered, instead, there has been a surprise gain for the far-left 'New Popular Front' (NPF) instead which has come out on top, ahead of President Macron's group in second place, and in turn ahead of NR in third. However, none

of these parties has gained enough seats for an overall majority. Markets hate uncertainty, and there now looks to be a lot more of it in France. A hung parliament in the Eurozone's second-largest economy is clearly far from ideal. With neither political party gaining enough seats for an overall majority, political negotiations to form a working government are expected in the coming days. Adding to the headwinds for investors, the leading far-left NPF party have an arguably fiscally aggressive programme in terms of both spending and taxation, including possible wealth taxes and increases on taxes on corporates. That would not be market-friendly to say the least.

US non-farm payrolls employment data for June landed on Friday. Against median expectations for a net 190,000 jobs added, the actual number was 206,000. However, keep in mind that there was a sizeable downward revision of a combined -111,000 to the April and May figures together. To put that all in context, the average monthly payroll growth so far this year has been 222,000, which is running below the average of 251,000 in 2023 and 377,000 in 2022. Average hourly earnings were up by 3.9% year-on-year, in line with expectations, but growing by the least in three years, since June 2021, and softer versus a 4% advance in May. As for the unemployment rate, this came in at 4.1%, versus expectations of an unchanged 4%. Looking to the week ahead, the latest US Consumer Price Index (CPI) inflation report is due out on Thursday. Consensus expectations are looking for annual rates of CPI at +3.1% and core CPI (excluding energy and food) at +3.4%. All in all, there is a lot for the US Federal Reserve voting members to weigh up ahead of their next meeting at the end of the month, but slightly softer data overall might buoy markets' hopes for rate cuts sooner rather than later.

Economic indicators (week beginning 1 July 2024)

Day	Data Release	Consensus	Prior	Actual
Monday	France HCOB France Manufacturing PMI Jun F	45.3	45.3	45.4
	United States ISM Manufacturing Jun	49.1	48.7	48.5
	China Caixin China PMI Mfg Jun	51.5	51.7	51.8
	Germany CPI YoY Jun P	2.3%	2.4%	2.2%
	Germany CPI MoM Jun P	0.2%	0.1%	0.1%
	Japan Jibun Bank Japan PMI Mfg Jun F	--	50.1	50.0
	Italy HCOB Italy Manufacturing PMI Jun	44.3	45.6	45.7
	Germany HCOB Germany Manufacturing PMI Jun F	43.4	43.4	43.5
	United Kingdom S&P Global UK Manufacturing PMI Jun F	51.4	51.4	50.9
	United States S&P Global US Manufacturing PMI Jun F	51.7	51.7	51.6
	Japan Tankan Large Mfg Index 2Q	11.0	11.0	13.0
	United Kingdom Nationwide House PX MoM Jun	-0.1%	0.4%	0.2%
	United Kingdom Nationwide House Px NSA YoY Jun	1.2%	1.3%	1.5%
	Japan Tankan Large All Industry Capex 2Q	13.9%	4.0%	11.1%
	United Kingdom Mortgage Approvals May	60.5k	61.1k	60.0k
	Japan Tankan Large Mfg Outlook 2Q	11.0	10.0	14.0
	Germany CPI EU Harmonized YoY Jun P	2.5%	2.8%	2.5%
	Japan Tankan Large Non-Mfg Index 2Q	33.0	34.0	33.0
Australia Melbourne Institute Inflation MoM Jun	--	0.3%	0.3%	
Tuesday	Canada S&P Global Canada Manufacturing PMI Jun	--	49.3	49.3
Wednesday	United States Initial Jobless Claims 47270	235k	233k	238k
	United States Durable Goods Orders May F	--	0.1%	0.1%
	France HCOB France Services PMI Jun F	48.8	48.8	49.6
	United States ADP Employment Change Jun	158k	152k	150k
	United States MBA Mortgage Applications 46905	--	0.8%	-2.6%
	Australia Retail Sales MoM May	0.3%	0.1%	0.6%
	France HCOB France Composite PMI Jun F	48.2	48.2	48.8
	Australia Building Approvals MoM May	1.6%	-0.3%	5.5%
	United States Factory Orders May	0.3%	0.7%	-0.5%
	United States Trade Balance May	-\$76.0b	-\$74.6b	-\$75.1b
	United States ISM Services Index Jun	52.5	53.8	48.8
Thursday	Germany Factory Orders MoM May	0.5%	-0.2%	-1.6%
Australia Trade Balance May	A\$6328m	A\$6548m	A\$5773m	
Friday	United States Change in Nonfarm Payrolls Jun	190k	272k	206k
	Canada Unemployment Rate Jun	6.4%	6.2%	6.4%
	United States Unemployment Rate Jun	4.0%	4.0%	4.1%
	Germany Industrial Production SA MoM May	0.2%	-0.1%	-2.5%
	France Industrial Production MoM May	-0.5%	0.5%	-2.1%
	Canada Net Change in Employment Jun	25.0k	26.7k	-1.4k

Source: Bloomberg, data accessed 8 July 2024.



Economic indicators (week beginning 8 July 2024)

Day	Data Release	Consensus	Prior
Monday	Japan BoP Current Account Balance May	¥2350.2b	¥2050.5b
Tuesday	Australia Westpac Consumer Conf SA MoM Jul	--	17%
Wednesday	China CPI YoY Jun	0.4%	0.3%
	Japan PPI YoY Jun	2.9%	2.4%
	China PPI YoY Jun	-0.8%	-1.4%
	United States MBA Mortgage Applications 38534	--	-2.6%
	Italy Industrial Production MoM May	0.0%	-1.0%
	United States Wholesale Inventories MoM May F	0.6%	0.6%
Thursday	United States Initial Jobless Claims 38899	239k	238k
	United States CPI MoM Jun	0.1%	0.0%
	United States CPI YoY Jun	3.1%	3.3%
	Germany CPI YoY Jun F	2.2%	2.2%
	United Kingdom Industrial Production MoM May	0.2%	-0.9%
	Germany CPI MoM Jun F	0.1%	0.1%
	Japan Core Machine Orders MoM May	0.8%	-2.9%
	United Kingdom Manufacturing Production MoM May	0.4%	-1.4%
	Germany CPI EU Harmonized YoY Jun F	2.5%	2.5%
Friday	Japan Industrial Production MoM May F	--	2.8%
	France CPI YoY Jun F	2.1%	2.1%
	United States U. of Mich. Sentiment Jul P	68.2	68.2
	United States PPI Final Demand MoM Jun	0.1%	-0.2%
	China Money Supply M2 YoY Jun	6.8%	7.0%
	China Trade Balance Jun	\$86.40b	\$82.62b
	China Exports YoY Jun	8.0%	7.6%
	Canada Existing Home Sales MoM Jun	--	-0.6%

Source: Bloomberg, data accessed 8 July 2024.



Asset market performance

Index	Value	As at Friday close		YTD	
		CR	TR	CR	TR
MSCI UK GBP	2345	0.50%	0.51%	5.84%	8.36%
MSCI USA USD	5293	1.94%	1.95%	16.29%	16.88%
MSCI Europe ex UK EUR	207	0.99%	1.01%	7.73%	9.82%
MSCI AC Asia ex JPN USD	577	1.74%	1.93%	9.03%	10.57%
MSCI Japan JPY	1795	3.19%	3.19%	23.95%	25.12%
MSCI Emerging Markets USD	1105	1.72%	1.92%	7.93%	9.55%
Barclays Sterling Gilts GBP	228		0.46%		-2.44%
GOLD USD	2392	2.81%		15.96%	
WTI Oil USD	83	1.99%		16.06%	
MSCI PIMFA Income		0.52%	0.56%	4.85%	6.24%
MSCI PIMFA Balanced		0.56%	0.59%	6.06%	7.42%
MSCI PIMFA Growth		0.62%	0.65%	8.24%	9.54%

Source: Bloomberg, MSCI; please see important information, data accessed 8 July 2024.

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



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