

FOR PROFESSIONAL ADVISERS ONLY

# Weekly Market Commentary

30 September 2024



## In summary

- Month-end and calendar quarter-end see a confluence of factors weighing on markets
- A hawkish new prime minister is elected, ejecting fresh volatility into Japanese equities
- Chinese equities in buoyant mood on government stimulus promises ahead of a week-long holiday
- US employment data this week will be especially important for US Federal Reserve interest rate cut hopes



It is the last day of the month, and to be honest there is quite a confluence of factors weighing on markets at the moment.

On the plus side, Chinese equities have continued their stimulus-hopes run from last week, but against this, Japan equities have seen some big falls this morning, as traders there react to the ruling-party election of a new party leader and hence a new prime minister. Meanwhile, Middle East geopolitical risk is escalating, with hundreds of Israeli tanks currently massed on the border with Lebanon, in anticipation of a feared full-scale ground invasion and threat of a wider regional war.

Finally, on economic data over in the US last Friday, Personal Consumption Expenditures (PCE) data showed US inflation continuing to edge lower, with PCE inflation down to +2.2% year-on-year, versus +2.3% expected, the lowest reading since February 2021, and only just above the US Federal Reserve (Fed)'s 2% target.

The Japanese government's ruling party, the Liberal Democratic Party (LDP) has held party leadership elections, and in a surprise result late last week, Shigeru Ishiba was elected, as both LDP party leader and thereby Japan's new prime minister. Ishiba is seen as something of a hawk on monetary policy, having previously criticised the Bank of Japan for its loose monetary policies.

Reacting to expectations that Ishiba will be supportive of more interest rate hikes from the Bank of Japan going forward, there has been a strengthening in the Japanese Yen currency, and a corresponding sell-off in Japanese equities, with the Japanese Nikkei 225 equity index

plunging -4.80% earlier today, the index's biggest one-day fall since 5 August.

With Chinese markets after today shut for a week-long holiday, traders there have been buying to lock in risk-on positions. There are still scant details around the fiscal stimulus that Chinese officials promised last week, but that has not stopped the Chinese CSI 300 equity market having its best week last week since 2008, though it has come on the back of some pretty miserable cumulative equity performance over the last three years or so.

While Chinese equities might represent something of a trading market currently, it is not yet clear if it is an investible one – indeed, there are still big reservations as to whether the promised stimulus will have any long-lasting impact on an economy which is facing significant and structural headwinds.

Later this week on Friday, sees the monthly US non-farm payroll data for September. Given the Fed's recent pivot to focusing on supporting the labour market as opposed to prioritising a fight against inflation, this week's employment data will be very important.

However, whether this data point provides the necessary catalyst for another super-sized 50 basis points interest rate cut at the Fed's next meeting in early November, it is probably too soon to draw too much of a conclusive view, especially given there is a lot elsewhere for markets to be focusing on as well in the meantime.

## Economic indicators (Week beginning 23 September 2024)

Day	Data Release	Consensus	Prior	Actual
<b>Mon</b>	France HCOB France Manufacturing PMI Sep P	44.2	43.9	44.0
	France HCOB France Services PMI Sep P	53.1	55.0	48.3
	Germany HCOB Germany Manufacturing PMI Sep P	42.3	42.4	40.3
	United Kingdom S&P Global UK Manufacturing PMI Sep P	52.2	52.5	51.5
	United States S&P Global US Manufacturing PMI Sep P	48.6	47.9	47.0
	France HCOB France Composite PMI Sep P	51.5	53.1	47.4
<b>Tue</b>	Australia RBA Cash Rate Target 45536	4.4%	4.4%	4.4%
	Germany IFO Business Climate Sep	86.0	86.6	85.4
	United States Conf. Board Consumer Confidence Sep	104.0	103.3	98.7
	Japan Jibun Bank Japan PMI Mfg Sep P	--	49.8	49.6
<b>Wed</b>	United States MBA Mortgage Applications 44075	--	4.4%	11.0%
	United States New Home Sales Aug	700k	85.4	716k
<b>Thu</b>	United States Initial Jobless Claims 44440	225k	219k	218k
	Italy Manufacturing Confidence Sep	87.1	87.1	86.7
	United States GDP Annualized QoQ 2Q T	3.0%	3.0%	3.0%
	United States Durable Goods Orders Aug P	-2.8%	9.8%	0.0%
	Italy Consumer Confidence Index Sep	97.0	96.1	98.3
<b>Fri</b>	France CPI YoY Sep P	1.6%	1.8%	1.2%
	United States U. of Mich. Sentiment Sep F	69.4	69.0	70.1
	Japan Tokyo CPI Ex-Fresh Food YoY Sep	2.0%	2.4%	2.0%
	United States Personal Income Aug	0.4%	0.3%	0.2%
	United States Personal Spending Aug	0.3%	0.5%	0.2%
	Germany Unemployment Change (000's) Sep	11.0k	2.0k	17.0k
	Canada GDP MoM Jul	0.1%	0.0%	0.2%
	United States Wholesale Inventories MoM Aug P	0.2%	0.2%	0.2%
	France Consumer Spending YoY Aug	-0.6%	-0.6%	0.0%

Source: Bloomberg, data accessed 30 September 2024.

## Economic indicators (Week beginning 30 September 2024)

Day	Data Release	Consensus	Prior
<b>Mon</b>	Japan Industrial Production MoM Aug P	-0.5%	3.1%
	United Kingdom GDP QoQ 2Q F	0.6%	0.6%
	China Manufacturing PMI Sep	49.4	49.1
	United Kingdom GDP YoY 2Q F	0.9%	0.9%
	Italy CPI EU Harmonized YoY Sep P	0.8%	1.2%
	China Caixin China PMI Mfg Sep	50.5	50.4
	Germany CPI YoY Sep P	1.7%	1.9%
	Italy CPI EU Harmonized MoM Sep P	1.2%	-0.1%
	Germany CPI MoM Sep P	0.1%	-0.1%
	United Kingdom Nationwide House PX MoM Sep	0.2%	-0.2%
	United Kingdom Nationwide House Px NSA YoY Sep	2.7%	2.4%
	United Kingdom Mortgage Approvals Aug	63.9k	62.0k
	United States MNI Chicago PMI Sep	46.0	46.1
	Germany CPI EU Harmonized YoY Sep P	1.8%	2.0%
<b>Tue</b>	Japan Jobless Rate Aug	2.6%	2.7%
	France HCOB France Manufacturing PMI Sep F	44.0	44.0
	United States ISM Manufacturing Sep	47.6	47.2
	Japan Jibun Bank Japan PMI Mfg Sep F	--	49.6
	Italy HCOB Italy Manufacturing PMI Sep	49.0	49.4
	Germany HCOB Germany Manufacturing PMI Sep F	40.3	40.3
	United Kingdom S&P Global UK Manufacturing PMI Sep F	51.5	51.5
	Canada S&P Global Canada Manufacturing PMI Sep	--	49.5
	United States S&P Global US Manufacturing PMI Sep F	47.0	47.0
	Australia Retail Sales MoM Aug	0.4%	0.0%

Day	Data Release	Consensus	Prior
<b>Tue</b>	Japan Tankan Large Mfg Index 3Q	12.0	13.0
	<b>cont.</b> Japan Job-To-Applicant Ratio Aug	1.2	1.2
	Australia Building Approvals MoM Aug	-4.3%	10.4%
	Japan Tankan Large All Industry Capex 3Q	11.9%	11.1%
	Japan Tankan Large Mfg Outlook 3Q	12.0	14.0
	Japan Tankan Large Non-Mfg Index 3Q	32.0	33.0
<b>Wed</b>	United States ADP Employment Change Sep	125k	99k
	United States MBA Mortgage Applications 46631	--	11.0%
<b>Thu</b>	United States Initial Jobless Claims 46997	221k	218k
	United States Durable Goods Orders Aug F	0.0%	0.0%
	France HCOB France Services PMI Sep F	48.3	48.3
	France HCOB France Composite PMI Sep F	47.4	47.4
	United States Factory Orders Aug	0.1%	5.0%
	Australia Trade Balance Aug	A\$5500m	A\$6009m
	United States ISM Services Index Sep	51.6	51.5
<b>Fri</b>	United States Change in Nonfarm Payrolls Sep	146k	142k
	United States Unemployment Rate Sep	4.2%	4.2%
	France Industrial Production MoM Aug	0.3%	-0.5%
	United Kingdom Total Business Investment YoY 2Q F	-1.1%	-1.1%

Source: Bloomberg, data accessed 30 September 2024.

## Asset market performance

Index	Value	As at Friday close		YTD	
		CR	TR	CR	TR
MSCI UK GBP	2374	1.09%	1.16%	7.14%	10.73%
MSCI USA USD	5461	0.62%	0.63%	19.96%	20.83%
MSCI Europe ex UK EUR	210	3.04%	3.07%	9.69%	11.99%
MSCI AC Asia ex JPN USD	620	6.11%	6.15%	17.20%	19.75%
MSCI Japan JPY	1687	4.05%	4.85%	16.51%	18.55%
MSCI Emerging Markets USD	1175	6.15%	6.21%	14.73%	17.23%
Barclays Sterling Gilts GBP	232		-0.69%		-0.46%
GOLD USD	2658	1.39%		28.85%	
WTI Oil USD	68	-5.20%		-4.84%	
MSCI PIMFA Income		0.29%	0.35%	5.67%	7.65%
MSCI PIMFA Balanced		0.46%	0.52%	6.72%	8.65%
MSCI PIMFA Growth		0.72%	0.78%	8.74%	10.57%

Source: Bloomberg, MSCI: please see important information, data accessed 30 September 2024.  
YTD denotes year to date, TR denotes total return and CR denotes capital return.



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