

Chief Investment Office

Weekly Market Commentary

For professional advisers only



In Summary

- A multi-front attack by Hamas militants causes significant loss of life in Israel and risks a humanitarian crisis in Gaza
- US earnings season begins this week with major financials reporting on Friday
- US inflation readings will be key this week as investors hope for easing inflation despite a strong labour market

Over the weekend, a coordinated attack by Hamas militants led to more than 700 Israeli civilian and troop fatalities. The Israeli government has declared war on Hamas with its military targeting over 1,000 sites in Gaza last night. Alongside the fatalities from the attack, the UN estimates that 123,000 people have been displaced from Gaza as of Saturday. The humanitarian implications of a further escalation could be deeply troubling. For markets, the impact is being shown within the Israeli stock market which was down -6.5% yesterday and within the oil price which is seeing a move higher today after last week's sell-off.

This week sees the start of the US earnings season with JPMorgan, Citi, BlackRock and Wells Fargo all reporting on Friday. With the market weakness of the last month, equity valuations are relatively undemanding which could lead to a rally if earnings prove to be as robust as economists predict. Whether investors 'look through' positive near term numbers and focus on stagflation or recessionary risks will be influenced by the evolving economic backdrop as the season develops as well as corporate forward guidance.

On Wednesday the latest producer price inflation index will be released from the US. Headline Producer Price Index (PPI) is expected to slow from 0.7% in August to 0.3% in September while the core reading is expected to stay unchanged at a 0.2% month-on-month gain. Attention will then shift to Thursday's Consumer Price Index (CPI) report with headline CPI expected to retreat to a 0.3% monthly gain versus 0.6% the month prior. Core CPI is expected to be unchanged at 0.3% month-on-month. Gas prices were up in September versus August so higher energy prices continue to weigh on the headline CPI figures.

Last Friday the market needed to contend with a blockbuster beat in the US employment report which saw almost double the number of jobs created versus expectations. The non-farm payroll report echoes the labour market strength seen in the initial jobless claims and caused markets to forget the weaker data within last week's Automatic Data Processing (ADP) release. Bond markets reacted sharply with the US 10-year Treasury closing at 4.8%, a fresh high. With the labour market strength showing no signs of abating, the question is whether inflation can fall despite this, making this week's CPI report critical for bond markets.

Economic indicators (week beginning 2 October)

Day	Data Release	Consensus	Prior	Actual
Monday	France HCOB France Manufacturing PMI Sep F	43.6	43.6	44.2
	United States ISM Manufacturing Sep	47.9	47.6	49.0
	Japan Jibun Bank Japan PMI Mfg Sep F	--	48.6	48.5
	Italy HCOB Italy Manufacturing PMI Sep	45.8	45.4	46.8
	Germany HCOB Germany Manufacturing PMI Sep F	39.8	39.8	39.6
	United Kingdom S&P Global/CIPS UK Manufacturing PMI Sep F	44.2	44.2	44.3
	Canada S&P Global Canada Manufacturing PMI Sep	--	48.0	47.5
	United States S&P Global US Manufacturing PMI Sep F	48.9	48.9	49.8
	Japan Tankan Large Mfg Index 3Q	6.0	5.0	9.0
	Japan Tankan Large All Industry Capex 3Q	13.5%	13.4%	13.6%
	Japan Tankan Large Mfg Outlook 3Q	6.0	9.0	10.0
	Australia Melbourne Institute Inflation MoM Sep	--	0.2%	0.0%
	Japan Tankan Large Non-Mfg Index 3Q	24.0	23.0	27.0
Tuesday	Australia RBA Cash Rate Target 37895	4.1%	4.1%	4.1%
Wednesday	United States Durable Goods Orders Aug F	0.2%	0.2%	0.1%
	France HCOB France Services PMI Sep F	43.9	43.9	44.4
	United States MBA Mortgage Applications 47362	--	-1.3%	-6.0%
	United States ADP Employment Change Sep	150k	177k	89k
	France HCOB France Composite PMI Sep F	43.5	43.5	44.1
Thursday	United States Initial Jobless Claims 11202	210k	204k	207k
	France Industrial Production MoM Aug	-0.4%	0.8%	-0.3%
	Australia Trade Balance Aug	A\$8700m	A\$8039m	A\$9640m
	United States Trade Balance Aug	-\$60.4b	-\$65.0b	-\$58.3b
Friday	United States Change in Nonfarm Payrolls Sep	165k	187k	336k
	Canada Unemployment Rate Sep	5.6%	5.5%	5.5%
	Australia Building Approvals MoM Aug	2.5%	-8.1%	7.0%
	United States Unemployment Rate Sep	3.7%	3.8%	3.8%
	United Kingdom Nationwide House PX MoM Sep	-0.4%	-0.8%	0.0%
	Germany Factory Orders MoM Aug	1.5%	-11.7%	3.9%
	United Kingdom Nationwide House Px NSA YoY Sep	-5.6%	-5.3%	-5.3%
	United States Factory Orders Aug	0.4%	-2.1%	1.2%
	Canada Net Change in Employment Sep	20.0k	39.9k	63.8k

Source: Bloomberg, data accessed 9 October 2023.

Economic indicators (week beginning 9 October)

Day	Data Release	Consensus	Prior
Monday	Germany Industrial Production SA MoM Aug	-0.1%	-0.8%
Tuesday	Japan BoP Current Account Balance Aug	¥2972.0b	¥2771.7b
	Italy Industrial Production MoM Aug	-0.2%	-0.7%
	United States Wholesale Inventories MoM Aug F	-0.1%	-0.1%
Wednesday	Germany CPI YoY Sep F	4.5%	4.5%
	Germany CPI MoM Sep F	0.3%	0.3%
	United States MBA Mortgage Applications 38991	--	-6.0%
Thursday	United States Initial Jobless Claims 39356	210k	207k
	United States CPI MoM Sep	0.3%	0.6%
	United States CPI YoY Sep	3.6%	3.7%
	Japan PPI YoY Sep	2.4%	3.2%
	Japan Core Machine Orders MoM Aug	0.6%	-1.1%
	United Kingdom Industrial Production MoM Aug	-0.2%	-0.7%
Friday	United States CPI Ex Food and Energy MoM Sep	0.3%	0.3%
	China CPI YoY Sep	0.2%	0.1%
	France CPI YoY Sep F	4.9%	4.9%
	United States U. of Mich. Sentiment Oct P	67.0	68.1
	China PPI YoY Sep	-2.4%	-3.0%
	United Kingdom Manufacturing Production MoM Aug	-0.3%	-0.8%
	United States PPI Final Demand MoM Sep	0.3%	0.7%
	China Money Supply M2 YoY Sep	10.6%	10.6%
	Australia Westpac Consumer Conf SA MoM Oct	--	-1.5%
	China Trade Balance Sep	\$70.60b	\$68.36b
	China Exports YoY Sep	-7.5%	-8.8%

Source: Bloomberg, data accessed 9 October 2023

Asset market performance

Index	Value	As at Friday close		YTD	
		CR	TR	CR	TR
MSCI UK GBP	2148	-1.47%	-1.46%	0.20%	3.69%
MSCI USA USD	4102	0.45%	0.48%	12.68%	13.67%
MSCI Europe ex UK EUR	177	-1.13%	-1.12%	5.71%	7.97%
MSCI AC Asia Pacific ex JPN USD	486	-1.21%	-1.20%	-3.85%	-1.65%
MSCI Japan JPY	1383	-2.56%	-2.56%	20.20%	22.56%
MSCI Emerging Markets USD	937	-1.62%	-1.61%	-1.99%	0.18%
Barclays Sterling Gilts GBP	212		-1.50%		-6.04%
GOLD USD	1833	-0.84%		0.49%	
WTI Oil USD	83	-8.81%		3.15%	
MSCI PIMFA Income		-0.86%	-0.82%	0.57%	2.51%
MSCI PIMFA Balanced		-0.81%	-0.78%	1.66%	3.57%
MSCI PIMFA Growth		-0.67%	-0.64%	3.31%	5.19%

Source: Bloomberg, MSCI; please see important information, data accessed 9 October 2023.

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



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