

Chief Investment Office

Weekly Market Commentary

For professional advisers only



In Summary

- Global equity and bond markets rally as investors decide that the US has reached peak interest rates
- The US employment report on Friday was weaker than expectations across the key indicators
- Federal Reserve speakers, as well as bank lending standards, will be in focus this week

Last week saw the strongest rally in US equity markets for a year as bond markets concluded that the US is likely at its peak interest rate for this cycle. The moves within the US Treasury market were equally dramatic with the US 10-year and 30-year Treasury yields falling by around one quarter of a percentage point. This week has far fewer data releases, as is traditional post the first week of the month which contains the US employment report, but earnings season continues.

One of the planks to the rally on Friday was the US jobs report which came in below expectations with 150k new jobs created in October versus 180k expected. Importantly the bumper September reading, which helped the equity market sell-off in October, was revised lower as well. The overall US unemployment rate moved slightly higher, to 3.9% versus 3.8% expected, and average hourly earnings saw a slower gain than anticipated. The report was weaker across all of the key measures, suggesting that the tight US monetary policy backdrop was finally leading to a cooling of the labour market as well as the broader economy, this is welcomed by bond markets as it should lead to falling inflation.

With the Federal Reserve meeting out of the way, we have a busy week for Fed speakers who have now emerged from their communication blackout. The most important of these meetings is likely to be a speech from Fed Chair Powell at the IMF conference on Thursday. Of course, last week has seen a significant unwind of the tight financial conditions that Fed voters mentioned when justifying an interest rate pause at last week's meeting. Bond investors will be watching the upcoming Fed speak closely to see if the market rally last week has changed the central bank's thinking.

One of the highlights this week could be the US Senior Loan Officers Opinion Survey which provides deep insights into bank lending standards. Bank lending standards saw a big negative shock with the SVB saga in March and have never meaningfully recovered. Should the data continue to show readings that are synonymous with deep recessions, this increases the risk of companies failing to refinance their loans and greatly increases economic risks.

Economic indicators (week beginning 30 October 2023)

Day	Data Release	Consensus	Prior	Actual
Monday	Japan Industrial Production MoM Sep P	2.5%	-0.7%	0.2%
	Japan Jobless Rate Sep	2.6%	2.7%	2.6%
	Germany CPI YoY Oct P	4.0%	4.5%	3.8%
	Australia Retail Sales MoM Sep	0.3%	0.2%	0.9%
	Japan Job-To-Applicant Ratio Sep	1.29	1.29	1.29
	United Kingdom Mortgage Approvals Sep	44.5k	45.4k	43.3k
Tuesday	Italy CPI EU Harmonized YoY Oct P	2.3%	5.6%	1.9%
	France CPI YoY Oct P	4.0%	4.9%	4.0%
	China Manufacturing PMI Oct	50.2	50.2	49.5
	United States Conf. Board Consumer Confidence Oct	100.0	103.0	102.6
	Italy CPI EU Harmonized MoM Oct P	0.5%	1.7%	0.2%
	Italy GDP WDA QoQ 3Q P	0.1%	-0.4%	0.0%
	France GDP QoQ 3Q P	0.0%	0.5%	0.1%
	Canada GDP MoM Aug	0.1%	0.0%	0.0%
	Japan BOJ Policy Balance Rate 11597	-0.1%	-0.1%	-0.1%
	United States MNI Chicago PMI Oct	45.0	44.1	44.0
Italy GDP WDA YoY 3Q P	0.1%	0.4%	0.0%	
Wednesday	United States FOMC Rate Decision (Upper Bound) 37196	5.50%	5.50%	5.50%
	United States ISM Manufacturing Oct	49.0	49.0	46.7
	China Caixin China PMI Mfg Oct	50.8	50.6	49.5
	Japan Jibun Bank Japan PMI Mfg Oct F	--	48.5	48.7
	United States MBA Mortgage Applications 46661	--	-1.0%	-2.1%
	Canada S&P Global Canada Manufacturing PMI Oct	--	47.5	48.6
	United Kingdom Nationwide House PX MoM Oct	-0.4%	0.0%	0.9%
	United Kingdom Nationwide House Px NSA YoY Oct	-4.8%	-5.3%	-3.3%
Thursday	United Kingdom Bank of England Bank Rate 37561	5.25%	5.25%	5.3%
	United States Initial Jobless Claims 47027	210k	210k	217k
	France HCOB France Manufacturing PMI Oct F	42.6	42.6	42.8
	United States Durable Goods Orders Sep F	--	4.7%	4.6%
	Italy HCOB Italy Manufacturing PMI Oct	46.4	46.8	44.9
	Germany HCOB Germany Manufacturing PMI Oct F	40.7	40.7	40.8
	Australia Trade Balance Sep	A\$9500m	A\$10380m	A\$6786m
	United States Factory Orders Sep	1.9%	1.2%	2.8%
	Germany Unemployment Change (000's) Oct	14.0k	10.0k	30.0k
Friday	United States Change in Nonfarm Payrolls Oct	190k	336k	150k
	Canada Unemployment Rate Oct	5.6%	5.5%	5.7%
	United States ADP Employment Change Oct	150k	89k	113k
	Germany CPI MoM Oct P	0.2%	0.3%	0.0%
	United Kingdom S&P Global/CIPS UK Manufacturing PMI Oct F	45.2	45.2	44.8
	United States S&P Global US Manufacturing PMI Oct F	50.0	50.0	50.0
	Australia Building Approvals MoM Sep	2.5%	7.0%	-4.6%
	United States Unemployment Rate Oct	3.8%	3.8%	3.9%
	France Industrial Production MoM Sep	0.0%	-0.3%	-0.5%
	Canada Net Change in Employment Oct	20.0k	63.8k	17.5k

Source: Bloomberg, data accessed 6 November 2023.



Economic indicators (week beginning 6 November 2023)

Day	Data Release	Consensus	Prior
Monday	France HCOB France Services PMI Oct F	46.1	46.1
	Australia Melbourne Institute Inflation MoM Oct	--	0.0%
Tuesday	Australia RBA Cash Rate Target 39387	4.35%	4.10%
	Germany Industrial Production SA MoM Sep	-0.1%	-0.2%
	China Trade Balance Oct	\$82.00b	\$77.71b
Wednesday	Japan BoP Current Account Balance Sep	¥2977.8b	¥2279.7b
	Germany CPI YoY Oct F	3.8%	3.8%
	Germany CPI MoM Oct F	0.0%	0.0%
	United States MBA Mortgage Applications 37926	--	-2.1%
	United States Wholesale Inventories MoM Sep F	0.0%	0.0%
Thursday	United States Initial Jobless Claims 38292	220k	217k
	China CPI YoY Oct	-0.1%	0.0%
	China PPI YoY Oct	-2.7%	-2.5%
Friday	China Imports YoY Oct	-5.0%	-6.2%
	United Kingdom GDP QoQ 3Q P	-0.1%	0.2%
	United Kingdom GDP YoY 3Q P	0.5%	0.6%
	United States U. of Mich. Sentiment Nov P	63.5	63.8
	Italy Industrial Production MoM Sep	-0.2%	0.2%
	United Kingdom Industrial Production MoM Sep	0.0%	-0.7%
	United Kingdom Manufacturing Production MoM Sep	0.2%	-0.8%
	Germany Factory Orders MoM Sep	-1.5%	3.9%
	France HCOB France Composite PMI Oct F	45.3	45.3
	China Money Supply M2 YoY Oct	10.3%	10.3%
	United States Trade Balance Sep	-\$60.0b	-\$58.3b
China Exports YoY Oct	-3.5%	-6.2%	

Source: Bloomberg, data accessed 6 November 2023.



Asset market performance

Index	Value	As at Friday close		YTD	
		CR	TR	CR	TR
MSCI UK GBP	2126	1.67%	1.67%	-0.85%	2.68%
MSCI USA USD	4145	5.93%	5.95%	13.88%	14.94%
MSCI Europe ex UK EUR	177	3.61%	3.64%	5.80%	8.14%
MSCI AC Asia ex JPN USD	489	2.85%	2.86%	-3.30%	-1.04%
MSCI Japan JPY	1421	3.20%	3.22%	23.55%	25.99%
MSCI Emerging Markets USD	948	3.10%	3.12%	-0.85%	1.42%
Barclays Sterling Gilts GBP	218		2.14%		-3.29%
GOLD USD	1993	-0.68%		9.24%	
WTI Oil USD	81	-5.88%		0.31%	
MSCI PIMFA Income		2.33%	2.35%	1.26%	3.32%
MSCI PIMFA Balanced		2.50%	2.52%	2.15%	4.17%
MSCI PIMFA Growth		2.74%	2.76%	3.35%	5.31%

Source: Bloomberg, MSCI; please see important information, data accessed 6 November 2023.

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



Important information

The information in this document does not constitute advice or a recommendation and investment decisions should not be made on the basis of it. This document is for the information of the recipient only and should not be reproduced, copied or made available to others. The price of investments and the income from them may go down as well as up and neither is guaranteed. Investors may not get back the capital they invested. Past performance is not a reliable indicator of future results.

The MSCI information may only be used for your internal use, may not be reproduced or re-disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. (www.msci.com).

Brooks Macdonald is a trading name of Brooks Macdonald Group plc used by various companies in the Brooks Macdonald group of companies. Brooks Macdonald Asset Management Limited is regulated by the Financial Conduct Authority. Registered in England No 03417519. Registered office: 21 Lombard Street, London EC3V 9AH.

Brooks Macdonald International is a trading name of Brooks Macdonald Asset Management (International) Limited. Brooks Macdonald Asset Management (International) Limited is licensed and regulated by the Jersey Financial Services Commission. Its Guernsey branch is licensed and regulated by the Guernsey Financial Services Commission and its Isle of Man branch is licensed and regulated by the Isle of Man Financial Services Authority. In respect of services provided in the Republic of South Africa, Brooks Macdonald Asset Management (International) Limited is an authorised Financial Services Provider regulated by the South African Financial Sector Conduct Authority. Registered in Jersey No: 143275. Registered office: Third Floor, No.1 Grenville Street, St Helier, Jersey, JE2 4UF.

More information about the Brooks Macdonald Group can be found at www.brooksmacdonald.com.