

Chief Investment Office

# Weekly Market Commentary

For professional advisers only



## In Summary

- The US equity market shrugged off last week's US Consumer Price Index (CPI) beat, rising to a whisker away from its all-time high
- Geopolitics will be in focus as the US sees the Iowa Caucus and the Taiwan election outcome is considered
- A busy week for economic data with US retail sales a highlight alongside an important set of UK releases

Despite an upside beat to US CPI last week, US bond markets became more confident that the Federal Reserve would cut interest rates in Q1 2024. Against this backdrop the US equity market rose almost 2%, with the index now less than half a percentage point away from its all-time high. Today will see a slow start to the new week with the US on holiday for Martin Luther King Day.

Despite US markets being closed, there will be some US headlines later today after the Iowa Caucus which will be a test of Republican appetite for a Trump nomination. Recent polls have pointed to a significant lead for Trump however commentators will be waiting to see if he can achieve 50% of the vote which would lock out any contenders regardless of vote switching as rivals drop out. Taiwanese politics will also be in focus after the presidential election which saw the incumbent Democratic Progressive Party (DPP) win with just over 40% of the vote. The DPP's leader, William Lai Ching-te has previously been labelled a separatist by Beijing therefore markets are wary of any escalatory rhetoric in the aftermath of this win. So far neither Beijing nor the DPP have said anything to stir tensions, but this remains one to watch.

Alongside a busy week for the US earnings season, we will receive the latest US retail sales numbers for December. Given the importance of the month for sales, this will give an insight into consumer momentum as we continue through 2024. Housing data and the latest University of Michigan consumer survey will also be worth noting. In the UK, we have a large set of important data points including labour market measures on Tuesday and retail sales on Friday. The most important release will be the UK CPI report, on Wednesday, with the Bank of England hoping for continued signs of disinflation.

The Bank of England is eager to tilt towards a more balanced, or even accommodative, monetary policy. UK economic data has broadly flatlined in recent quarters, suggesting a stagnating economy. The Bank of England faces a very different backdrop to the US where economic momentum continues to feed the demand side of the inflation story. If UK CPI continues to come down the market could find the UK central bank changing its tune quite rapidly.

## Economic indicators (week beginning 8 January 2024)

Day	Data Release	Consensus	Prior	Actual
<b>Monday</b>	Japan Tokyo CPI Ex-Fresh Food YoY Dec	2.1%	2.3%	2.1%
<b>Tuesday</b>	Australia Building Approvals MoM Nov	-2.0%	7.5%	1.6%
	Germany Industrial Production SA MoM Nov	0.3%	-0.4%	-0.7%
	Australia Retail Sales MoM Nov	1.2%	-0.2%	2.0%
	United States Trade Balance Nov	-\$65.0b	-\$64.3b	-\$63.2b
<b>Wednesday</b>	United States MBA Mortgage Applications 38353	--	-10.7%	9.9%
<b>Thursday</b>	United States Initial Jobless Claims 38718	210k	202k	202k
	United States CPI MoM Dec	0.2%	0.1%	0.3%
	United States CPI YoY Dec	3.2%	3.1%	3.4%
	Japan BoP Current Account Balance Nov	¥2385.1b	¥2582.8b	¥1925.6b
	Italy Industrial Production MoM Nov	-0.2%	-0.2%	-1.5%
<b>Friday</b>	China Imports YoY Dec	0.0%	-0.6%	0.2%
	China CPI YoY Dec	-0.4%	-0.5%	-0.3%
	France CPI YoY Dec F	3.7%	3.7%	3.7%
	United Kingdom Industrial Production MoM Nov	0.3%	-0.8%	0.3%
	China PPI YoY Dec	-2.6%	-3.0%	-2.7%
	United Kingdom Manufacturing Production MoM Nov	0.3%	-1.1%	0.4%
	United States PPI Final Demand MoM Dec	0.1%	0.0%	-0.1%
	France Industrial Production MoM Nov	0.0%	-0.3%	0.5%
	Germany Factory Orders MoM Nov	1.1%	-3.7%	0.3%
	Australia Trade Balance Nov	A\$7500m	A\$7129m	A\$11437m
	China Money Supply M2 YoY Dec	10.1%	10.0%	9.7%
	China Trade Balance Dec	\$76.00b	\$68.39b	\$75.43b
	United States Wholesale Inventories MoM Nov F	-0.2%	-0.2%	-0.2%
	China Exports YoY Dec	1.6%	0.5%	2.3%

Source: Bloomberg, data accessed 15 January 2024.

## Economic indicators (week beginning 15 January 2024)

Day	Data Release	Consensus	Prior
<b>Monday</b>	Japan PPI YoY Dec	-0.3%	0.3%
	Australia Westpac Consumer Conf SA MoM Jan	--	2.7%
	Australia Melbourne Institute Inflation MoM Dec	--	0.3%
<b>Tuesday</b>	Germany ZEW Survey Expectations Jan	11.7	12.8
	Canada CPI YoY Dec	3.4%	3.1%
	Italy CPI EU Harmonized YoY Dec F	0.5%	0.5%
	Germany ZEW Survey Current Situation Jan	-77.0	-77.1
	Germany CPI YoY Dec F	3.7%	3.7%
	United States Empire Manufacturing Jan	-5.0	-14.5
	United Kingdom Claimant Count Rate Dec	--	4.0%
	Canada Housing Starts Dec	247.5k	212.6k
<b>Wednesday</b>	United Kingdom CPI YoY Dec	3.8%	3.9%
	United Kingdom CPI MoM Dec	0.2%	-0.2%
	China GDP YoY 4Q	5.3%	4.9%
	United States Retail Sales Advance MoM Dec	0.4%	0.3%
	United Kingdom CPI Core YoY Dec	4.9%	5.1%
	United States MBA Mortgage Applications 40909	--	9.9%
	China Industrial Production YoY Dec	6.7%	6.6%
	China Retail Sales YoY Dec	8.0%	10.1%
<b>Thursday</b>	Japan Industrial Production MoM Nov F	--	-0.9%
	United States Initial Jobless Claims 41275	206k	202k
	Australia Unemployment Rate Dec	3.9%	3.9%
	Australia Employment Change Dec	15.0k	61.5k
	Japan Natl CPI YoY Dec	2.5%	2.8%
<b>Friday</b>	United States U. of Mich. Sentiment Jan P	70.0	69.7
	United Kingdom Jobless Claims Change Dec	--	16.0k
	Japan Core Machine Orders MoM Nov	-0.8%	0.7%
	Germany CPI MoM Dec F	0.1%	0.1%
	Canada CPI NSA MoM Dec	-0.3%	0.1%
	United States Housing Starts Dec	1425k	1560k
	Japan Tertiary Industry Index MoM Nov	0.1%	-0.8%
	United States Industrial Production MoM Dec	0.0%	0.2%
	United States Existing Home Sales Dec	3.83m	3.82m
	United Kingdom Retail Sales Inc Auto Fuel MoM Dec	-0.5%	1.3%
United Kingdom Retail Sales Inc Auto Fuel YoY Dec	1.1%	0.1%	

Source: Bloomberg, data accessed 15 January 2024.



## Asset market performance

Index	Value	As at Friday close		YTD	
		CR	TR	CR	TR
MSCI UK GBP	2190	-0.73%	-0.71%	2.13%	6.44%
MSCI USA USD	4561	1.88%	1.90%	25.28%	26.77%
MSCI Europe ex UK EUR	191	0.23%	0.24%	14.37%	17.07%
MSCI AC Asia ex JPN USD	512	-0.77%	-0.77%	1.22%	3.92%
MSCI Japan JPY	1535	4.79%	4.79%	33.43%	36.25%
MSCI Emerging Markets USD	996	-0.58%	-0.57%	4.17%	6.92%
Barclays Sterling Gilts GBP	228		-0.42%		1.13%
GOLD USD	2049	0.18%		12.34%	
WTI Oil USD	73	-1.53%		-9.44%	
MSCI PIMFA Income		0.32%	0.35%	5.45%	8.04%
MSCI PIMFA Balanced		0.40%	0.43%	6.59%	9.12%
MSCI PIMFA Growth		0.60%	0.62%	8.24%	10.68%

Source: Bloomberg, MSCI; please see important information, data accessed 15 January 2024.

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



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