

Chief Investment Office

Weekly Market Commentary

For professional advisers only



In Summary

- US equities fall just short of another all-time high on Friday as equity sentiment remains constructive
- This week all eyes will be on the Federal Reserve (Fed) with bond markets hoping for a more constructive statement
- Friday's US employment report will also be a focus with investors looking for a slight slowing in the US labour market

On Friday the US equity market rally finally slowed with a very small headline index loss preventing a sixth consecutive all-time high. Friday saw very robust US personal spending data which, alongside the strong Q4 Gross Domestic Product (GDP) numbers earlier in the week, tells the story of a very healthy US economy. In terms of the Personal Consumption Expenditures (PCE) inflation release, December core PCE rose by 0.2% month-on-month with the annual figure coming slightly below market expectations.

This week will be dominated by the latest Fed rate setting meeting with the market hoping that the cautious language in the Fed's recent statements will be overhauled into a more constructive footing. The press conference will be essential to deliver the nuance, with Fed Chair Jerome Powell likely to show some signs of optimism, whilst also stressing that rates will need to stay at current levels in the very short term. Expect the phrase 'data dependence' to be heavily used throughout the Fed's narrative as the central bank tries to navigate dovish market expectations at the same time as staying beholden to the evolving inflation backdrop. Lastly, the Fed may address quantitative tightening in the press conference, though it remains the market's view that the first step of any accommodative move by the Fed is likely to be through interest rates rather than changing the pace of balance sheet reduction.

Then, at the end of the week, we will receive the latest round of non-farm payrolls which will provide the latest perspective on US employment. The market is expecting a weaker employment report than last month with the US labour market gradually losing momentum. The calculations are often skewed by 'seasonal' adjustments where statisticians attempt to normalise January 2024's reading for a 'typical January', given January 2023 saw a very strong month for employment, there is room for the reading to be a bit of a muddle.

Alongside the employment report and Fed meeting, the US earnings season will be gathering major pace this week. Around one-quarter of large US companies are reporting this week including many of the tech heavyweights such as Alphabet, Amazon, Apple and Microsoft. From Tuesday night, US\$10.5 trillion of companies by market capitalisation will be reporting in a 48-hour window so plenty to drive market sentiment.



Economic indicators (week beginning 22 January 2024)

Day	Data Release	Consensus	Prior	Actual
Monday	United States Leading Index Dec	-0.3%	-0.5%	-0.1%
Tuesday	Japan BOJ Policy Balance Rate 44927	-0.1%	-0.1%	-0.1%
Wednesday	Canada Bank of Canada Rate Decision 45292	5.0%	5.0%	5.0%
	France HCOB France Manufacturing PMI Jan P	42.5	42.1	43.2
	France HCOB France Services PMI Jan P	46.0	45.7	45.0
	Japan Jibun Bank Japan PMI Mfg Jan P	--	47.9	48.0
	Germany HCOB Germany Manufacturing PMI Jan P	43.7	43.3	45.4
	United Kingdom S&P Global UK Manufacturing PMI Jan P	46.7	46.2	47.3
	United States MBA Mortgage Applications 43466	--	104%	37
	United States S&P Global US Manufacturing PMI Jan P	47.5	47.9	50.3
Thursday	France HCOB France Composite PMI Jan P	45.2	44.8	44.2
	United States Initial Jobless Claims 43831	200k	187k	214k
	Germany IFO Business Climate Jan	86.6	86.4	85.2
	United States GDP Annualized QoQ 4Q A	2.0%	4.9%	3.3%
	Japan Tokyo CPI Ex-Fresh Food YoY Jan	1.9%	2.1%	1.6%
	United States Durable Goods Orders Dec P	1.1%	5.4%	0.0%
	United States New Home Sales Dec	649k	590k	664k
	Germany IFO Expectations Jan	84.8	84.3	83.5
Friday	United States Wholesale Inventories MoM Dec P	-0.2%	-0.2%	0.4%
	United States Personal Income Dec	0.3%	0.4%	0.3%
	United States Personal Spending Dec	0.4%	0.2%	0.7%

Source: Bloomberg, data accessed 29 January 2024.

Economic indicators (week beginning 29 January 2024)

Day	Data Release	Consensus	Prior
Monday	Japan Jobless Rate Dec	2.5%	2.5%
	Japan Job-To-ApPLICANT Ratio Dec	128.0%	128.0%
Tuesday	Japan Industrial Production MoM Dec P	2.5%	-0.9%
	United States Conf. Board Consumer Confidence Jan	114.0	110.7
	Australia Retail Sales MoM Dec	-1.7%	2.0%
	United Kingdom Mortgage Approvals Dec	53.0k	50.1k
	Italy GDP WDA QoQ 4Q P	0.0%	0.1%
	France GDP QoQ 4Q P	0.1%	-0.1%
	Italy GDP WDA YoY 4Q P	0.3%	0.1%
Wednesday	United States FOMC Rate Decision (Upper Bound) 11324	5.50%	5.50%
	France CPI YoY Jan P	3.2%	3.7%
	China Manufacturing PMI Jan	49.3	49.0
	Germany CPI YoY Jan P	2.9%	3.7%
	Australia CPI YoY 4Q	4.3%	5.4%
	United States ADP Employment Change Jan	148k	164k
	Australia CPI QoQ 4Q	0.8%	1.2%
	Germany CPI MoM Jan P	0.1%	0.1%
	United States MBA Mortgage Applications 46023	--	3.7%
	United Kingdom Nationwide House PX MoM Jan	0.1%	0.0%
	United Kingdom Nationwide House Px NSA YoY Jan	-0.9%	-1.8%
	Germany Unemployment Change (000's) Jan	15.0k	5.0k
	Canada GDP MoM Nov	0.1%	0.0%
United States MNI Chicago PMI Jan	48.0	46.9	
Thursday	United Kingdom Bank of England Bank Rate 36923	5.3%	5.3%
	United States Initial Jobless Claims 46388	210k	214k
	France HCOB France Manufacturing PMI Jan F	43.2	43.2
	United States ISM Manufacturing Jan	47.0	47.4
	Italy CPI EU Harmonized YoY Jan P	0.8%	0.5%
	China Caixin China PMI Mfg Jan	50.8	50.8
	Japan Jibun Bank Japan PMI Mfg Jan F	--	48.0
	Italy HCOB Italy Manufacturing PMI Jan	47.0	45.3
	Germany HCOB Germany Manufacturing PMI Jan F	45.4	45.4
	United Kingdom S&P Global UK Manufacturing PMI Jan F	47.3	47.3
	Canada S&P Global Canada Manufacturing PMI Jan	46.5	45.4
United States S&P Global US Manufacturing PMI Jan F	50.3	50.3	
Australia Building Approvals MoM Dec	0.5%	1.6%	
Italy CPI EU Harmonized MoM Jan P	-1.2%	0.2%	
Friday	United States Change in Nonfarm Payrolls Jan	180k	216k
	United States U. of Mich. Sentiment Jan F	79.0	78.8
	United States Durable Goods Orders Dec F	--	0.0%
	United States Unemployment Rate Jan	3.8%	3.7%
	France Industrial Production MoM Dec	0.1%	0.5%
	United States Factory Orders Dec	0.2%	2.6%

Source: Bloomberg, data accessed 29 January 2024.

Asset market performance

Index	Value	As at Friday close		YTD	
		CR	TR	CR	TR
MSCI UK GBP	2186	2.24%	2.24%	1.97%	6.30%
MSCI USA USD	4662	1.03%	1.04%	28.06%	29.61%
MSCI Europe ex UK EUR	195	3.22%	3.24%	16.53%	19.31%
MSCI AC Asia ex JPN USD	506	1.57%	1.57%	0.10%	2.78%
MSCI Japan JPY	1536	-0.69%	-0.69%	33.54%	36.36%
MSCI Emerging Markets USD	985	1.46%	1.47%	3.00%	5.72%
Barclays Sterling Gilts GBP	225		-0.41%		-0.33%
GOLD USD	2019	-0.54%		10.66%	
WTI Oil USD	78	6.27%		-2.80%	
MSCI PIMFA Income		0.80%	0.82%	5.76%	8.41%
MSCI PIMFA Balanced		0.92%	0.94%	7.09%	9.68%
MSCI PIMFA Growth		1.12%	1.13%	9.18%	11.67%

Source: Bloomberg, MSCI; please see important information, data accessed 29 January 2024.

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



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