

Chief Investment Office

Weekly Market Commentary

For professional advisers only



In Summary

- Last week's benign PCE inflation data eases fears of heightened inflation
- The US equity market again recorded strong gains, as the technology sector continued its momentum and Nvidia's market capitalisation rose above US\$2 trillion
- Anticipated political developments in the US, UK, and China are poised to become focal points for market participants in the near term

Last week's big event was US core Personal Consumption Expenditure (PCE) inflation data for January which met analysts' expectations, easing the intense inflationary concerns sparked by the previous higher-than-anticipated Consumer Price Index (CPI) and Produce Price Index (PPI) reports. This alignment with forecasts has contributed to a broader narrative of disinflation. However, consumer confidence and sentiment measures have fallen short of anticipated levels. The Institute for Supply Management (ISM) Manufacturing Index continues to signal a contraction for the 16th straight month, a stark contrast to recent suggestions of a revival in the global manufacturing sector.

In terms of global equity market, the US continued to outperform the UK and Europe. The S&P 500 notched a 0.95% increase last week, marking its 16th week of gains in the past 18 weeks—a feat not seen since 1971. The Russell 2000 Index, which tracks small to mid-sized companies, soared to its highest level since April 2022, with a weekly rise of 2.96%. This widespread market rally signals a robust optimism among investors. As the earnings season concludes, S&P 500 companies have surpassed earnings expectations by roughly 7% for Q4. This has prompted several leading investment banks to adjust their S&P 500 year-end forecasts upwards, reflecting the durability of macroeconomic conditions and the robust performance of major tech firms.

The tech sector is maintaining its upward trajectory, as evidenced by the largest capital inflow since last August. The growing emphasis on Artificial Intelligence (AI) as a catalyst for long-term growth is becoming more prominent, with computer hardware company Dell's surge post-earnings and memory chip maker Micron's product launch rally serving as prime examples. Meanwhile, Nvidia continued to outperform, with its market capitalisation surpassing US\$2 trillion.

In the week ahead, market participants again switch gears to focus on political events. The US is poised for 'Super Tuesday' with 16 states and territories due to hold primary elections. While the event may lack the usual fanfare, given the high probability of a Trump versus Biden rematch, it remains a crucial barometer for gauging Trump's support levels and extrapolating national trends ahead of the November elections. In the UK, the government is set to present its budget on Wednesday, an event that will likely have significant economic implications. Concurrently, China's political focus is on the annual National People's Congress, which is expected to make key announcements, including setting the growth target for 2024 and outlining the fiscal policy for the upcoming year.

Economic indicators (week beginning 26 February 2024)

Day	Data Release	Consensus	Prior	Actual
Monday	Japan Natl CPI YoY Jan	1.9%	2.6%	2.2%
	United States New Home Sales Jan	684k	664k	661k
Tuesday	United States Conf. Board Consumer Confidence Feb	115.0	114.8	106.7
	United States Durable Goods Orders Jan P	-5.0%	0.0%	-6.1%
Wednesday	Japan Industrial Production MoM Jan P	-6.8%	1.4%	-7.5%
	Italy Manufacturing Confidence Feb	88.7	88.3	87.3
	United States GDP Annualized QoQ 4Q S	3.3%	3.3%	3.2%
	United States MBA Mortgage Applications 44958	--	-10.6%	-5.6%
	Italy Consumer Confidence Index Feb	97.0	96.4	97.0
	United States Wholesale Inventories MoM Jan P	0.2%	0.4%	-0.1%
Thursday	United States Initial Jobless Claims 45323	210k	201k	215.0
	Japan Jobless Rate Jan	2.4%	2.4%	2.4%
	France CPI YoY Feb P	2.8%	3.1%	2.9%
	Germany CPI YoY Feb P	2.6%	2.9%	2.5%
	Germany CPI MoM Feb P	0.5%	0.2%	0.4%
	Japan Job-To-Applclicant Ratio Jan	1.27	1.27	1.27
	Australia Retail Sales MoM Jan	15%	-2.7%	11%
	Canada Quarterly GDP Annualized 4Q	0.8%	-1.1%	1.0%
	United States Personal Income Jan	0.4%	0.3%	1.0%
	United States Personal Spending Jan	0.2%	0.7%	0.2%
	United Kingdom Mortgage Approvals Jan	52.0k	50.5k	55.2k
	Germany Unemployment Change (OOO's) Feb	5.0k	-2.0k	11.0k
	France GDP QoQ 4Q F	0.0%	0.0%	0.1%
	Canada GDP MoM Dec	0.2%	0.2%	0.0%
United States MNI Chicago PMI Feb	48.0	46.0	44.0	
Friday	France HCOB France Manufacturing PMI Feb F	46.8	46.8	47.1
	United States ISM Manufacturing Feb	49.5	49.1	47.8
	Italy CPI EU Harmonized YoY Feb P	1.0%	0.9%	0.9%
	China Manufacturing PMI Feb	49.1	49.2	49.1
	United States U. of Mich. Sentiment Feb F	79.6	79.6	76.9
	China Caixin China PMI Mfg Feb	50.7	50.8	50.9
	Japan Jibun Bank Japan PMI Mfg Feb F	--	47.2	47.2
	Italy HCOB Italy Manufacturing PMI Feb	49.1	48.5	48.7
	Germany HCOB Germany Manufacturing PMI Feb F	42.3	42.3	42.5
	United Kingdom S&P Global UK Manufacturing PMI Feb F	47.1	47.1	47.5
	Canada S&P Global Canada Manufacturing PMI Feb	--	48.3	49.7
	United States S&P Global US Manufacturing PMI Feb F	51.5	51.5	52.2
	Italy CPI EU Harmonized MoM Feb P	0.2%	-1.1%	0.1%
	United Kingdom Nationwide House PX MoM Feb	0.3%	0.7%	0.7%
	United Kingdom Nationwide House Px NSA YoY Feb	0.7%	-0.2%	1.2%
France PPI MoM Jan	--	0.1%	-1.3%	

Source: Bloomberg, data accessed 4 March 2024.



Economic indicators (week beginning 4 March 2024)

Day	Data Release	Consensus	Prior
Monday	Japan Tokyo CPI Ex-Fresh Food YoY Feb	2.5%	1.6%
	Australia Building Approvals MoM Jan	4.0%	-9.5%
	Australia Melbourne Institute Inflation MoM Feb	--	0.3%
Tuesday	United States Durable Goods Orders Jan F	-6.1%	-6.1%
	France HCOB France Services PMI Feb F	48.0	48.0
	France HCOB France Composite PMI Feb F	47.7	47.7
	France Industrial Production MoM Jan	-0.1%	1.1%
	United States Factory Orders Jan	-2.9%	0.2%
	Italy GDP WDA QoQ 4Q F	0.2%	0.2%
Wednesday	Canada Bank of Canada Rate Decision 38777	5.0%	5.0%
	Australia GDP SA QoQ 4Q	0.2%	0.2%
	United States ADP Employment Change Feb	150k	107k
	United States MBA Mortgage Applications 36951	--	-5.6%
	Australia GDP YoY 4Q	1.4%	2.1%
United States Wholesale Inventories MoM Jan F	-0.1%	-0.1%	
Thursday	United States Initial Jobless Claims 37316	218k	215k
	Japan BoP Current Account Balance Jan	-¥330.4b	¥744.3b
	Germany Factory Orders MoM Jan	-6.3%	8.9%
	Australia Trade Balance Jan	A\$11500m	A\$10959m
	United States Trade Balance Jan	-\$63.5b	-\$62.2b
Friday	United States Change in Nonfarm Payrolls Feb	200k	353k
	Canada Unemployment Rate Feb	5.8%	5.7%
	United States Unemployment Rate Feb	3.7%	3.7%
	Germany Industrial Production SA MoM Jan	0.6%	-1.6%
	Canada Net Change in Employment Feb	20.0k	37.3k

Source: Bloomberg, data accessed 4 March 2024.



Asset market performance

Index	Value	As at Friday close		YTD	
		CR	TR	CR	TR
MSCI UK GBP	2207	-0.21%	-0.13%	-0.40%	0.13%
MSCI USA USD	4898	1.01%	1.04%	7.61%	7.80%
MSCI Europe ex UK EUR	201	0.19%	0.20%	4.86%	4.98%
MSCI AC Asia ex JPN USD	527	-0.26%	-0.18%	-0.28%	-0.09%
MSCI Japan JPY	1680	2.03%	2.05%	16.03%	16.07%
MSCI Emerging Markets USD	1025	-0.35%	-0.30%	0.09%	0.27%
Barclays Sterling Gilts GBP	226		0.51%		-3.32%
GOLD USD	2083	2.33%		0.97%	
WTI Oil USD	80	4.55%		11.61%	
MSCI PIMFA Income		0.48%	0.53%	1.55%	1.90%
MSCI PIMFA Balanced		0.54%	0.58%	2.14%	2.47%
MSCI PIMFA Growth		0.61%	0.65%	3.44%	3.72%

Source: Bloomberg, MSCI; please see important information, data accessed 4 March 2024.

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



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