

Chief Investment Office

Weekly Market Commentary

For professional advisers only



In Summary

- A relatively quieter and shorter week ahead, as the Easter weekend arrives.
- US and European central banks dovish messaging on interest rates drive markets.
- All eyes on US inflation data, as markets wait to see if PCE data follows recent CPI.
- With a lull in quarterly company results news flow, macro data holds the key.

After last week's central banks excitement, this week is expected to be somewhat quieter. The week will be one day shorter too, given the Easter Bank Holiday weekend coming up, with US and European markets closed for Good Friday, and holidays in Europe extending into Monday next week as well. For this slightly shorter week, the focus will be the Personal Consumption Expenditures (PCE) price index data, the preferred inflation gauge for the US Federal Reserve (Fed) – unhelpfully for markets however, the data lands on Friday when US bond and equity markets will be closed. Across in Europe, markets will be watching out for flash CPI (Consumer Price Index) reports in Spain on Wednesday, as well Italy and France both due on Friday. Finally, over in Asia, Wednesday sees the release of the summary of opinions from last week's Bank of Japan meeting which is especially important given the shift in policy that we saw at that meeting.

Last week saw markets buoyant on growing optimism that interest rate cuts by many major central banks were on their way. Technology stocks led, though the gains were fairly broadly spread across sectors too. The amount of Fed cuts expected by December this year rose over the week and is currently standing at 82.4 basis points (bps). The expected probability of a June interest rate cut from the Fed is now up at over 80%, up from just over 60% at the start of last week. Over in Europe, it was a similar story, with cuts priced in by calendar year-end for the European Central Bank up at 93.8bps currently, and for cuts by the Bank of England to 82.6bps currently.

The US PCE data due on Friday this week comes of the heels of the upside surprise on the US CPI (Consumer Price Index) report earlier in the month. US core PCE is seen rising 0.3% in February, which would keep the annual pace at 2.8%. The headline index is seen up 0.4% for the month and 2.4% for the year. In terms of the likely guess for how markets will respond to the data, anything higher would be taken as a setback to hopes for a Fed rate cut in June, which was put firmly back on the menu last week by Fed Chair Jerome Powell.

Markets responded strongly to the aggregate dovish messaging from central banks last week. As well as equity markets rising, the 'everything rally' saw a sharp decline in global sovereign bond yields (more so at the front end), as well as credit spreads narrowing. Looking forward, with a lull in news flow between company quarterly results, markets will be that much more focused on and sensitive to macro data. Anything which disrupts the latest enthusiasm around interest rate cuts could have a big price impact, especially over the next few days given market trading volumes are likely to drop off a bit as we head into the long bank holiday weekend later this week.

Economic indicators (week beginning 18 March 2024)

Day	Data Release	Consensus	Prior	Actual
Tuesday	Australia RBA Cash Rate Target 43525	4.4%	4.4%	4.4%
	Japan Industrial Production MoM Jan F	--	-7.5%	-6.7%
	Germany ZEW Survey Expectations Mar	20.5	19.9	31.7
	Canada CPI YoY Feb	3.1%	2.9%	2.8%
	Germany ZEW Survey Current Situation Mar	-82.2	-81.7	-80.5
	Canada CPI NSA MoM Feb	0.6%	0.0%	0.3%
	United States Housing Starts Feb	1430k	1331k	1521k
	Japan BOJ Policy Balance Rate 43525	-0.1%	-0.1%	-0.1%
Wednesday	United States FOMC Rate Decision (Upper Bound) 43891	5.5%	5.5%	5.5%
	United Kingdom CPI YoY Feb	3.5%	4.0%	3.4%
	United Kingdom CPI MoM Feb	0.7%	-0.6%	0.6%
	United Kingdom CPI Core YoY Feb	4.6%	5.1%	4.5%
	United States MBA Mortgage Applications 42064	--	71%	-16%
	Italy Industrial Production MoM Jan	-0.2%	1.1%	-1.2%
Thursday	United Kingdom Bank of England Bank Rate 44256	5.3%	5.3%	5.3%
	United States Initial Jobless Claims 42430	215k	209k	210k
	France HCOB France Manufacturing PMI Mar P	47.5	47.1	45.8
	Australia Unemployment Rate Feb	4.0%	4.1%	3.7%
	Australia Employment Change Feb	40.0k	0.5k	116.5k
	France HCOB France Services PMI Mar P	48.8	48.4	47.8
	Japan Jibun Bank Japan PMI Mfg Mar P	--	47.2	48.2
	Germany HCOB Germany Manufacturing PMI Mar P	43.0	42.5	41.6
	United Kingdom S&P Global UK Manufacturing PMI Mar P	47.8	47.5	49.9
	United States S&P Global US Manufacturing PMI Mar P	51.8	52.2	52.5
	Japan Natl CPI YoY Feb	2.9%	2.2%	2.8%
	France HCOB France Composite PMI Mar P	48.7	48.1	47.7
	United States Existing Home Sales Feb	3.9m	4.0m	4.4m
	United States Leading Index Feb	-0.2%	-0.4%	0.1%
Friday	Germany IFO Business Climate Mar	85.9	85.5	87.8
	United Kingdom Retail Sales Inc Auto Fuel MoM Feb	-0.3%	3.4%	0.0%
	United Kingdom Retail Sales Inc Auto Fuel YoY Feb	-0.8%	0.7%	-0.4%

Source: Bloomberg, data accessed 25 March 2024.

Economic indicators (week beginning 25 March 2024)

Day	Data Release	Consensus	Prior
Monday	United States New Home Sales Feb	675k	661k
	Australia Westpac Consumer Conf SA MoM Mar	--	6.2%
Tuesday	United States Conf. Board Consumer Confidence Mar	106.8	106.7
	United States Durable Goods Orders Feb P	12%	-6.2%
Wednesday	United States MBA Mortgage Applications 44621	--	-1.6%
Thursday	Japan Industrial Production MoM Feb P	1.3%	-6.7%
	United States Initial Jobless Claims 44986	213k	210k
	Japan Jobless Rate Feb	2.4%	2.4%
	Italy Manufacturing Confidence Mar	87.8	87.3
	United States GDP Annualized QoQ 4Q T	3.2%	3.2%
	United Kingdom GDP QoQ 4Q F	-0.3%	-0.3%
	United Kingdom GDP YoY 4Q F	-0.2%	-0.2%
	United States U. of Mich. Sentiment Mar F	76.5	76.5
	Japan Tokyo CPI Ex-Fresh Food YoY Mar	2.4%	2.5%
	Australia Retail Sales MoM Feb	0.4%	1.1%
	Japan Job-To-Applclicant Ratio Feb	1.27	1.27
	Italy Consumer Confidence Index Mar	97.6	97.0
	Germany Unemployment Change (000's) Mar	10.0k	11.0k
	Canada GDP MoM Jan	0.4%	0.0%
	United States MNI Chicago PMI Mar	46.0	44.0
Friday	France CPI YoY Mar P	2.7%	3.0%
	Italy CPI EU Harmonized YoY Mar P	1.5%	0.8%
	Italy CPI EU Harmonized MoM Mar P	1.4%	0.1%
	United States Personal Income Feb	0.4%	1.0%
	United States Personal Spending Feb	0.5%	0.2%
	United States Wholesale Inventories MoM Feb P	0.2%	-0.3%
	United Kingdom Gross Fixed Capital Formation QoQ 4Q F	1.4%	1.4%

Source: Bloomberg, data accessed 25 March 2024.



Asset market performance

Index	Value	As at Friday close		YTD	
		CR	TR	CR	TR
MSCI UK GBP	2274	2.67%	2.75%	2.67%	3.80%
MSCI USA USD	4989	2.31%	2.33%	9.60%	9.86%
MSCI Europe ex UK EUR	206	0.54%	0.65%	7.23%	7.62%
MSCI AC Asia ex JPN USD	535	0.29%	0.36%	1.13%	1.58%
MSCI Japan JPY	1743	5.73%	5.74%	20.34%	20.38%
MSCI Emerging Markets USD	1039	0.44%	0.51%	1.52%	1.90%
Barclays Sterling Gilts GBP	229		1.20%		-2.01%
GOLD USD	2165	0.44%		4.97%	
WTI Oil USD	81	-0.51%		12.53%	
MSCI PIMFA Income		1.99%	2.04%	3.57%	4.13%
MSCI PIMFA Balanced		2.16%	2.20%	4.28%	4.82%
MSCI PIMFA Growth		2.46%	2.50%	5.78%	6.27%

Source: Bloomberg, MSCI; please see important information, data accessed 25 March 2024.

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



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