

Chief Investment Office

# Weekly Market Commentary

For professional advisers only



## In Summary

- A bumper US jobs report likely to keep interest rate cut hopes in check.
- US consumer inflation is due this week, but will it be another upside surprise?
- European Central Bank is expected to steer towards a possible June cut.
- Could we be about to see a US\$100 a barrel oil price?

Markets were a bit better on Friday, but it was still a tough week all-in-all with the US S&P500 equities index posting its worst weekly performance in three months. Friday's bumper US jobs report, adding 303,000 non-farm payroll jobs in March versus 214,000 expected was the big surprise of the day (while revisions to the jobs data for January plus February combined saw a net overall upward revision to payrolls as well). Alongside an uptick in oil prices (Brent crude) which closed above US\$91 a barrel on Friday (though prices are off a bit this morning), this latest data is collectively raising doubts as to whether the US Federal Reserve (Fed) has the necessary room to cut interest rates anytime soon. Looking forward, we have a lot on this week: the US Consumer Price Index (CPI) inflation report out on Wednesday will be the focus for markets, but there is a lot of other data to keep an eye on too: worth watching will include the European Central Bank (ECB) Bank Lending Survey (Tuesday), Bank of Canada interest rate announcement (Wednesday), Fed minutes from their March meeting (Wednesday), the latest ECB interest rate decision (Thursday), China CPI (Thursday), UK monthly gross domestic product (GDP) (Friday), the Bank of England's 'Bernanke Review' into the Bank's forecasts (Friday), and the start of the US Q1 earnings results season (Friday), with results due out from JPMorgan, Citigroup, Wells Fargo and BlackRock.

CPI inflation data for March lands on Wednesday, where the expectation is for annual headline (all-items) +3.4% change and a core (excluding food and energy) at +3.7%. For context, the backdrop has not been that helpful. January and February CPI prints both surprised markets with bigger-than-expected annual inflation. So far, Fed Chair Jerome Powell has softened the market impact of these stronger inflation prints - last week he said that while "recent readings on both job gains and inflation have come in higher than expected ... the recent data do not,

however, materially change the overall picture, which continues to be one of solid growth, a strong but rebalancing labor market, and inflation moving down toward two per cent on a sometimes bumpy path." The risk, however, is that if there is another stronger-than-expected CPI print this week, stickier/higher inflation as a trend might be just a bit harder to dismiss.

The ECB is due to announce on interest rates on Thursday. Expectations are low that there will be a cut in rates at this meeting, instead, markets are on balance looking for that first cut to come at the next ECB meeting following in early June. From last week's inflation data, the ECB will have been pleased to see annual headline eurozone inflation coming down to 2.4% in March. But while annual goods disinflation at 1.1% is clearly encouraging the ECB will doubtless want to see a similar trend play out within the services side of the data, which at an annual rate of 4.0% is still running above the ECB's target.

Could we be about to see US\$100 a barrel oil? Brent crude oil prices rose for a fourth week in a row last week, moving to their highest levels since October last year. Certainly, a higher oil price has a few drivers going for it currently: a recent move by Mexico to slash its crude exports is compounding a global squeeze, prompting refiners in the US to consume more domestic barrels. Meanwhile, US sanctions have impacted Russian cargoes at sea, while in the Middle East, Houthi rebel attacks on tankers in the Red Sea have delayed crude shipments. Also, despite the turmoil, OPEC+ (the Organization of the Petroleum Exporting Countries and certain countries including Russia) are sticking with their approximate two million barrels per day of production cuts currently through to the end of June. All in all, while economic growth is helping buoy demand, it is really much more about the tighter supply conditions which appear to be pushing up the oil price.



## Economic indicators (week beginning 25 March 2024)

Day	Data Release	Consensus	Prior	Actual
<b>Monday</b>	United States New Home Sales Feb	675k	661k	662k
	Australia Westpac Consumer Conf SA MoM Mar	--	6.2%	-1.8%
<b>Tuesday</b>	United States Conf. Board Consumer Confidence Mar	106.8	106.7	104.7
	United States Durable Goods Orders Feb P	12%	-6.2%	1.3%
<b>Wednesday</b>	United States MBA Mortgage Applications 44621	--	-1.6%	-0.6%
	Japan Industrial Production MoM Feb P	1.3%	-6.7%	-0.1%
<b>Thursday</b>	United States Initial Jobless Claims 44986	213k	210k	221k
	Japan Jobless Rate Feb	2.4%	2.4%	2.6%
	Italy Manufacturing Confidence Mar	87.8	87.3	88.6
	United States GDP Annualized QoQ 4Q T	3.2%	3.2%	3.4%
	United Kingdom GDP QoQ 4Q F	-0.3%	-0.3%	-0.3%
	United Kingdom GDP YoY 4Q F	-0.2%	-0.2%	-0.2%
	United States U. of Mich. Sentiment Mar F	76.5	76.5	79.4
	Japan Tokyo CPI Ex-Fresh Food YoY Mar	2.4%	2.5%	2.4%
	Australia Retail Sales MoM Feb	0.4%	1.1%	0.3%
	Japan Job-To-Applicant Ratio Feb	1.27	1.27	1.26
	Italy Consumer Confidence Index Mar	97.6	97.0	96.5
	Germany Unemployment Change (000's) Mar	10.0k	11.0k	4.0k
	Canada GDP MoM Jan	0.4%	0.0%	0.6%
	United States MNI Chicago PMI Mar	46.0	44.0	41.4
<b>Friday</b>	France CPI YoY Mar P	2.7%	3.0%	2.3%
	Italy CPI EU Harmonized YoY Mar P	1.5%	0.8%	1.3%
	Italy CPI EU Harmonized MoM Mar P	1.4%	0.1%	1.2%
	United States Personal Income Feb	0.4%	1.0%	0.3%
	United States Personal Spending Feb	0.5%	0.2%	0.8%
	United States Wholesale Inventories MoM Feb P	0.2%	-0.3%	0.5%
United Kingdom Gross Fixed Capital Formation QoQ 4Q F	1.4%	1.4%	0.9%	

Source: Bloomberg, data accessed 8 April 2024.



## Economic indicators (week beginning 8 April 2024)

Day	Data Release	Consensus	Prior
<b>Monday</b>	Japan BoP Current Account Balance Feb	¥3050.0b	¥438.2b
	Germany Industrial Production SA MoM Feb	0.5%	1.0%
<b>Tuesday</b>	Australia Westpac Consumer Conf SA MoM Apr	--	-1.8%
<b>Wednesday</b>	Canada Bank of Canada Rate Decision 40269	5.0%	5.0%
	United States CPI MoM Mar	0.3%	0.4%
	United States CPI YoY Mar	3.4%	3.2%
	Japan PPI YoY Mar	0.8%	0.6%
	United States MBA Mortgage Applications 38443	--	-0.6%
	United States Wholesale Inventories MoM Feb F	0.5%	0.5%
<b>Thursday</b>	United States Initial Jobless Claims 38808	215k	221k
	China CPI YoY Mar	0.4%	0.7%
	China PPI YoY Mar	-2.8%	-2.7%
	United States PPI Final Demand MoM Mar	0.3%	0.6%
	Italy Industrial Production MoM Feb	0.5%	-1.2%
<b>Friday</b>	Japan Industrial Production MoM Feb F	--	-0.1%
	France CPI YoY Mar F	2.3%	2.3%
	United States U. of Mich. Sentiment Apr P	79.0	79.4
	Germany CPI YoY Mar F	2.2%	2.2%
	United Kingdom Industrial Production MoM Feb	0.0%	-0.2%
	Germany CPI MoM Mar F	0.4%	0.4%
	United Kingdom Manufacturing Production MoM Feb	0.1%	0.0%
	China Money Supply M2 YoY Mar	8.7%	8.7%
	China Trade Balance Mar	\$69.10b	\$39.71b
	China Exports YoY Mar	-2.0%	5.6%
	Germany CPI EU Harmonized YoY Mar F	2.3%	2.3%
Japan Consumer Confidence Index Mar	39.5	39.1	

Source: Bloomberg, data accessed 8 April 2024.



## Asset market performance

Index	Value	As at Friday close		YTD	
		CR	TR	CR	TR
MSCI UK GBP	2268	-0.46%	-0.44%	2.39%	3.59%
MSCI USA USD	4961	-0.95%	-0.93%	8.98%	9.27%
MSCI Europe ex UK EUR	204	-1.32%	-1.31%	6.37%	6.86%
MSCI AC Asia ex JPN USD	537	-0.04%	-0.01%	1.55%	2.08%
MSCI Japan JPY	1670	-2.49%	-2.49%	15.31%	16.20%
MSCI Emerging Markets USD	1046	0.24%	0.28%	2.15%	2.65%
Barclays Sterling Gilts GBP	226		-1.30%		-3.08%
GOLD USD	2330	4.48%		12.93%	
WTI Oil USD	87	4.50%		21.30%	
MSCI PIMFA Income		-0.67%	-0.64%	2.94%	3.60%
MSCI PIMFA Balanced		-0.68%	-0.64%	3.66%	4.30%
MSCI PIMFA Growth		-0.65%	-0.62%	5.20%	5.78%

Source: Bloomberg, MSCI; please see important information, data accessed 8 April 2024.

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



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