

Chief Investment Office

# Weekly Market Commentary

For professional advisers only



## In Summary

- An “unprecedented” increase in geopolitical risk, as for the first time ever, Iran carries out direct military strikes against Israel.
- Despite the military escalation, Iran sees latest hostile actions “deemed concluded” as US works to contain wider conflagration risk.
- As well as Middle East events, investors have lots to keep them occupied this week, with latest quarterly results season reporting.
- Should Middle East conflict escalate, the global economy could be quickly impacted, but it is not straight forward for policy makers.

Geopolitical risk saw a major step up over the weekend, where for the first time ever, Iran has carried out direct strikes against Israeli territory, launching a wave of missiles. US President Joe Biden described it as “an unprecedented air attack”. While the US is clear that it wants to avoid any further escalation, Israel’s response so far suggests this could be a risk - Itamar Ben-Gvir, Israel’s national security minister, called for a “crushing attack” on Iran. While markets were weak on Friday as fears grew of an imminent attack on Israel, so far in early Monday trading markets seem to have stabilised a bit as hopes are that further escalation is not inevitable. That said, markets still finished last week on the back foot, given the combination of both geopolitical fears in the Middle East, as well as last week’s upside surprise around US consumer inflation which left both equities and bonds losing ground over the week.

At least nine countries were involved in the military escalation, where according to the BBC, it is the first time ever that Iran has directly attacked Israeli territory. Missiles were fired from Iran, Iraq, Syria and Yemen, the vast majority of which were intercepted and downed by countermeasures launched by Israel, as well as US, UK, French and Jordanian forces. According to Israeli military, Iran launched more than 300 drones and missiles towards Israel. Despite this, global

markets are currently looking relatively stable in the wake of the attack: oil prices have retreated modestly so far in early Monday trading, with Brent crude trading at around US\$90 per barrel, while in equity markets, US equity futures look to have rebounded a little bit as well. In the latest news from the region, the Iranian mission to the United Nations said the ‘issue’ could be “deemed concluded” which reduces at least for now the risks of an immediate wider conflagration. In the meantime, the US and Western allies look to be focusing their efforts on trying to dissuade Israel on any significant retaliation which could raise the geopolitical stakes further.

The calendar Q1 company results season got underway at the end of last week. A trio of US bank reports last Friday from JP Morgan, Wells Fargo and Citigroup, collectively failed to impress investors. The biggest US bank, JP Morgan, posted a 6% profit increase but net interest income forecast fell short of expectations and its shares slid -6.5% on Friday. As for the wider US banks sector, the S&P 500 banks index fell -3.3% on the day on the back of the weaker results. More results are due to come this week as the reporting heats up, so it will be important to see if other companies can buck the weaker bank reports so far. On the macro side, we will get the chance this week to hear from central bank heads as officials are gathering in Washington DC for the International



Monetary Fund (IMF)-World Bank Spring meetings, including US Federal Reserve (Fed) Chair Jerome Powell, European Central bank President Christine Lagarde, and Bank of England Governor Andrew Bailey, among others. As an aside, this week is also the last chance for opportunity to hear from Fed speakers before their blackout period begins on Saturday ahead of their next rates announcement due on 1 May. Also key this week, following last week's hotter-than-expected US Consumer Price Index (CPI) print, this week it is the turn of the UK CPI figures for March due out on Wednesday - expectations are for UK CPI year-on-year to rise 3.1%, which would be a drop versus the February annual reading of 3.4%.

As if we need any reminding following events over recent years, we know all too well that geopolitical risk can impact the global economy. As we have seen from the Russia-Ukraine conflict, perhaps the most immediate impact of a broader and escalatory conflict would likely be to see much higher energy prices, which could transmit globally across financial markets very quickly. If this were to happen, it would also be coming at a time when there is already a worry around sticky inflationary pressures, in the US for example, which could push back against hopes for central bank rate cutting. However, geopolitical risk is complicated and multifaceted - if the risk to economic growth proved too great, then fears of a slowdown could equally prompt central banks to pre-emptively loosen policy, so this can work both ways.

## Economic indicators (week beginning 8 April 2024)

Day	Data Release	Consensus	Prior	Actual
<b>Monday</b>	Japan BoP Current Account Balance Feb	¥3050.0b	¥438.2b	¥2644.2b
	Germany Industrial Production SA MoM Feb	0.5%	1.0%	2.1%
<b>Tuesday</b>	Australia Westpac Consumer Conf SA MoM Apr	--	-1.8%	-2.4%
<b>Wednesday</b>	Canada Bank of Canada Rate Decision 40269	5.0%	5.0%	5.0%
	United States CPI MoM Mar	0.3%	0.4%	0.4%
	United States CPI YoY Mar	3.4%	3.2%	3.5%
	Japan PPI YoY Mar	0.8%	0.6%	0.8%
	United States MBA Mortgage Applications 38443	--	-0.6%	0.1%
	United States Wholesale Inventories MoM Feb F	0.5%	0.5%	0.5%
<b>Thursday</b>	United States Initial Jobless Claims 38808	215k	221k	211k
	China CPI YoY Mar	0.4%	0.7%	0.1%
	China PPI YoY Mar	-2.8%	-2.7%	-2.8%
	United States PPI Final Demand MoM Mar	0.3%	0.6%	0.2%
	Italy Industrial Production MoM Feb	0.5%	-1.2%	0.1%
<b>Friday</b>	Japan Industrial Production MoM Feb F	--	-0.1%	-0.6%
	France CPI YoY Mar F	2.3%	2.3%	2.3%
	United States U. of Mich. Sentiment Apr P	79.0	79.4	77.9k
	Germany CPI YoY Mar F	2.2%	2.2%	2.2%
	United Kingdom Industrial Production MoM Feb	0.0%	-0.2%	1.1%
	Germany CPI MoM Mar F	0.4%	0.4%	0.4%
	United Kingdom Manufacturing Production MoM Feb	0.1%	0.0%	1.2%
	China Money Supply M2 YoY Mar	8.7%	8.7%	8.3%
	China Trade Balance Mar	\$69.10b	\$39.71b	\$58.55b
	China Exports YoY Mar	-2.0%	5.6%	-7.5%
	Germany CPI EU Harmonized YoY Mar F	2.3%	2.3%	2.3%
Japan Consumer Confidence Index Mar	39.5	39.1	39.5	

Source: Bloomberg, data accessed 15 April 2024.

## Economic indicators (week beginning 15 April 2024)

Day	Data Release	Consensus	Prior
<b>Monday</b>	United States Retail Sales Advance MoM Mar	0.4%	0.6%
	Japan Core Machine Orders MoM Feb	0.8%	-1.7%
	United States Empire Manufacturing Apr	-5.0	-20.9
<b>Tuesday</b>	China GDP YoY 1Q	4.8%	5.2%
	Germany ZEW Survey Expectations Apr	35.5	31.7
	Canada CPI YoY Mar	2.9%	2.8%
	Germany ZEW Survey Current Situation Apr	-76.0	-80.5
	Italy CPI EU Harmonized YoY Mar F	1.3%	1.3%
	United Kingdom Jobless Claims Change Mar	--	16.8k
	United Kingdom ILO Unemployment Rate 3Mths Feb	4.0%	3.9%
	Canada CPI NSA MoM Mar	0.7%	0.3%
	China Industrial Production YoY Mar	6.0%	--
	United States Housing Starts Mar	1482k	1521k
	United States Industrial Production MoM Mar	0.4%	0.1%
China Retail Sales YoY Mar	4.8%	--	
United Kingdom Claimant Count Rate Mar	--	4.0%	
<b>Wednesday</b>	United Kingdom CPI YoY Mar	3.1%	3.4%
	United Kingdom CPI MoM Mar	0.4%	0.6%
	United Kingdom CPI Core YoY Mar	4.1%	4.5%
	United States MBA Mortgage Applications 41000	--	0.1%
<b>Thursday</b>	United States Initial Jobless Claims 41365	215k	211k
	Australia Unemployment Rate Mar	3.9%	3.7%
	Australia Employment Change Mar	10.0k	116.5k
	Japan Tertiary Industry Index MoM Feb	0.5%	0.3%
	United States Existing Home Sales Mar	4.20m	4.38m
United States Leading Index Mar	-0.1%	0.1%	
<b>Friday</b>	Japan Natl CPI YoY Mar	2.8%	2.8%
	United Kingdom Retail Sales Inc Auto Fuel MoM Mar	0.3%	0.0%
	United Kingdom Retail Sales Inc Auto Fuel YoY Mar	1.0%	-0.4%
	China FX Net Settlement - Clients CNY Mar	--	-43.1b

Source: Bloomberg, data accessed 15 April 2024.



## Asset market performance

Index	Value	As at Friday close		YTD	
		CR	TR	CR	TR
MSCI UK GBP	2294	113%	1.28%	3.54%	4.92%
MSCI USA USD	4883	-1.57%	-1.55%	7.27%	7.58%
MSCI Europe ex UK EUR	203	-0.67%	-0.56%	5.66%	6.26%
MSCI AC Asia ex JPN USD	534	-0.48%	-0.46%	1.06%	1.60%
MSCI Japan JPY	1704	2.01%	2.01%	17.62%	18.54%
MSCI Emerging Markets USD	1042	-0.38%	-0.34%	1.75%	2.30%
Barclays Sterling Gilts GBP	226		-0.36%		-3.44%
GOLD USD	2344	0.63%		13.64%	
WTI Oil USD	86	-1.44%		19.55%	
MSCI PIMFA Income		-0.02%	0.04%	2.92%	3.65%
MSCI PIMFA Balanced		0.04%	0.11%	3.71%	4.42%
MSCI PIMFA Growth		0.13%	0.19%	5.34%	5.99%

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

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



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