

Chief Investment Office

Weekly Market Commentary

For professional advisers only



In Summary

- Better US inflation data proves the catalyst for a market rally.
- Q1 results season continues with a flurry of results due this week.
- The possibility of a second attempt for a mining mega-cap deal.
- A disconnect between markets and policy makers on interest rates.

Asian equity markets have started this week on a positive note, extending Friday's US equity rally. The catalyst for the relatively improved mood was Friday's US March Personal Consumption Expenditures (PCE) inflation print which showed a core (excluding energy and food) PCE annual rise of +2.8%, some way below the hotter Q1 quarter-on-quarter annualised print of +3.7% that had upset markets last Thursday. The slightly better inflation outturn allowed markets to breathe a sigh of relief on Friday, not least given that the US Federal Reserve (Fed) bases its 2% inflation target on the PCE data.

We have a busy week in prospect ahead. The highlight this week will be the Fed's interest rate decision due Wednesday, as well as US non-farm payrolls labour market data due on Friday. For Europe, the focus will be on April's Consumer Price Index (CPI) inflation prints with the Eurozone-wide reading on Tuesday, as well as Gross Domestic Product (GDP) reports for calendar Q1 the same day. Tuesday also sees the latest economic activity and labour market indicators for Japan, as well as Purchasing Manager Indices (PMIs) due out of China. Finally, the current Q1 quarterly earnings results season continues - after last week's bumper 180 results out of the US S&P500 equity index reported, this week sees 174 sets of results due. Key numbers to watch out for this week include US megacap technology stock results from Amazon (due on Tuesday) and Apple (due on Thursday), while over in Europe, auto-makers are in focus with results from Mercedes-Benz and Volkswagen both due on Tuesday.

According to a Bloomberg news story, BHP, the world's biggest mining group with a market capitalisation of around US\$143 billion currently, is thought to be considering making an improved proposal for Anglo American, after its US\$39 billion initial all-share offer was rejected. As a reminder, the tie-up, were it to go ahead, would create the world's biggest copper miner with around a combined 10% share of global copper mine supply, and could potentially spark the biggest shakeup of the global mining industry in more than a decade. The initial proposal from BHP was also conditional on Anglo American first splitting off its South African platinum and iron ore businesses. As for the latest price moves in the copper commodity itself, copper secured its fifth consecutive week of gains after rising +1.48% last week, where this growth is being seen as supported by a fundamental background of growing demand for clean transition metals alongside tight supply.

There is arguably a fair degree of disconnect currently between markets and the Fed around the expected interest rate path this year. While the Fed's so-called 'dot plot' of member forecasts from March pointed to a median of three quarter-percentage-point rate cuts this year, markets currently are only pricing between one and two such cuts (to be precise, a cumulative -34 basis points of cuts are currently implied by markets through to the Fed's meeting by December). The next Fed 'dot plot' is due to be published alongside the Fed's next meeting (in June) after this week's meeting, so this week's labour market data in particular might well prove significant in helping to shape the Fed's thinking into that June meeting.

Economic indicators (week beginning 22 April 2024)

Day	Data Release	Consensus	Prior	Actual
Tuesday	France HCOB France Manufacturing PMI Apr P	46.8	46.2	44.9
	France HCOB France Services PMI Apr P	48.9	48.3	50.5
	Japan Jibun Bank Japan PMI Mfg Apr P	--	48.2	49.9
	Germany HCOB Germany Manufacturing PMI Apr P	42.7	41.9	42.2
	United Kingdom S&P Global UK Manufacturing PMI Apr P	50.4	50.3	48.7
	United States S&P Global US Manufacturing PMI Apr P	52.0	51.9	49.9
	United States New Home Sales Mar	670k	662k	693k
	France HCOB France Composite PMI Apr P	48.8	48.3	49.9
Wednesday	Germany IFO Business Climate Apr	88.8	87.8	89.4
	Italy Manufacturing Confidence Apr	89.2	88.6	87.6
	Australia CPI YoY 1Q	3.5%	4.1%	3.6%
	United States Durable Goods Orders Mar P	2.5%	1.3%	2.6%
	Australia CPI QoQ 1Q	0.8%	0.6%	1.0%
	United States MBA Mortgage Applications 43556	--	3.3%	-2.7%
	Italy Consumer Confidence Index Apr	96.8	96.5	95.2
Thursday	United States Initial Jobless Claims 43922	215k	212k	207k
	United States GDP Annualized QoQ 1Q A	2.5%	3.4%	1.6%
	United States Wholesale Inventories MoM Mar P	0.3%	0.5%	-0.4%
Friday	United States U. of Mich. Sentiment Apr F	77.9	77.9	77.2
	Japan Tokyo CPI Ex-Fresh Food YoY Apr	2.2%	2.4%	1.6%
	United States Personal Income Mar	0.5%	0.3%	0.5%
	United States Personal Spending Mar	0.6%	0.8%	0.8%
	Japan BOJ Target Rate (Upper Bound) 46113	0.1%	0.1%	0.1%
	United States Pending Home Sales NSA YoY Mar	--	-2.2%	-4.5%

Source: Bloomberg, data accessed 29 April 2024.

Economic indicators (week beginning 29 April 2024)

Day	Data Release	Consensus	Prior
Monday	Germany CPI YoY Apr P	2.3%	2.2%
	Germany CPI MoM Apr P	0.6%	0.4%
	Germany CPI EU Harmonized YoY Apr P	2.4%	2.3%
Tuesday	Japan Industrial Production MoM Mar P	3.3%	-0.6%
	Japan Jobless Rate Mar	2.5%	2.6%
	China Manufacturing PMI Apr	50.3	50.8
	France CPI YoY Apr P	2.2%	2.3%
	Italy CPI EU Harmonized YoY Apr P	1.1%	1.2%
	China Caixin China PMI Mfg Apr	51.0	51.1
	United States Conf. Board Consumer Confidence Apr	104.0	104.7
	Italy CPI EU Harmonized MoM Apr P	0.6%	1.2%
	Australia Retail Sales MoM Mar	0.2%	0.3%
	Japan Job-To-Applclicant Ratio Mar	1.3%	1.3%
	United Kingdom Mortgage Approvals Mar	61.5k	60.4k
	Germany Unemployment Change (000's) Apr	8.0k	4.0k
	France GDP QoQ 1Q P	0.1%	0.1%
	Italy GDP WDA QoQ 1Q P	0.1%	0.2%
	Canada GDP MoM Feb	0.3%	0.6%
Wednesday	United States MNI Chicago PMI Apr	45.0	41.4
	United States FOMC Rate Decision (Upper Bound) 37012	5.5%	5.5%
	United States ISM Manufacturing Apr	50.1	50.3
	United States ADP Employment Change Apr	180k	184k
	Japan Jibun Bank Japan PMI Mfg Apr F	--	49.9
	United Kingdom S&P Global UK Manufacturing PMI Apr F	48.7%	48.7%
	Canada S&P Global Canada Manufacturing PMI Apr	--	49.8
	United States S&P Global US Manufacturing PMI Apr F	49.9	49.9
	United States MBA Mortgage Applications 46113	--	-2.7%
Thursday	United Kingdom Nationwide House PX MoM Apr	0.1%	-0.2%
	United Kingdom Nationwide House Px NSA YoY Apr	1.2%	1.6%
	United States Initial Jobless Claims 46478	210k	207k
	France HCOB France Manufacturing PMI Apr F	44.9	44.9
	United States Durable Goods Orders Mar F	2.6%	2.6%
	Italy HCOB Italy Manufacturing PMI Apr	50.4	50.4
	Germany HCOB Germany Manufacturing PMI Apr F	42.2	42.2
	Australia Building Approvals MoM Mar	3.4%	-1.9%
	United States Factory Orders Mar	1.6%	1.4%
Friday	Australia Trade Balance Mar	A\$7200m	A\$7280m
	United States Trade Balance Mar	-\$69.2b	-\$68.9b
	United States Change in Nonfarm Payrolls Apr	250k	303k
	United States Unemployment Rate Apr	3.8%	3.8%
	France Industrial Production MoM Mar	0.3%	0.2%
	United Kingdom Net Lending Sec. on Dwellings Mar	1.5b	1.5b

Source: Bloomberg, data accessed 29 April 2024.



Asset market performance

Index	Value	As at Friday close		YTD	
		CR	TR	CR	TR
MSCI UK GBP	2335	3.19%	3.25%	5.42%	6.93%
MSCI USA USD	4860	2.76%	2.76%	6.76%	7.08%
MSCI Europe ex UK EUR	203	1.38%	1.70%	6.00%	7.01%
MSCI AC Asia ex JPN USD	536	4.12%	4.14%	1.33%	1.89%
MSCI Japan JPY	1656	2.36%	2.36%	14.36%	15.25%
MSCI Emerging Markets USD	1042	3.72%	3.77%	1.74%	2.36%
Barclays Sterling Gilts GBP	223		-0.49%		-4.72%
GOLD USD	2338	-2.26%		13.33%	
WTI Oil USD	84	0.85%		17.03%	
MSCI PIMFA Income		1.18%	1.23%	2.48%	3.30%
MSCI PIMFA Balanced		1.45%	1.50%	3.35%	4.15%
MSCI PIMFA Growth		1.94%	1.99%	5.12%	5.85%

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

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



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