

Chief Investment Office

# Weekly Market Commentary

For professional advisers only



## In Summary

- Banking fears characterised last week with concerns culminating in questions over Deutsche Bank's creditworthiness
- This week sees important US and European inflation readings including the US Federal Reserve's (Fed) preferred measure
- With the communication blackout concluded, Fed officials will now be able to comment on the volatility of the last few weeks

### Banking fears characterised last week with concerns culminating in questions over Deutsche Bank's creditworthiness

Despite the UBS and Credit Suisse deal, last week was characterised by high levels of banking sector volatility, culminating with fears over Deutsche Bank's credit worthiness on Friday. Words from regulators and officials over the weekend have helped to calm market concerns setting a better backdrop for European financials this week.

### This week sees important US and European inflation readings including the US Federal Reserve's preferred measure

While investors have been focusing on the banking sector risks in the short term, inflation will quickly return as a major driver of market sentiment. This week sees the release of the US Personal Consumption Expenditure (PCE) inflation numbers, the preferred measure of the US Federal Reserve. Core PCE is expected to have expanded by 0.4% on a month-on-month basis, keeping the year-on-year figure flat at 4.7%. Within the PCE release will be the US personal consumption and income lines which are both expected to decline after strong results in January. These barometers of consumer demand will also be supported by the releases of the Conference Board's consumer confidence survey as well as the Michigan Sentiment survey. Europe will also see a fresh set of inflation data with Germany's preliminary inflation readings released on Thursday before the Eurozone wide release on Friday. The market expects the annual rate of Eurozone Core Consumer Price Index (CPI) to pick up from 5.6% to 5.7%, pushing back against hopes of a rapidly falling inflation picture.

### With the communication blackout concluded, Fed officials will now be able to comment on the volatility of the last few weeks

Throughout the banking turmoil of the last few weeks Fed speakers have largely been unable to comment given the pre-meeting communication blackout. This week sees a range of Fed speakers as they are now able to comment on not only the Fed's 25bp hike last week but also the broader contagion risks in the banking sector. The market ended the week expecting only a 25% chance of a 25bp rate at the May meeting, with bond investors increasingly favouring the chances of no change at all. With 88bps of interest rate cuts priced in, how Fed speakers comment on this pricing will be an important bond market force this week.

With sentiment so fragile currently, it is perhaps no surprise that speculation and rumour around the health of major US and European banks can trigger such a strong risk-off response. Authorities and investors will be hoping however that the market can return to focusing on the fundamentals this week such as inflation and the state of the consumer, rather than another round of banking fears.

## Economic indicators (week beginning 20 March)

Day	Data Release	Consensus	Prior	Actual
Tuesday	Germany ZEW Survey Expectations Mar	15	28.1	13
	Canada CPI YoY Feb	5.40%	5.90%	5.20%
	Germany ZEW Survey Current Situation Mar	-44.3	-45.1	-46.5
	Canada CPI NSA MoM Feb	0.60%	0.50%	0.40%
	United States Existing Home Sales Feb	4.20m	4.00m	4.58m
Wednesday	United States FOMC Rate Decision (Upper Bound) 44621	5.00%	4.80%	5.00%
	United Kingdom CPI YoY Feb	9.90%	10.10%	10.40%
	United Kingdom CPI MoM Feb	0.60%	-0.60%	1.10%
	United Kingdom CPI Core YoY Feb	5.70%	5.80%	6.20%
	United States MBA Mortgage Applications 42795	--	6.50%	3.00%
Thursday	United Kingdom Bank of England Bank Rate 44986	4.30%	4.00%	4.30%
	United States Initial Jobless Claims 43160	200k	192k	191k
	Japan Natl CPI YoY Feb	3.30%	4.30%	3.30%
Friday	France S&P Global France Manufacturing PMI Mar P	48	47.4	47.7
	United States Durable Goods Orders Feb P	1.00%	-4.50%	-1.00%
	Japan Jibun Bank Japan PMI Mfg Mar P	--	47.7	48.6
	Germany S&P Global/BME Germany Manufacturing PMI Mar P	47	46.3	44.4
	United Kingdom S&P Global/CIPS UK Manufacturing PMI Mar P	50	49.3	48
	United States S&P Global US Manufacturing PMI Mar P	47	47.3	49.3
	United States New Home Sales Feb	650k	670k	640k
	France S&P Global France Services PMI Mar P	52.5	53.1	55.5
	France S&P Global France Composite PMI Mar P	51.6	51.7	54
	United Kingdom Retail Sales Inc Auto Fuel MoM Feb	0.20%	0.50%	1.20%

Source: Bloomberg, data accessed 27.03.23



## Economic indicators (week beginning 27 March)

Day	Data Release	Consensus	Prior
Monday	Germany IFO Business Climate Mar	91	91.1
	Germany IFO Expectations Mar	88.3	88.5
Tuesday	Italy Manufacturing Confidence Mar	103	102.8
	United States Conf. Board Consumer Confidence Mar	101	102.9
	Italy Consumer Confidence Index Mar	104	104
Wednesday	United States MBA Mortgage Applications 45352	--	3.00%
	United Kingdom Mortgage Approvals Feb	42.0k	39.6k
Thursday	United States Initial Jobless Claims 45717	196k	191k
	United States GDP Annualized QoQ 4Q T	2.70%	2.70%
	Germany CPI YoY Mar P	7.30%	8.70%
Friday	Japan Industrial Production MoM Feb P	2.70%	-5.30%
	Japan Jobless Rate Feb	2.40%	2.40%
	United Kingdom GDP QoQ 4Q F	0.00%	0.00%
	United States U. of Mich. Sentiment Mar F	63.4	63.4
	France CPI YoY Mar P	5.50%	6.30%
	Italy CPI EU Harmonized YoY Mar P	8.70%	9.80%
	United Kingdom GDP YoY 4Q F	0.40%	0.40%
	China Manufacturing PMI Mar	51.6	52.6
	Japan Tokyo CPI Ex-Fresh Food YoY Mar	3.10%	3.30%
	Germany CPI MoM Mar P	0.60%	0.80%
	Australia Retail Sales MoM Feb	0.20%	1.90%
	Italy CPI EU Harmonized MoM Mar P	1.40%	0.20%
	United Kingdom Nationwide House PX MoM Mar	-0.30%	-0.50%
	Japan Job-To-Applclicant Ratio Feb	1.36	1.35
	United Kingdom Nationwide House Px NSA YoY Mar	-2.20%	-1.10%
	United States Personal Income Feb	0.20%	0.60%
	United States Personal Spending Feb	0.30%	1.80%
	Germany Unemployment Change (000's) Mar	0.0k	2.0k
	Canada GDP MoM Jan	0.40%	-0.10%
	United States MNI Chicago PMI Mar	43	43.6

Source: Bloomberg, data accessed 27.03.23

## Asset market performance

Index	Value	As at Friday close		YTD	
		CR	TR	CR	TR
MSCI UK GBP	2126	1.00%	1.10%	-0.86%	0.20%
MSCI USA USD	3770	1.34%	1.36%	3.56%	3.85%
MSCI Europe ex UK EUR	175	1.03%	1.12%	5.00%	5.38%
MSCI AC Asia Pacific ex JPN USD	514	1.59%	1.61%	1.69%	2.12%
MSCI Japan JPY	1189	-0.17%	-0.17%	3.38%	3.43%
MSCI Emerging Markets USD	972	2.17%	2.23%	1.65%	1.97%
Barclays Sterling Gilts GBP	234		-0.12%		3.80%
GOLD USD	1978	-0.55%		8.45%	
WTI Oil USD	69	3.78%		-13.71%	
MSCI PIMFA Income		0.43%	0.47%	0.62%	1.14%
MSCI PIMFA Balanced		0.47%	0.51%	0.88%	1.40%
MSCI PIMFA Growth		0.58%	0.62%	0.72%	1.21%

Source: Bloomberg, MSCI; please see important information, data accessed 27.03.23

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



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