

Chief Investment Office

Weekly Market Commentary

For professional advisers only



In Summary

- Inflation expectation data suggests that consumers think that inflation will be stickier in the US
- Allegations of fraud in the initial jobless claims puts the data release in focus this week
- UK labour market data this week will help determine whether the UK continues to hike interest rates

Equity markets were subdued last week with US equities seeing small losses and European equities small gains. Technology equities outperformed with large cap US names leading the narrow but powerful rally seen in 2023.

Inflation expectation data suggests that consumers think that inflation will be stickier in the US

On Friday last week the release of the University of Michigan's consumer and inflation data damaged sentiment. The long-run consumer inflation expectations rose to 3.2%, ahead of 3% in the prior reading and market expectations of just 2.9%. This number is often revised however the US Federal Reserve (the Fed) will be concerned that this may suggest that inflation expectations are becoming more anchored. The one-year measure of expectations was also above expectations but did fall slightly from the month prior. Consumer sentiment was worse than markets had expected, with consumers citing fears of a more protracted recession as a major contributor to the more sombre reading. This week investors will be looking to the US retail sales numbers on Tuesday which are expected to have expanded but for a meaningful proportion of this expansion to have been caused by higher gas prices. The headline number therefore may be a distraction and the data is likely to confirm a slowing in consumption compared to the start of 2023.

Allegations of fraud in the initial jobless claims puts the data release in focus this week

The high-frequency US initial jobless claims data is released on a weekly basis and will be watched closely on Thursday given this is the week where the surveys are completed for the next US employment report. Media reports and statements from the Massachusetts Department of Labor suggest that the recent initial jobless claims data may be misleading in suggesting a softening of labour market tightness. The state has accounted for around half the rise in 4-week moving average claims since the late January low. Should these claims have been subject to fraud, as the data and media reports suggest, the initial jobless claims may start coming down significantly, whilst this would be good news for the US economy it is of course less positive for inflation.

UK labour market data this week will help determine whether the UK continues to hike interest rates

With the focus previously on US labour market strength, this week will see the release of UK labour market data which is particularly important as bond markets debate whether there will be a pause in the UK interest rate. Should the data continue to show strength in wage prices this will put pressure on the Bank of England to maintain its tightening stance.



Economic indicators (week beginning 8 May)

Day	Data Release	Consensus	Prior	Actual
Monday	Australia Building Approvals MoM Mar	3.0%	4.0%	-0.1%
Tuesday	China Trade Balance Apr	\$71.25b	\$88.19b	\$90.21b
Wednesday	United States CPI MoM Apr	0.4%	0.1%	0.4%
	United States CPI YoY Apr	5.0%	5.0%	4.9%
	Germany CPI YoY Apr F	7.2%	7.2%	7.2%
	Italy Industrial Production MoM Mar	0.3%	-0.2%	-0.6%
	United States MBA Mortgage Applications 38473	--	-1.2%	6.3%
	Germany CPI MoM Apr F	0.4%	0.4%	0.4%
Thursday	United Kingdom Bank of England Bank Rate 40664	4.50%	4.25%	4.50%
	United States Initial Jobless Claims 38838	245k	242k	264k
	China CPI YoY Apr	0.3%	0.7%	0.1%
	Japan BoP Current Account Balance Mar	¥2890.7b	¥2197.2b	¥2278.1b
	United States PPI Final Demand MoM Apr	0.3%	-0.5%	0.2%
	China Money Supply M2 YoY Apr	12.5%	12.7%	12.4%
Friday	United States Wholesale Inventories MoM Mar F	0.1%	0.1%	0.0%
	United Kingdom GDP QoQ 1Q P	0.1%	0.1%	0.1%
	United States U. of Mich. Sentiment May P	63.0	63.5	57.7
	France CPI YoY Apr F	5.9%	5.9%	5.9%
	United Kingdom GDP YoY 1Q P	0.2%	0.6%	0.2%
	United Kingdom Industrial Production MoM Mar	0.1%	-0.2%	0.7%
	China PPI YoY Apr	-3.3%	-2.5%	-3.6%
	Germany Industrial Production SA MoM Mar	-1.5%	2.0%	-3.4%
United Kingdom Manufacturing Production MoM Mar	0.0%	0.0%	0.7%	

Source: Bloomberg, data accessed 15 May 2023



Economic indicators (week beginning 15 May)

Day	Data Release	Consensus	Prior
Monday	Japan PPI YoY Apr	5.6%	7.2%
	United States Empire Manufacturing May	-4.0	10.8
	Canada Housing Starts Apr	2200k	213.9k
Tuesday	Germany ZEW Survey Expectations May	-5.0	4.1
	Canada CPI YoY Apr	4.2%	4.3%
	Italy CPI EU Harmonized YoY Apr F	8.8%	8.8%
	Germany ZEW Survey Current Situation May	-37.0	-32.5
	United States Retail Sales Advance MoM Apr	0.8%	-1.0%
	United Kingdom Jobless Claims Change Apr	--	28.2k
	United Kingdom ILO Unemployment Rate 3Mths Mar	3.8%	3.8%
	China Industrial Production YoY Apr	10.9%	3.9%
	Canada CPI NSA MoM Apr	0.5%	0.5%
	China Retail Sales YoY Apr	21.9%	10.6%
	Australia Westpac Consumer Conf SA MoM May	--	9.4%
United Kingdom Claimant Count Rate Apr	--	3.9%	
Wednesday	Japan Industrial Production MoM Mar F	--	0.8%
	Japan GDP SA QoQ 1Q P	0.2%	0.0%
	Japan GDP Annualized SA QoQ 1Q P	0.8%	0.1%
	United States MBA Mortgage Applications 41030	--	6.3%
	Japan GDP Deflator YoY 1Q P	2.1%	1.2%
Thursday	United States Initial Jobless Claims 41395	252k	264k
	Australia Unemployment Rate Apr	3.5%	3.5%
	Australia Employment Change Apr	25.0k	53.0k
	United States Leading Index Apr	-0.6%	-1.2%
	Australia Participation Rate Apr	66.7%	66.7%
Friday	Japan Natl CPI YoY Apr	3.5%	3.2%
	United States Housing Starts Apr	1400k	1420k
	United States Industrial Production MoM Apr	0.0%	0.4%
	Japan Tertiary Industry Index MoM Mar	0.3%	0.7%
	United States Existing Home Sales Apr	4.30m	4.44m

Source: Bloomberg, data accessed 15 May 2023



Asset market performance (week beginning 8 May)

Index	Value	As at Friday close		YTD	
		CR	TR	CR	TR
MSCI UK GBP	2225	-0.41%	-0.24%	3.78%	5.56%
MSCI USA USD	3912	-0.23%	-0.19%	7.46%	7.91%
MSCI Europe ex UK EUR	186	0.13%	0.38%	11.10%	12.75%
MSCI AC Asia Pacific ex JPN USD	510	-1.33%	-1.25%	0.91%	1.59%
MSCI Japan JPY	1277	1.01%	1.02%	11.03%	12.19%
MSCI Emerging Markets USD	973	-0.88%	-0.86%	1.74%	2.42%
Barclays Sterling Gilts GBP	225		-0.12%		-0.32%
GOLD USD	2011	-0.30%		10.24%	
WTI Oil USD	70	-1.82%		-12.73%	
MSCI PIMFA Income		0.03%	0.10%	1.49%	2.40%
MSCI PIMFA Balanced		0.11%	0.19%	2.04%	2.95%
MSCI PIMFA Growth		0.20%	0.29%	2.60%	3.51%

Source: Bloomberg, MSCI; please see important information, data accessed 15 May 2023

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



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