

Chief Investment Office

# Weekly Market Commentary

For professional advisers only



## In Summary

- The successful passing of the US debt ceiling deal avoids the risk of the US not fulfilling its debt obligations
- More jobs were created in the US in May than expected, but there was some weakness below the surface
- This week is expected to be quieter as investors await next week's Consumer Price Index (CPI) report and US Federal Reserve meeting

### The successful passing of the US debt ceiling deal avoids the risk of the US not fulfilling its debt obligations

Equities rallied strongly last week as the debt ceiling risk faded, allowing risk appetite to return. US equities meaningfully outperformed European equities over the week as the continued Artificial Intelligence (AI) rally disproportionately impacts large cap US technology shares.

### More jobs were created in the US in May than expected, but there was some weakness below the surface

On Friday the US nonfarm payroll report showed that 339,000 jobs had been created in May compared to market expectations of just 186,500. Previous monthly readings were also revised upwards. The hours worked measure did fall slightly, coming in at 34.3 hours versus the last reading and expectations of 34.4 hours. Average hourly earnings were also a little softer, showing 4.3% year-on-year growth versus 4.4% expected. In totality therefore, the jobs report was somewhat of a mixed bag with a strong headline number weighing against mildly weaker working weeks and wage price inflation. In terms of interest rate policy, the market focused on the upside beat to the headline number of new jobs, upgrading the chance of a US interest rate hike next week to around 1 in 3. The US Federal Reserve (Fed) is now in its communication blackout window ahead of the next meeting.

One impediment to an additional US interest rate rise was the upcoming debt ceiling deadline, with the deal now signed into law however, this risk is averted. The Treasury are now able to rebuild their liquidity accounts with the result that we will see a large amount of Treasury debt issuance over the coming months. While the week ahead is quiet in terms of data, as is traditional in the week after the US employment report, we will see the release of the US services Institute of Supply Management (ISM) reading which will help the market decipher whether any of the weakness seen in the recent manufacturing data is spilling through to the services side of the economy.

### This week is expected to be quieter as investors await next week's CPI report and Federal Reserve meeting

With the Fed's communication blackout in place, alongside a light week for data, markets are likely to be in somewhat of a holding pattern this week as they await the US CPI release early next week then the Fed meeting itself. This week sees the Reserve Bank of Australia and Bank of Canada revise their policy guidance with the market also seeing those two banks as close to the end of their hiking cycle.

## Economic indicators (week beginning 29 May)

Day	Data Release	Consensus	Prior	Actual
Tuesday	Japan Jobless Rate Apr	2.70%	2.80%	2.60%
	United States Conf. Board Consumer Confidence May	99	101.3	102.3
	Australia Building Approvals MoM Apr	2.00%	-0.10%	-8.10%
	Japan Job-To-ApPLICANT Ratio Apr	1.3	1.3	1.3
Wednesday	Japan Industrial Production MoM Apr P	1.40%	1.10%	-0.40%
	Italy CPI EU Harmonized YoY May P	7.50%	8.70%	8.10%
	France CPI YoY May P	5.50%	5.90%	5.10%
	China Manufacturing PMI May	49.5	49.2	48.8
	Germany CPI YoY May P	6.50%	7.20%	6.10%
	United States MBA Mortgage Applications 46143	--	-4.60%	-3.70%
	Germany CPI MoM May P	0.20%	0.40%	-0.10%
	Italy CPI EU Harmonized MoM May P	-0.20%	1.00%	0.30%
	France GDP QoQ 1Q F	0.20%	0.20%	0.20%
	Italy GDP WDA QoQ 1Q F	0.50%	0.50%	0.60%
	Germany Unemployment Change (000's) May	13.5k	24.0k	9.0k
	Canada GDP MoM Mar	-0.10%	0.10%	0.00%
	United States MNI Chicago PMI May	47.3	48.6	40.4
Italy GDP WDA YoY 1Q F	1.80%	1.80%	1.90%	
Thursday	United States Initial Jobless Claims 46508	235k	229k	232k
	France HCOB France Manufacturing PMI May F	46.1	46.1	45.7
	United States ISM Manufacturing May	47	47.1	46.9
	China Caixin China PMI Mfg May	49.5	49.5	50.9
	Italy HCOB Italy Manufacturing PMI May	45.8	46.8	45.9
	Germany HCOB Germany Manufacturing PMI May F	42.9	42.9	43.2
	United Kingdom S&P Global/CIPS UK Manufacturing PMI May F	46.9	46.9	47.1
	Canada S&P Global Canada Manufacturing PMI May	--	50.2	49
	United Kingdom Nationwide House PX MoM May	-0.50%	0.50%	-0.10%
	United States ADP Employment Change May	170k	296k	278k
	United Kingdom Nationwide House Px NSA YoY May	-3.70%	-2.70%	-3.40%
	Japan Capital Spending YoY 1Q	6.00%	7.70%	11.00%
United Kingdom Mortgage Approvals Apr	53.5k	52.0k	48.7k	
Friday	United States Change in Nonfarm Payrolls May	195k	253k	339k
	France Industrial Production MoM Apr	0.30%	-1.10%	0.80%
	Canada Quarterly GDP Annualized 1Q	2.50%	0.00%	3.10%
	Japan Jibun Bank Japan PMI Mfg May F	--	50.8	50.6
	United States S&P Global US Manufacturing PMI May F	48.5	48.5	48.4
	United States Unemployment Rate May	3.50%	3.40%	3.70%

Source: Bloomberg, data accessed 05.06.23



## Economic indicators (week beginning 5 June)

Day	Data Release	Consensus	Prior
<b>Monday</b>	United States Durable Goods Orders Apr F	1.10%	1.10%
	France HCOB France Services PMI May F	52.8	52.8
	United States Factory Orders Apr	0.80%	0.90%
	France HCOB France Composite PMI May F	51.4	51.4
	Australia Melbourne Institute Inflation MoM May	--	0.20%
<b>Tuesday</b>	Australia RBA Cash Rate Target 38869	3.90%	3.90%
	Germany Factory Orders MoM Apr	2.80%	-10.70%
<b>Wednesday</b>	Canada Bank of Canada Rate Decision 39234	4.50%	4.50%
	Australia GDP SA QoQ 1Q	0.30%	0.50%
	United States MBA Mortgage Applications 37408	--	-3.70%
	Germany Industrial Production SA MoM Apr	0.60%	-3.40%
	China Trade Balance May	\$95.10b	\$90.21b
<b>Thursday</b>	United States Initial Jobless Claims 37773	237k	232k
	Japan GDP SA QoQ 1Q F	0.50%	0.40%
	Japan GDP Annualized SA QoQ 1Q F	1.90%	1.60%
	Japan BoP Current Account Balance Apr	¥1650.0b	¥2278.1b
	Australia Trade Balance Apr	A\$13650m	A\$15269m
<b>Friday</b>	China CPI YoY May	0.20%	0.10%
	Canada Unemployment Rate May	5.10%	5.00%
	Italy Industrial Production MoM Apr	0.20%	-0.60%
	China PPI YoY May	-4.40%	-3.60%
	Japan GDP Deflator YoY 1Q F	2.00%	2.00%
	Australia GDP YoY 1Q	2.40%	2.70%
	China Money Supply M2 YoY May	12.00%	12.40%
	Canada Net Change in Employment May	25.0k	41.4k
	United States Trade Balance Apr	-\$75.5b	-\$64.2b

Source: Bloomberg, data accessed 05.06.23



## Asset market performance

Index	Value	As at Friday close		YTD	
		CR	TR	CR	TR
MSCI UK GBP	2176	-0.41%	-0.31%	1.51%	3.58%
MSCI USA USD	4069	1.92%	1.96%	11.77%	12.34%
MSCI Europe ex UK EUR	184	-0.14%	-0.03%	10.19%	12.19%
MSCI AC Asia Pacific ex JPN USD	514	1.21%	1.28%	1.58%	2.50%
MSCI Japan JPY	1341	2.00%	2.00%	16.61%	17.85%
MSCI Emerging Markets USD	984	1.18%	1.25%	2.93%	3.80%
Barclays Sterling Gilts GBP	218		1.95%		-3.13%
GOLD USD	1948	0.08%		6.80%	
WTI Oil USD	72	-1.28%		-10.62%	
MSCI PIMFA Income		0.48%	0.52%	1.11%	2.20%
MSCI PIMFA Balanced		0.47%	0.52%	2.01%	3.10%
MSCI PIMFA Growth		0.35%	0.40%	3.24%	4.33%

Source: Bloomberg, MSCI; please see important information, data accessed 05.06.23

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



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