

Chief Investment Office

Weekly Market Commentary

For professional advisers only



In Summary

- Global equities surged last week, spurred by softer-than-expected US inflation
- US earnings season is underway with major technology and banking names reporting this week
- The latest compendium of Chinese data shows an economy struggling to regain momentum

Global equities surged last week, spurred by softer-than-expected US inflation

Equities fell marginally on Friday but the week in aggregate saw strong gains in equities and bonds as a softer Consumer Price Index (CPI) report reignited hopes of a US soft landing. This week will see a series of US economic data releases, alongside the first full week of the earnings season, which will help investors gauge whether growth has been impacted yet by the restrictive US monetary policy.

US earnings season is underway with major technology and banking names reporting this week

Last Friday saw the start of the US earnings season and the releases from some of the major US banks. Those banks reporting strong results saw rallies in their share prices, mirroring the anecdotal evidence that global asset allocators are underweight equities and are implying that there is still plenty of cash on the sidelines to enter stocks when there is good news. This week sees Tesla, Netflix and IBM alongside other major US banks such as Bank of America, Morgan Stanley and Goldman Sachs. The earnings season takes some time to get going so we will only see c. 10% of the large US companies reporting this week, though by the end of the week we will have a good idea of how earnings for many sectors are likely to play out.

The latest compendium of Chinese data shows an economy struggling to regain momentum

This morning saw the latest compendium of monthly Chinese data. The data showed an economy still struggling to grow despite the exit of pandemic era restrictions. Gross Domestic Product (GDP) expanded by 6.3% in Q2 on a year-on-year basis but this was well below the 7.3% expected by analysts. Given the comparable quarter in 2022 is a period that saw the Shanghai COVID outbreak, investors had hoped to see a more sizeable rebound. Importantly the quarter-on-quarter GDP growth rate was just 0.8%. Retail sales also marginally disappointed as momentum slowed.

After the market's strongly positive reaction to the trifecta of slower CPI, Producer Price Index (PPI) and used car prices last week, European investors will be keeping a close eye on the UK CPI report on Wednesday. With the UK experiencing inflation due to domestic issues (such a lack of labour supply) and international factors (food prices), it is likely that any global disinflation will take some time to filter through. That said, expectations around UK inflation are very high at the moment, so a small glimmer of disinflation could be enough to reverse the rapid rise in UK interest rate expectations since the upside surprise to UK CPI a few months ago.

Economic indicators (week beginning 10 July)

Day	Data Release	Consensus	Prior	Actual
Monday	China CPI YoY Jun	0.20%	0.20%	0.00%
	Japan BoP Current Account Balance May	¥1910.8b	¥1895.1b	¥1862.4b
	China PPI YoY Jun	-5.00%	-4.60%	-5.40%
Tuesday	Germany ZEW Survey Expectations Jul	-10.5	-8.5	-14.7
	Germany ZEW Survey Current Situation Jul	-62	-56.5	-59.5
	Germany CPI YoY Jun F	6.40%	6.40%	6.40%
	United Kingdom Jobless Claims Change Jun	--	-13.6k	25.7k
	Italy Industrial Production MoM May	0.60%	-1.90%	1.60%
	Germany CPI MoM Jun F	0.30%	0.30%	0.30%
	United Kingdom ILO Unemployment Rate 3Mths May	3.80%	3.80%	4.00%
	Australia Westpac Consumer Conf SA MoM Jul	--	0.20%	2.70%
Wednesday	Canada Bank of Canada Rate Decision 41091	5.00%	4.75%	5.00%
	United States CPI MoM Jun	0.30%	0.10%	0.20%
	United States CPI YoY Jun	3.10%	4.00%	3.00%
	Japan PPI YoY Jun	4.40%	5.10%	4.10%
	Japan Core Machine Orders MoM May	1.00%	5.50%	-7.60%
Thursday	United States Initial Jobless Claims 39630	250k	248k	237k
	France CPI YoY Jun F	4.50%	4.50%	4.50%
	United Kingdom Manufacturing Production MoM May	-0.50%	-0.30%	-0.20%
	China Trade Balance Jun	\$74.80b	\$65.81b	\$70.62b
	China Exports YoY Jun	-10.00%	-7.50%	-12.40%
Friday	Japan Industrial Production MoM May F	--	-1.60%	-2.20%
	United States U. of Mich. Sentiment Jul P	65.5	64.4	72.6
	United States MBA Mortgage Applications 39264	--	-4.40%	0.90%
	United Kingdom Industrial Production MoM May	-0.40%	-0.30%	-0.60%
	United States PPI Final Demand MoM Jun	0.20%	-0.30%	0.10%
	China Money Supply M2 YoY Jun	11.20%	11.60%	11.30%
	United Kingdom Claimant Count Rate Jun	--	3.90%	4.00%

Source: Bloomberg, data accessed 17/07/23



Economic indicators (week beginning 17 July)

Day	Data Release	Consensus	Prior
Monday	China GDP YoY 2Q	7.10%	4.50%
	Italy CPI EU Harmonized YoY Jun F	6.70%	6.70%
	China Industrial Production YoY Jun	2.50%	3.50%
	China Retail Sales YoY Jun	3.30%	12.70%
	United States Empire Manufacturing Jul	-3.5	6.6
Tuesday	Canada CPI YoY Jun	3.00%	3.40%
	United States Retail Sales Advance MoM Jun	0.50%	0.30%
	United States Industrial Production MoM Jun	0.00%	-0.20%
	Japan Tertiary Industry Index MoM May	0.40%	1.20%
Wednesday	United Kingdom CPI YoY Jun	8.20%	8.70%
	United Kingdom CPI MoM Jun	0.40%	0.70%
	United Kingdom CPI Core YoY Jun	7.10%	7.10%
	United States MBA Mortgage Applications 41821	--	0.90%
	United States Housing Starts Jun	1475k	1631k
Thursday	United States Initial Jobless Claims 42186	241k	237k
	Australia Unemployment Rate Jun	3.60%	3.60%
	Australia Employment Change Jun	15.0k	75.9k
	United States Leading Index Jun	-0.60%	-0.70%
Friday	United Kingdom Retail Sales Ex Auto Fuel MoM Jun	0.20%	0.10%
	Japan Natl CPI YoY Jun	3.20%	3.20%
	Canada CPI NSA MoM Jun	0.30%	0.40%
	United States Existing Home Sales Jun	4.21m	4.30m
	United Kingdom Retail Sales Inc Auto Fuel MoM Jun	0.20%	0.30%
	United Kingdom Retail Sales Inc Auto Fuel YoY Jun	-1.60%	-2.10%

Source: Bloomberg, data accessed 17.07.23



Asset market performance

Index	Value	As at Friday close		YTD	
		CR	TR	CR	TR
MSCI UK GBP	2120	2.27%	2.35%	-1.10%	1.16%
MSCI USA USD	4287	2.56%	2.57%	17.77%	18.51%
MSCI Europe ex UK EUR	185	3.20%	3.21%	10.52%	12.70%
MSCI AC Asia Pacific ex JPN USD	535	5.59%	5.65%	5.76%	7.50%
MSCI Japan JPY	1376	-0.64%	-0.64%	19.63%	21.02%
MSCI Emerging Markets USD	1028	4.88%	4.95%	7.54%	9.38%
Barclays Sterling Gilts GBP	216		1.73%		-4.35%
GOLD USD	1955	1.57%		7.19%	
WTI Oil USD	75	2.11%		-6.03%	
MSCI PIMFA Income		1.28%	1.31%	0.19%	1.52%
MSCI PIMFA Balanced		1.30%	1.33%	1.14%	2.46%
MSCI PIMFA Growth		1.31%	1.34%	2.40%	3.72%

Source: Bloomberg, MSCI; please see important information, data accessed 17.07.23

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



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