

Chief Investment Office

Weekly Market Commentary

For professional advisers only



In Summary

- Equities gained last week, with UK domestic assets outperforming after the downside miss to UK CPI
- Earnings will be in focus this week as a large section of large US companies report
- The US Federal Reserve on Wednesday and the ECB on Thursday are expected to raise interest rates

Equities gained last week, with UK domestic assets outperforming after the downside miss to UK CPI

Equity markets saw another week of gains albeit less dramatic than the US Consumer Price Index (CPI) charged rally the week prior. The US technology sector underperformed with Netflix and Tesla both disappointing the market with their earnings. Some key commodity prices also rallied last week with oil and wheat both rising after Russian and Ukrainian supply fell.

Earnings will be in focus this week as a large section of large US companies report

With specific poorer-than-expected earnings catalysing weakness across sectors, investors will be paying close attention to a busy week for earnings that sees around one third of the US large capitalisation companies reporting. The most important earnings are likely to focus on Microsoft, Alphabet and Meta given their large index weightings and the market impact of last week's Tesla and Netflix misses. Several large oil and gas companies will also be reporting with Exxon and Chevron in the US alongside Shell, TotalEnergies and Eni in Europe. By the end of this week, investors should have a good indication of how the earnings season will develop on a sectoral basis.

The US Federal Reserve on Wednesday and the ECB on Thursday are expected to raise interest rates

The highlight of this week is likely to be the US Federal Reserve meeting on Wednesday with a 25 basis points (bp) rate hike fully priced in and investors expecting this to be the last rate hike of this cycle. The chances of a September rate hike, in addition to one this week, are relatively low, with just a one third probability priced into bond markets. After the weaker-than-expected US CPI print, the key question is how the US Federal Reserve's narrative will respond. The European Central Bank (ECB) will conclude their monetary policy meeting on Thursday with a 25bps rate hike the market consensus. This would raise the deposit rate to 3.75% with this Friday's German and French CPI releases providing important inputs into whether the ECB pauses at that level for the time being.

The US Federal Reserve is likely to focus on the ongoing need to combat inflation while also stressing that if the US CPI readings continue to fall, this hawkish message could fade. Central banks globally will be well aware of the risks of declaring victory on inflation prematurely therefore a hawkish statement this week seems likely, as well as prudent.



Economic indicators (week beginning 17 July)

Day	Data Release	Consensus	Prior	Actual
Monday	China GDP YoY 2Q	7.10%	4.50%	6.30%
	Italy CPI EU Harmonized YoY Jun F	6.70%	6.70%	6.70%
	China Industrial Production YoY Jun	2.50%	3.50%	4.40%
	China Retail Sales YoY Jun	3.30%	12.70%	3.10%
	United States Empire Manufacturing Jul	-3.5	6.6	1.1
Tuesday	Canada CPI YoY Jun	3.00%	3.40%	2.80%
	United States Retail Sales Advance MoM Jun	0.50%	0.30%	0.20%
	United States Industrial Production MoM Jun	0.00%	-0.20%	-0.50%
	Japan Tertiary Industry Index MoM May	0.40%	1.20%	1.20%
Wednesday	United Kingdom CPI YoY Jun	8.20%	8.70%	7.90%
	United Kingdom CPI MoM Jun	0.40%	0.70%	0.10%
	United Kingdom CPI Core YoY Jun	7.10%	7.10%	6.90%
	United States MBA Mortgage Applications 41821	--	0.90%	1.10%
	United States Housing Starts Jun	1475k	1631k	1434k
Thursday	United States Initial Jobless Claims 42186	241k	237k	228k
	Australia Unemployment Rate Jun	3.60%	3.60%	3.50%
	Australia Employment Change Jun	15.0k	75.9k	32.6
	United States Leading Index Jun	-0.60%	-0.70%	-0.70%
Friday	United Kingdom Retail Sales Ex Auto Fuel MoM Jun	0.20%	0.10%	0.80%
	Japan Natl CPI YoY Jun	3.20%	3.20%	3.30%
	Canada CPI NSA MoM Jun	0.30%	0.40%	0.10%
	United States Existing Home Sales Jun	4.21m	4.30m	4.16m
	United Kingdom Retail Sales Inc Auto Fuel MoM Jun	0.20%	0.30%	0.70%
	United Kingdom Retail Sales Inc Auto Fuel YoY Jun	-1.60%	-2.10%	-1.00%

Source: Bloomberg, data accessed 24.07.23

Economic indicators (week beginning 24 July)

Day	Data Release	Consensus	Prior
Monday	France HCOB France Manufacturing PMI Jul P	46	46
	France HCOB France Services PMI Jul P	48.5	48
	United Kingdom S&P Global/CIPS UK Manufacturing PMI Jul P	46	46.5
	United States S&P Global US Manufacturing PMI Jul P	46.2	46.3
	France HCOB France Composite PMI Jul P	47.7	47.2
Tuesday	Germany IFO Business Climate Jul	88	88.5
	United States Conf. Board Consumer Confidence Jul	112	109.7
	Germany IFO Expectations Jul	83.5	83.6
Wednesday	United States FOMC Rate Decision (Upper Bound) 46204	5.50%	5.25%
	Australia CPI QoQ 2Q	1.00%	1.40%
	United States MBA Mortgage Applications 44378	--	1.10%
	United States New Home Sales Jun	725k	763k
	Australia CPI YoY 2Q	6.20%	7.00%
Thursday	United States Initial Jobless Claims 44743	235k	228k
	Italy Manufacturing Confidence Jul	99.8	100.3
	United States GDP Annualized QoQ 2Q A	1.80%	2.00%
	United States Durable Goods Orders Jun P	1.00%	1.80%
Friday	United States U. of Mich. Sentiment Jul F	72.6	72.6
	France CPI YoY Jul P	4.30%	4.50%
	Germany CPI YoY Jul P	6.20%	6.40%
	Japan Tokyo CPI Ex-Fresh Food YoY Jul	2.90%	3.20%
	Germany CPI MoM Jul P	0.30%	0.30%
	Japan Jibun Bank Japan PMI Mfg Jul P	--	49.8
	Germany HCOB Germany Manufacturing PMI Jul P	41	40.6
	United Kingdom Nationwide House PX MoM Jul	-0.30%	0.10%
	Australia Retail Sales MoM Jun	0.00%	0.70%
	United Kingdom Nationwide House Px NSA YoY Jul	-4.00%	-3.50%
	Italy Consumer Confidence Index Jul	107.3	108.6
	United States Personal Income Jun	0.50%	0.40%
	United States Personal Spending Jun	0.40%	0.10%
	France GDP QoQ 2Q P	0.10%	0.20%
	Canada GDP MoM May	0.30%	0.00%
Japan BOJ Policy Balance Rate 46935	-0.10%	-0.10%	

Source: Bloomberg, data accessed 24.07.23



Asset market performance

Index	Value	As at Friday close		YTD	
		CR	TR	CR	TR
MSCI UK GBP	2189	3.23%	3.23%	2.10%	4.43%
MSCI USA USD	4317	0.69%	0.69%	18.58%	19.33%
MSCI Europe ex UK EUR	186	0.60%	0.60%	11.18%	13.38%
MSCI AC Asia Pacific ex JPN USD	525	-1.77%	-1.74%	3.88%	5.63%
MSCI Japan JPY	1389	0.90%	0.90%	20.71%	22.12%
MSCI Emerging Markets USD	1015	-1.35%	-1.31%	6.09%	7.94%
Barclays Sterling Gilts GBP	219		1.50%		-2.92%
GOLD USD	1962	0.34%		7.56%	
WTI Oil USD	77	2.19%		-3.97%	
MSCI PIMFA Income		2.03%	2.05%	2.23%	3.60%
MSCI PIMFA Balanced		2.13%	2.15%	3.30%	4.66%
MSCI PIMFA Growth		2.31%	2.32%	4.77%	6.13%

Source: Bloomberg, MSCI; please see important information, data accessed 24.07.23

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



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