

Chief Investment Office

Weekly Market Commentary

For professional advisers only



In Summary

- This weekend's mutiny in Russia is likely to create further regional instability over the short and medium term
- Friday's US PCE inflation release will be watched for signs of a further easing in US price pressures
- Eurozone core CPI is expected to rise on Friday however the headline CPI rate should see significant falls

After a poorer week for equity performance, market attention quickly shifted to events in Russia over the weekend which will likely herald further political instability in Russia over the medium term. In terms of near term implications, this could either lead to President Putin escalating the Ukraine war to re-establish authority or leave a void which Ukraine may be able to utilise.

This Friday sees the release of the US Personal Consumption Expenditure (PCE) inflation which is released alongside a broader set of personal income and consumption data. The PCE data is preferred to the Consumer Price Index (CPI) data by the US Federal Reserve (the Fed), in part because it assumes a degree of substitution if one good or service surges in price. The core PCE reading (excluding food and energy) is expected to stay flat at 4.7% while the headline PCE reading is expected to fall from 4.4% to 3.8%. Given the importance of inflation expectations to the path of US interest rates, this will be closely watched as will the personal income and consumption components which will guide markets as to how long the current pace of US consumption can continue.

This week also sees the European CPI releases, with Italy starting the country-level releases on Wednesday before Friday's Eurozone data. In terms of the Eurozone data, the market expects Core CPI to rise from 5.3% to 5.5% and for the headline to fall from 6.1% to 5.6%. With this the last CPI number ahead of the July European Central Bank (ECB) meeting, this report will have significant implications for Eurozone interest rate policy.

The annual US bank stress test results are also due on Wednesday and will be of interest to the market given the regional banking crisis earlier in the year. The tests will include a 'severely adverse scenario' which will model a severe global recession combined with a sell-off in real estate and corporate debt markets. While the regulator will be keen to avoid further lack of confidence in the banking sector through banks failing the stress tests, the tests will need to be sufficiently tough to retain credibility.



Economic indicators (week beginning 19 June)

Day	Data Release	Consensus	Prior	Actual
Tuesday	Japan Industrial Production MoM Apr F	--	-0.40%	0.70%
	United States Housing Starts May	1400k	1401k	1631k
Wednesday	United Kingdom CPI YoY May	8.40%	8.70%	8.70%
	United Kingdom CPI MoM May	0.50%	1.20%	0.70%
	United Kingdom CPI Core YoY May	6.80%	6.80%	7.10%
	United States MBA Mortgage Applications 42522	--	7.20%	0.50%
Thursday	United Kingdom Bank of England Bank Rate 44713	4.80%	4.50%	5.00%
	United States Initial Jobless Claims 42887	255k	262k	264k
	United States Existing Home Sales May	4.25m	4.28m	4.30m
Friday	Australia Westpac Leading Index MoM May	--	0.00%	-0.30%
	France HCOB France Manufacturing PMI Jun P	45.3	45.7	45.5
	Japan Jibun Bank Japan PMI Mfg Jun P	--	50.6	49.8
	Germany HCOB Germany Manufacturing PMI Jun P	43.5	43.2	41
	United Kingdom S&P Global/CIPS UK Manufacturing PMI Jun P	46.8	47.1	46.2
	United States S&P Global US Manufacturing PMI Jun P	48.5	48.4	46.3
	Japan Natl CPI YoY May	3.20%	3.50%	3.20%
	France HCOB France Services PMI Jun P	52.1	52.5	48
	France HCOB France Composite PMI Jun P	51	51.2	47.3
	United States Leading Index May	-0.80%	-0.60%	-0.70%
	United Kingdom Retail Sales Inc Auto Fuel MoM May	-0.20%	0.50%	0.30%
United Kingdom Retail Sales Inc Auto Fuel YoY May	-2.50%	-3.00%	-2.10%	

Source: Bloomberg, data accessed 26.06.23



Economic indicators (week beginning 26 June)

Day	Data Release	Consensus	Prior
Monday	Germany IFO Business Climate Jun	90.7	91.7
	Germany IFO Expectations Jun	88.1	88.6
Tuesday	Italy Manufacturing Confidence Jun	101	101.4
	Canada CPI YoY May	3.40%	4.40%
	United States Conf. Board Consumer Confidence Jun	104	102.3
	United States Durable Goods Orders May P	-0.90%	1.10%
	United States New Home Sales May	675k	683k
	Canada CPI NSA MoM May	0.40%	0.70%
	Italy Consumer Confidence Index Jun	105.5	105.1
Wednesday	Italy CPI EU Harmonized YoY Jun P	6.80%	8.00%
	Italy CPI EU Harmonized MoM Jun P	0.10%	0.30%
Thursday	United States Initial Jobless Claims 45444	265k	264k
	United States GDP Annualized QoQ 1Q T	1.40%	1.30%
	Germany CPI YoY Jun P	6.30%	6.10%
	Germany CPI MoM Jun P	0.20%	-0.10%
	Australia Retail Sales MoM May	0.10%	0.00%
	United Kingdom Mortgage Approvals May	49.5k	48.7k
Friday	Japan Industrial Production MoM May P	-1.00%	0.70%
	Japan Jobless Rate May	2.60%	2.60%
	United Kingdom GDP QoQ 1Q F	0.10%	0.10%
	United States U. of Mich. Sentiment Jun F	63.9	63.9
	United Kingdom GDP YoY 1Q F	0.20%	0.20%
	France CPI YoY Jun P	4.60%	5.10%
	China Manufacturing PMI Jun	49	48.8
	Japan Tokyo CPI Ex-Fresh Food YoY Jun	3.40%	3.20%
	United States MBA Mortgage Applications 45078	--	0.50%
	United Kingdom Nationwide House PX MoM Jun	-0.20%	-0.10%
	Japan Job-To-Applicant Ratio May	132.00%	132.00%
	United Kingdom Nationwide House Px NSA YoY Jun	-4.00%	-3.40%
	United States Personal Income May	0.40%	0.40%
United States Personal Spending May	0.20%	0.80%	
Germany Unemployment Change (000's) Jun	15.0k	9.0k	
Canada GDP MoM Apr	0.20%	0.00%	
United States MNI Chicago PMI Jun	44	40.4	

Source: Bloomberg, data accessed 26.06.23



Asset market performance

Index	Value	As at Friday close		YTD	
		CR	TR	CR	TR
MSCI UK GBP	2134	-2.34%	-2.30%	-0.48%	1.70%
MSCI USA USD	4130	-1.45%	-1.44%	13.44%	14.09%
MSCI Europe ex UK EUR	180	-2.84%	-2.81%	8.05%	10.13%
MSCI AC Asia Pacific ex JPN USD	514	-4.21%	-4.12%	1.66%	2.83%
MSCI Japan JPY	1392	-1.84%	-1.84%	20.99%	22.28%
MSCI Emerging Markets USD	992	-3.70%	-3.60%	3.72%	4.93%
Barclays Sterling Gilts GBP	217		0.73%		-3.76%
GOLD USD	1921	-1.88%		5.33%	
WTI Oil USD	69	-3.65%		-13.83%	
MSCI PIMFA Income		-1.15%	-1.12%	-0.13%	1.07%
MSCI PIMFA Balanced		-1.26%	-1.23%	0.77%	1.97%
MSCI PIMFA Growth		-1.55%	-1.52%	1.87%	3.07%

Source: Bloomberg, MSCI; please see important information, data accessed 26.06.23

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



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